



European Economic and Social Committee

SOC/577

Social dialogue for innovation in digital economy

OPINION

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[own-initiative opinion]

Rapporteur: **Jukka AHTELA**

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1. **Conclusions and recommendations**

- 1.1 Innovation is an important factor of competitiveness, productivity and the growth potential of companies that can also boost the quality of work and creation of employment and improve living standards. Tapping the full potential of innovation requires the involvement and motivation of workers including through social dialogue. This should be supported by an innovation-friendly political and regulatory environment in all Europe.
- 1.2 Digitalisation together with other developments affecting working conditions, the economic situation of workers and working life is challenging existing company structures, methods of management and leadership, labour relations as well as the scope and methods of social dialogue.
- 1.3 Knowledge work is becoming mainstream in all spheres of the world of work. Information technology and especially digitalisation enable decoupling of time and place from work. The development towards skills- and knowledge-based work enhances the autonomy of knowledge workers while a tendency to polarisation between highly qualified knowledge work and less potentially productive work can be discerned. In order to counter the rise in economic insecurity that is partly driven by digitalisation, collective bargaining should be promoted at all levels, especially in sectors and businesses that are affected by digitalisation. This can contribute to new forms of digitalised work organisation that improve rather than deteriorate job quality¹.
- 1.4 While the development towards enhanced autonomy of a number of workers challenges management structures and leadership methods it also necessitates new forms of dialogue, provision of information and consultation as well as worker contribution to the management methods. New participative approaches are needed to engage the maximum of human resources in the innovation and development processes.
- 1.5 The EESC stresses the importance of ensuring the widest possible understanding of the benefits and challenges which will accrue to employees from the adoption of new approaches in workplace culture, in terms of security and quality of employment and working conditions, including health and safety and training. Genuine support and involvement of employees requires serious and dedicated efforts at all levels.
- 1.6 Social dialogue and notably collective bargaining between social partners prevail as key tools if they are involved from the outset (see 5.1 and 5.5) when introducing new technologies in a spirit of trust between personnel and management. Within their autonomy and without undermining key principles of existing structures the social partners should continue to find new solutions for the social dialogue, notably negotiations, adapted to tackle new challenges in order to deliver balanced solutions and maintain meaningfulness and sense of purpose of the role of social partners at all levels.

¹ [OJ C 13, 15.1.2016, p. 161](#)

- 1.7 New forms of fragmented work, and the rise in the number of atypical workers, mean that these workers need to be involved by informing and consulting them to a greater extent, as well as by adjusting collective rights, working time arrangements and social rights².
- 1.8 As the EESC has previously pointed out, trade union representation and collective bargaining for workers in some new forms of work are being called into question³. We therefore need to remove the obstacles preventing people from asserting the fundamental rights guaranteed by the Charter of Fundamental Rights of the European Union and the ILO conventions⁴.
- 1.9 The EESC endorses the view that the probability of innovation is boosted when strong work organisation structures are combined with various forms of increased employee participation within a solid legal and contractual framework. With this aim collective representation needs to be increasingly accompanied by a more inclusive, reflective and democratic dialogue in work structures and methods. The importance of training in social dialogue for management in order to adapt management methods in the new context should equally be taken into account. The EESC also stresses the need to promote a business friendly environment allowing companies to grow and to be competitive.
- 1.10 A trusting relationship between employee representation, trade unions and management, in combination with direct employee participation in decision-making, see 6.7, is associated with higher levels of performance and well-being and created a positive environment for innovative action. Participative change nourishes an environment of trust between management, workers and trade unions⁵. It is essential to have workers' (and their trade unions') trust and contributions at all relevant levels and in all relevant bodies – be it at local level and/or on management or supervisory boards. It is vital that they participate in anticipating, managing and taking decisions on the changes that are taking place in order to address the effects of digital change and create an attitude and culture geared to innovation⁶.
- 1.11 At national level initiatives by social partners to enhance the productivity and well-being of workers at workplace level are a promising method, that should be promoted in a wider European context. In this regard the EESC welcomes the initiatives and research of Eurofound and the European Workplace Innovation Network and proposes that the EU take action to develop the dialogue between social partners and other stakeholders in the context of participative approaches to promote workplace innovation.

² [OJ C 434, 15.12.2017, p. 36](#) and [As Marianne Thyssen noted at the joint ETUI/ETUC conference in June 2016 on "Shaping the new world of work"](#)

³ [OJ C 303, 19.8.2016, p. 54.](#)

⁴ [Articles 12 and 28 of the Charter, and ILO conventions No 87 and 98; see also below, points 3.2 et seq.](#)

⁵ [3rd European Company Survey: "Innovative changes in European companies"](#). Eurofound, 2017.

⁶ [OJ C 434, 15.12.2017, p. 30](#)

2. Introduction

- 2.1 Innovation is an important factor of competitiveness, productivity and the growth potential of companies. Tapping the full potential of innovation requires the involvement and motivation of workers. Innovation activities put European workplaces in a better position to compete internationally and hence to create a solid basis for quality employment and are thus a key to higher living standards. All this should be supported by an innovation-friendly political and regulatory environment in Europe.
- 2.2 Digitalisation is a key innovation driver. Digitalisation of industry and services offers enormous potential e.g. in terms of automatisisation, processing technologies, increased productivity and mutually beneficial flexibility. Investing in education and training in an inclusive way with a view to ensure the skills needed in the digital economy is also an important tool to reduce inequalities and to reap the benefits of this potential for all, in workplaces and society at large. The public sector has a crucial responsibility in modernising public education and fostering the skills needed and in contributing to a high-quality business environment. At the same time, business and industry should also play their role and contribute to facilitate workers having access to vocational training and life-long learning. The gender perspective must be at the core of all digital initiatives fostering full integration of women in the digital economy to reduce the gender pay gap and promote work-life balance.
- 2.3 Despite rapidly declining ICT prices, a shift from ICT investment to ICT services and a continued increase in knowledge-based assets there is little indication that the new digital economy has boosted productivity growth. International studies suggest that the new digital economy is still in its "installation phase" and productivity effects may occur only once the technology enters the "deployment phase"⁷. Also the reflection of the shift from more productive to less productive forms of employment in national statistics may be hiding the full contribution of ICT to growth as the contribution of ICT to productivity and employment can vary considerably from branch to branch.
- 2.4 The world of work is facing changes which will have a profound impact on employers, workers and their contractual employment relationships. Some of these changes take place outside companies, such as outsourcing, whereas many changes take place inside companies, such as moving towards flexible working time and agile forms of work. These developments, taking place in the framework based on legislation and collective agreements, are challenging existing company structures, methods of management and leadership as well as the scope and methods of social dialogue, with implications for security and quality of employment too. However, social dialogue and negotiations between social partners can and should prevail as key tools if they are adjusted to changes and involved upstream (see 5.1), from the outset, when introducing new technologies in a spirit of trust. The European social partners issued a joint statement on [digitalisation in 2016](#)⁸.

⁷ ["The Productivity Paradox of the New Digital Economy"](#), Bart van Ark (The Conference Board and the University of Groningen, International Productivity Monitor, 2016 pp. 3-18.

⁸ [Statement by the European Social Partners on digitalisation.](#)

2.5 This opinion aims to clarify and establish links between skills and the role of workers as a contributor to innovation processes, increased productivity and well-being of workers on the one hand, and the need to establish well-functioning workplace practices to support and promote these objectives on the other.

3. **What is at stake: the challenges of innovation culture at the workplace**

3.1 There is an urgent need to adapt company structures and working methods to the digital economy. Finding new ways to enhance productivity in the digital era is a challenge for all stakeholders. Continuous innovation activity with a view to tap the potential of human resources while at the same time promoting the well-being of workers is key in finding solutions for these challenges. Social dialogue, notably negotiations at local level, can play a key role in facilitating innovation and adaptation processes.

3.2 Digitalisation has a profound impact both on existing organisations and on emerging new ones in terms of how company activities and work will be organised. While traditional forms of work may be largely maintained we can already now distinguish the impact of digitalisation on the new working methods such as rapidly increasing distance work in many sectors with increased autonomy for a number of workers.

3.3 Knowledge work is becoming mainstream in all spheres of the world of work. Information technology and especially digitalisation enable decoupling of time and place from work. This development towards skills- and knowledge-based work enhances the autonomy of knowledge workers, while a tendency to polarisation between highly qualified knowledge work and less potentially productive work with diminished tasks can be discerned.

3.4 The trend towards more autonomy that digitalisation offers some workers represents a challenge for businesses, their constituent bodies and their governance, as well as for management methods and businesses' traditional hierarchies. It also presents a challenge for working conditions, the economic situation of workers, and labour relations. These changes mean that more forms of social dialogue, information and consultation, and strong worker participation are needed. Workers can provide their own input into innovation and development processes that are beneficial to their company and its stakeholders⁹. Therefore the social partners should seek solutions so as to ensure the coexistence of traditional forms and innovative approaches of social dialogue.

4. **How can innovation culture be enhanced at the workplace?**

4.1 While the development towards enhanced autonomy of a number of workers challenges management structures and leadership methods it also necessitates new forms of dialogue, provision of information and consultation as well as worker contribution to the management methods of the company. New approaches are needed to engage the maximum of human resources in the innovation and development processes of the company.

⁹ [OJ C 434, 15.12.2017, p. 30.](#)

- 4.2 However, bringing workers to the core of the innovation processes of the workplace does not always call for major organisational changes. A number of simple tools can be used for this purpose, but the main tool to achieve this should be collective bargaining and social dialogue in line with the needs of the specific workplace. Self-sustaining teams, experimental workshops, suggestion boxes and interdisciplinary project groups are just some examples. A common feature is a workplace culture that encourages workers' inventiveness; and such a workplace culture can only be based on mutual trust between management and personnel.
- 4.3 The importance of ensuring the widest possible understanding of the benefits which will accrue to employees from the adoption of new approaches in workplace culture, in terms of security and quality of employment and working conditions should be highlighted. The risks for workers for example in terms of working conditions, health and safety protection, economic insecurity, and increased polarisation must also be addressed. Genuine support and involvement of employees and trade unions should be promoted at all levels and requires serious and dedicated efforts at all levels of organisation to avoid a mere "box-ticking" method.
- 4.4 An innovation culture at the workplace implies that the individual worker not only focuses on performing his or her duties but also considers whether these duties could be performed in a continuously improved way. Furthermore, an innovation culture implies that management listens actively to workers' ideas and encourages them to take part in innovation processes¹⁰.
- 4.5 Increasing autonomy of workers in the framework of innovation and development activities of companies is a major opportunity to draw on workers' skills. The same applies to flexibility in working time and locations, which functions more effectively if innovative approaches to organising work are based on locally agreed arrangements based on mutual trust. All of this requires a modern leadership culture within a solid legal and contractual framework based on participatory approaches, which should also be promoted at EU level.

5. **The role of various forms of social dialogue**

- 5.1 One of the main functions of the social dialogue, notably collective bargaining, is to contribute to shaping the business environment and managing change in working life, by provision of information, anticipation, participation and facilitation, to build up mutual trust between social partners at all levels, an objective of the European Union, implemented according to national practices.
- 5.2 In several opinions, the EESC has reiterated the key part played by social dialogue in the changing world of work¹¹. Social dialogue must play a leading role at all relevant levels and must fully respect the social partners' autonomy.

¹⁰ ["Employee-driven innovation"](#), Danish Confederation of Trade Unions, 2007.

¹¹ [OJ C 125, 21.4.2017, p. 10, OJ C 303, 19.8.2016, p. 54.](#)

- 5.3 However, considering the challenges and the accelerating speed of changes there is a clear need to adapt the structures and objectives of the social dialogue to the continuous flow of changes while respecting legal and contractual national and European frameworks. This is a challenge for the social partners at all levels. Within their autonomy and without undermining key principles of existing structures the social partners should continue to find new solutions for the social dialogue, notably negotiations, adapted to tackle new challenges in order to deliver balanced solutions and maintain meaningfulness and sense of purpose of the role of social partners at all levels. Partnership with local communities can also be a source of inspiration for social partners.
- 5.4 The EESC stated, "it is not yet possible to predict the full range of opportunities and challenges that the digital economy will bring. The role of social and civic dialogue is not to oppose these transitions, but rather to steer them in the best way possible for reaping the full range of benefits they can bring for growth, the promotion of innovation and skills, good jobs and the sustainable, solidarity-based financing of social protection¹²."
- 5.5 Regarding transition management in a digitalised world of work, it is important to count on smooth decision-making processes so that companies and workers could rapidly adapt to a changing environment. The EESC has stated that "[i]n connection with the introduction of new technologies such as robots and smart machines, the EESC highlights in its study the importance of informing and consulting workers' representatives in advance and the need for collective bargaining to accompany the changes generated by these technologies. It also points out that the directive on European works councils makes such consultation mandatory"¹³.
- 5.6 Furthermore, the EESC has given examples where activities of social partners have led to solutions to challenges that have arisen in this period of transition¹⁴. A further example is the collective agreement between the digital platform for cleaning services Hilfr and trade union 3F in Denmark¹⁵. The EU should encourage such activities by promoting social dialogue and supporting capacity building of social partners.

6. **Main findings in support of new approaches to boost innovation**

- 6.1 As highlighted in a recent Eurofound study¹⁶, companies that encourage their employees to participate in broad decision-making around operations or strategic direction can not only improve job satisfaction, but also raise the level of innovation. Participative change nourishes an environment of trust between management, workers and trade unions. It is essential to have workers' (and their trade unions') trust and contributions at all relevant levels and in all relevant bodies – be it at local level and/or on management or supervisory boards. It is vital that they participate in anticipating, managing and taking decisions on the changes that are taking place in

¹² [Idem footnote 3.](#)

¹³ Idem footnote 3.

¹⁴ Idem footnote 3.

¹⁵ [Hilfr collective agreement.](#)

¹⁶ [3rd European Company Survey: "Innovative changes in European companies"](#). Eurofound, 2017.

order to address the effects of digital change and create an attitude and culture geared to innovation¹⁷.

- 6.2 According to Eurofound the probability of innovation is boosted when strong work organisation structures are combined with direct employee participation (for example, involvement in solving problems or improving the quality of production)¹⁸. This observation tallies with the suggestion that while collective representation plays an important role in securing worker involvement in innovation processes there is an increasing need for more inclusive and democratic dialogue based on involvement of workers in the process of reflection. The methods of social dialogue should in this spirit facilitate the sharing and realising of the collective expertise of all organisational members, be they workers, their representatives or managers¹⁹.
- 6.3 Equally, the Eurofound analysis revealed that access for employees to training was linked positively to innovation. As the EESC has already pointed out, work should give those who perform it the satisfaction of giving the fullest measure of their skill and attainments and making their greatest contribution to the common wellbeing²⁰.
- 6.4 Motivation, in the form of financial incentives such as variable pay, was also positively linked to innovation in the Eurofound study. It was also found that the more innovative organisations experienced better company performance and greater workplace well-being. These innovative companies tended to have strong employee participation practices in place.
- 6.5 Trusting type of social dialogue is important for performance and well-being according to Eurofound. Levels of performance and workplace well-being were well below average in establishments where disputes and industrial action had taken place. A trusting relationship between employee representation and management, in combination with direct employee participation, was associated with higher levels of performance and well-being and created a positive environment for innovative action²¹. The EESC stresses the importance of training for management to adapt the management methods in the new context.
- 6.6 A culture of trust is also an important competitive factor for companies. When complex issues of digitalisation are addressed in a workplace the culture of trust is a solid basis for successful cooperation, contrary to the culture of control and compliance²².
- 6.7 As stated by Eurofound: "There is no recipe for creating trust in a workplace, but there are certain conditions that favour its emergence. These include mutual recognition for the two parties in charge of finding solutions to common problems, timely intervention that allows room

17 [OJ C 434, 15.12.2017, p. 30](#)

18 Idem footnote 10.

19 "[Workplace Social Dialogue as a Form of 'Productive Reflection'](#)". Peter Cressey, Peter Totterdill, Rosemary Exton; International Journal of Action Research, Volume 9, Issue 2, 2013.

20 [OJ C 288, 31.8.2017, p. 43](#).

21 Idem footnote 10.

22 "[Vertrauenskultur als Wettbewerbsvorteil in digitalen Zeiten](#)".

for meaningful discussion, transparency, the timely sharing of good quality information, and the involvement of all parties in strategy and objectives"²³. As the EESC notes in its opinion²⁴ there is a need for workers to have more of an influence on – and participate more in – decision making bodies. It is vital that they participate in anticipating, managing and taking decisions on the changes that are taking place in order to address the effects of digital change and create an attitude and culture geared to innovation.

- 6.8 At national level initiatives by social partners to enhance productivity, well-being of workers and employment at workplace level are a promising method, that should be promoted in a wider European context. The joint project by the Finnish Technology Industries Federation and the Industrial Union is a unique project in Finland²⁵. In Denmark the Danish Confederation of Trade Unions has produced a special study on the subject "Employee-driven innovation"²⁶. Furthermore, in the Czech Republic, Denmark, France, Germany, Italy and Spain the social partners are involved in national debates and projects on digital change and its impact on working life²⁷.
- 6.9 At EU level, the EESC welcomes the initiatives and research of Eurofound and the European Workplace Innovation Network launched by the European Commission, and proposes that the EU take action to develop the dialogue between social partners and other stakeholders in the context of participative approaches to promote workplace innovation.

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²³ ["Win-win arrangements: Innovative measures through social dialogue at company level"](#), Eurofound, 2016.

²⁴ [OJ C 434, 15.12.2017, p. 30.](#)

²⁵ ["Productivity together" project.](#)

²⁶ Idem footnote 3.

²⁷ ["Addressing digital and technological change through social dialogue"](#), Eurofound, 2017.