



*European Economic and Social Committee*

**CCMI/019**  
**Social dialogue and**  
**industrial change**

Brussels, 29 September 2005

**OPINION**

of the

European Economic and Social Committee

on

**Social dialogue and employee participation, essential for anticipating and  
managing industrial change  
(own-initiative opinion)**

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On 1 July 2004 the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

*Social dialogue and employee participation, essential for anticipating and managing industrial change.*

The Consultative Commission on Industrial Change, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 12 September 2005. The rapporteur was Mr Zöhrer.

At its 420th plenary session, held on 28 and 29 September 2005 (meeting of 29 September), the European Economic and Social Committee adopted the following opinion by 138 votes to two with seven abstentions:

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## 1. **Introduction and objectives**

- 1.1 Industrial change is a constant process in which an industrial sector adapts to changing conditions in its economic environment in order to remain competitive and create growth opportunities.
- 1.2 Thus, industrial change is a necessary adaptation to shifts in markets, technologies, legal or social conditions, economic policy, and society in general. Ideally, such shifts are anticipated or deliberately brought about so that the sector concerned can take a proactive position, effect a gradual process of adaptation and minimise the negative impacts of the adaptation process.
- 1.3 If there is no response to change, or the response comes too late, this will generally lead to a loss of competitiveness and the threat of job cuts. Restructuring that is carried out only in response to change usually has painful effects, especially for employment and working conditions. Poorly managed restructuring may result in a loss of image for the company or for an entire sector, and create a general mood of resistance to change.
- 1.4 Whatever form it takes, industrial change is an ongoing process in the economy, but one which can and must essentially be shaped by stakeholders. It takes place in companies, affecting everyone connected with them (workers, employers, regions, etc.)
- 1.5 The success of this process can be measured by the competitiveness and ability to innovate of the companies or sector concerned on the one hand, and the safeguarding of jobs and the social management of adverse repercussions on the other.

- 1.6 Certainly, this can work most effectively if those affected are involved in managing change. The fact that change is managed at every level of sectors and companies, not just at management level, is not only significant in terms of a successful consensus-based adaptation process, but is also an important condition for competitiveness. Both social dialogue and worker involvement and participation are thus important elements of the European social model.
- 1.7 A review of recent European Commission initiatives relating to industrial policy demonstrates the increasing importance it attaches to identifying synergies and involving stakeholders in achieving structural change. Such measures can allow industrial change to be managed in a socially acceptable way if the social partners are systematically involved in anticipating and managing change, and the dual objective of making businesses competitive and minimising the negative social impact is consistently pursued.
- 1.8 In its opinion on *Industrial change: current situation and prospects*<sup>1</sup>, the Committee recommended that the future work of the CCMI should include the following areas:
- seeking positive common approaches to anticipating and managing industrial change and seeking ways in which the EU and the Member States can improve firms' competitiveness and profitability, encouraged by social dialogue and cooperation between all the parties concerned;
  - seeking common approaches to promoting sustainable development and improving social and territorial cohesion, in order to give an impetus to the Lisbon strategy, and promoting a framework and conditions allowing industrial change to take place in a way compatible both with firms' need for competitiveness and with economic, social and territorial cohesion<sup>2</sup>.
- 1.9 Of course, managing change successfully involves numerous measures at various levels. At Community level, change must be approached from a horizontal perspective and flanked by a range of measures (for example, relating to macroeconomic conditions, employment and social policy, financial support instruments, industrial policy etc.).
- 1.10 The purpose of this opinion is to highlight the importance of social dialogue, and of worker involvement and participation, as the key to effective management of industrial change, and to draw conclusions for the future development of social dialogue and Community measures.

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<sup>1</sup> CESE 1180/2003 (CCMI/002); rapporteur: Mr Van Iersel; co-rapporteur: Mr Varea Nieto.

<sup>2</sup> Ibid, point 1.7.

## 2. **The contribution of social dialogue to managing industrial change**

- 2.1 Social dialogue takes place at various different levels and involves various different players. Each level, whether national, regional, European, company, sectoral or cross-sectoral, can make an important contribution of its own to preparing for change and managing its impact in a socially acceptable way. However, in order to fulfil its function, social dialogue must meet certain conditions, and there must be coordination between the various levels on which action takes place.
- 2.1.1 To manage change with foresight, the social partners must develop joint long-term objectives. This requires a consolidated and trust-based partnership and culture of dialogue, on the basis of which long-term approaches as well as consensual solutions can be achieved in times of crisis. The existence of representative and stable structures in the organisations of the social partners is an important prerequisite for action.
- 2.1.2 It is thus also of crucial importance to support the new Member States in developing and strengthening the machinery of social dialogue, in order to jointly meet the challenges of industrial change resulting from the integration process.
- 2.1.3 In order to promote a positive attitude to change, it is important at an early stage to come to a shared understanding of what change actually means and of social partners' scope to shape it by creating a business culture geared to participation. At the same time, long-term preparations for change can be made through measures such as basic training, multi-skilling and lifelong learning. These measures should also specifically pursue the goal of worker employability.
- 2.2 At a hearing held by the Commission in January 2002, the social partners discussed the issue of restructuring, its consequences and how to manage them. Case studies were used to demonstrate best practice. The social partners then produced "reference guidelines for managing change". The Committee would like to see this work being continued and put into practice.
- 2.3 In order to anticipate change, information is required about its causes and correlations. Regular exchanges between the social partners on the outlook for their sectors and companies are therefore essential. The European Monitoring Centre on Change of the Dublin-based Foundation for the Improvement of Living and Working Conditions has an important role to play here.
- 2.4 In addition, sector-specific EU initiatives are of great importance; these recommend specific measures to achieve and maintain competitiveness, based on an analysis of the current position and future prospects of a particular sector through an extensive consultation process involving the social partners.

2.5 Sectoral social dialogue was first initiated at European level by the ECSC Treaty. Continuous social dialogue, conducted under ECSC auspices and involving ongoing market monitoring, research and innovation programmes, price and competition policies, and measures to help workers and regions to adapt, has demonstrated that industrial change and restructuring can be managed in a socially acceptable manner. Today too, change should be managed using all the tools available under the Treaties.

2.5.1 Even after expiry of the ECSC Treaty, current European sectoral dialogue – conducted through sectoral social dialogue committees - would do well to take this comprehensive approach on board. These committees could then, in addition to debating social issues, play a stronger role as consultative bodies for all EU initiatives impacting on the industrial development of a given sector.

### 3. **Including and involving workers and their importance for industrial change**

3.1 Industrial change has implications for workers, ranging from the need to obtain new qualifications due to technological innovations and changes in work organisation and working conditions to loss of employment. It is therefore crucial that workers should be able to adapt to these different conditions and that the right measures be taken to minimise any negative impact on them while optimising the positive effects. At the same time, it is also important for workers to be informed of change in good time and in an appropriate manner, and to be able to be involved in this process.

3.2 This is the only way to ensure that change takes place and is accepted - not just at company management level but also in the minds of workers. If industrial change cannot be managed in a way that is socially acceptable for workers, then conflict will ensue.

3.3 The inclusion and involvement of workers and their in-house representatives and trade unions is therefore crucial to managing change in a socially acceptable way and maintaining employability, and thus to avoiding conflict. Ideally companies should develop into interactive entities that operate pro-actively. This promotes innovation and ultimately also a company's competitiveness.

3.4 Given that business decisions are increasingly taken in a global business context, and often within multinational companies, transnational channels of worker representation are becoming much more important as an adjunct to the opportunities and facilities for worker involvement available at national level.

3.5 European works councils have a special role to play here. There are already some examples of agreements on restructuring measures reached by companies with European works councils. There are also examples of agreements reached with European trade union

federations. This experience can certainly be considered positive, since there is a risk especially in international companies that reducing the social impact in one place will have an adverse effect on another.

3.6 Clearly, transnational social dialogue is continuing to forge ahead at company level. However, the Committee has to say that this trend does raise certain issues for those involved. Agreements reached in this way lack a watertight legal framework to settle questions of legal enforceability and pay due regard to the rights and traditional roles of the social partners, i.e. employers and authorised employee representatives. The same also applies to the proposal to provide an optional framework for transnational collective bargaining announced by the Commission in its Communication on the Social Agenda for the 2005-2010 period.

3.7 The Committee is aware that instruments and systems for employee participation among SMEs are not as well developed as those in larger companies. However, we believe that even if conditions are not the same, a partnership-based approach is very important for managing change in these smaller companies as well.

#### 4. **Community policy with regard to industrial change**

##### 4.1 *Legislation*

4.1.1 A great deal of Community legislation already has a direct or indirect bearing on industrial change and restructuring, and the impact thereof. There are various directives on information and consultation rights, the protection of workers from the consequences of restructuring (European works councils, European companies, legislative frameworks for informing and consulting employees at national level, employer insolvency, transfer of undertakings, collective redundancies, the right to be consulted in competition proceedings).

4.1.2 All of this legislation relates either to a very general framework for informing and consulting employees or to specific consequences of change or restructuring, and, to a large extent, the individual provisions can be applied independently of one another. Building on these foundations, the Committee feels that Community law must be assessed, consolidated and, if need be, further developed in order to anticipate change.

##### 4.2 *Industrial policy*

4.2.1 The Commission launched a new era in European industrial policy with its Communication on *Fostering structural change: an industrial policy for an enlarged Europe* of April 2004<sup>3</sup>. In its opinion of December 2004, the Committee welcomed the Commission's strategy. Once

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<sup>3</sup> COM(2004) 274 final, 20.4.2004.

again, it should be emphasised that the Commission has brought about a paradigm shift, putting industrial policy back right at the top of the European agenda.

4.2.2 The Committee's main concern now is to deepen the sectoral approach, enabling tailor-made solutions for individual sectors to be found. It is important not only to look at sectors which are in crisis, but also to analyse as many sectors of European relevance as possible, in order to respond to change at an early stage and manage it proactively. Social dialogue has a special role to play here.

#### 4.3 *Social dialogue*

4.3.1 At its spring summit in 2004, the European Council called on the Member States to build "partnerships for change" involving the social partners, civil society and public authorities.

4.3.2 In view of this and of the mid-term review of the Lisbon strategy, the Commission has published a Communication entitled *Partnership for change in an enlarged Europe - Enhancing the contribution of European social dialogue*<sup>4</sup>.

4.3.3 The purpose of this Communication is to promote awareness and understanding of the results of the European social dialogue, to improve their impact, and to promote further developments based on effective interaction between different levels of industrial relations.

4.3.4 In its Communication, the Commission demands that social dialogue should yield tangible results. It therefore recommends that social partners should publicise texts issued by them more forcefully, make them clearer and more effective (for example by using easily comprehensible language), ensure that they are followed up, and standardise categories of text. In this connection it should be pointed out that the effectiveness of European social dialogue is increasingly dependent on the quality of labour relations at national level.

4.3.5 In its Communication, the Commission puts forward a series of proposals to enhance synergies at different levels (European, national, sectoral, company) and to strengthen the structures of social dialogue while boosting its effectiveness and impact.

4.3.6 The Committee does not at this time intend to comment on the Commission's proposals in any more detail, since the initial response should come from the social partners, as autonomous agents.

4.3.6.1 However, it does welcome all efforts to promote social dialogue, particularly in the new Member States, where there is still significant ground to make up. The Committee notes that in relation to training, for example, a great deal of work still needs to be done to strengthen

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<sup>4</sup> COM(2004) 557 final.

infrastructure and provide technical support, particularly in terms of funding. Hence, the Commission's proposal to allocate a part of the resources in the Structural Funds for this purpose seems both logical and coherent.

In the new Member States, restructuring processes result in considerable job losses and largely involve privatisation. Effective social dialogue is needed to negotiate appropriate and legally enforceable social packages before these processes begin.

4.3.6.2 The Committee also supports the Commission's intention to encourage new sectors to launch a social dialogue and to contribute to the achievement of the Lisbon objectives.

#### 4.4 *Restructuring and employment*

4.4.1 Both the Social Agenda adopted on 9 February 2005, and the Communication on the review of the sustainable development strategy envisage that the Commission will develop a strategy for managing restructuring operations focused on improved interaction between the relevant European policies, greater involvement of the social partners, enhanced synergy between policies and financial levers and the adaptation of the frameworks of legislation and wage agreements.

4.4.2 The Commission's Communication of 31 March 2005 on *Restructuring and employment*<sup>5</sup> sets out the measures to be developed or strengthened in relation to the various means that the Union can mobilise to this end through cross-cutting and sectoral action. It also proposes a range of measures in various EU policy areas.

4.4.3 The Committee will draw up a separate opinion on this Communication. At all events, it welcomes the broad multidisciplinary approach chosen by the Commission. From the perspective of the current opinion, several of the Commission's proposals are of particular relevance.

4.4.3.1 Particular emphasis should be placed on strengthening sectoral social dialogue. The Committee shares the Commission's view that the social partners, given their special knowledge of the sectors concerned, have a role to play in alerting the authorities. However, this option should not be restricted to times of crises nor to "particularly worrying developments", but should apply to any situation in which the social partners consider that there is a need for action. This would be more in keeping with the objective of anticipating and accompanying restructuring.

4.4.3.2 The Committee awaits with interest the planned Communication on corporate social responsibility which will focus in particular on positive initiatives being taken by firms and

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<sup>5</sup> COM(2005) 120 final.



the various stakeholders to address restructuring. After all, it is a matter not only of developing the legal foundations, but also going beyond that, of publicising and promoting good practice in the management of change. In particular, the Committee would point out that those indirectly affected by the restructuring of individual undertakings (e.g. suppliers, service providers, etc.) should also be taken into consideration.

4.4.3.3 The Committee also welcomes the establishment of a “restructuring” forum, whose mission is to monitor the relevant changes and to ensure that the various initiatives are properly dovetailed. The forum brings together the Commission, the other European institutions, the social partners and outside specialists. This is consistent with the cross-cutting approach followed in the Communication. The Committee is happy to work with this forum and will bring its expertise to bear.

4.4.3.4 The Commission is also planning a second phase of consultation of the European social partners on company restructuring and European works councils. As mentioned in points 2.2, 3.5 and 3.6 above, the Committee feels there is a need for action on these issues.

## 5. **Conclusions**

5.1 Europe needs to face up to the key challenge of successfully managing industrial change while at the same time maintaining and restoring competitiveness to businesses and sectors; this in turn makes a decisive contribution to achieving the objectives of the Lisbon process.

The success of this process of change is measured not only in terms of the competitiveness of a company or sector, but also of safeguarding jobs and managing the adverse social impact.

5.2 Alongside a range of measures at various levels, social dialogue and the inclusion and involvement of workers are crucial to the successful management of industrial change.

5.3 Social dialogue needs to build on consolidated, trust-based partnerships and a culture of dialogue, marked by effective representation and stable structures. The Committee welcomes all efforts to promote social dialogue, particularly in the new Member States, where there is still significant ground to make up.

5.4 The social partners need to be given stronger analytical tools. The European Monitoring Centre on Change of the Dublin-based Foundation for the Improvement of Living and Working Conditions has an important role to play here.

5.5 Sector-specific EU initiatives are of great importance; these make specific recommendations for measures to achieve and maintain competitiveness, based on an analysis of the current position and future prospects of a particular sector through an extensive consultation process involving the social partners. The Committee therefore supports the Commission’s intention

to encourage new sectors to launch a social dialogue and to contribute to achievement of the Lisbon objectives.

- 5.5.1 It is important, however, not only to look at sectors which are in crisis, but also to analyse as many sectors of European relevance as possible, in order to respond to change at an early stage and manage it proactively.
- 5.6 The inclusion and involvement of workers and their representatives and trade unions is therefore crucial to managing change in a socially acceptable way at company level. Among other things, this promotes a company's innovation and, ultimately, its competitiveness as well.
- 5.7 European works councils have a special role to play here. Transnational social dialogue at company level is clearly forging ahead, as shown by the example of agreements on restructuring measures reached by companies with European works councils and/or European trade union federations. The same also applies to the proposal to provide an optional framework for trans-national collective bargaining announced by the Commission in its Communication on the Social Agenda for the 2005-2010 period.
- 5.8 The Committee welcomes the broad, multidisciplinary approach chosen by the Commission in its Communication of 31 March 2005 on *Restructuring and employment*<sup>6</sup>. Particular emphasis should be placed on strengthening the sectoral social dialogue, which can do much to anticipate and accompany restructuring processes.
- 5.8.1 The Committee awaits with interest the planned Communication on corporate social responsibility.
- 5.8.2 The Committee is happy to work with the restructuring forum and will bring its expertise to bear.

Brussels, 29 September 2005.

The President  
of the  
European Economic and Social Committee

The Secretary-General  
of the  
European Economic and Social Committee

Anne-Marie Sigmund

Patrick Venturini

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<sup>6</sup> COM(2005) 120 final.