



Newsletter

December 2018

How to support businesses in the digital age



SMES GO DIGITAL

The digital transformation opens up new opportunities for businesses. At the same time, it can also present threats. While large companies often have the resources to help them take advantage of digitalisation, SMEs may find this more difficult. The issue of how SMEs can "go digital" was discussed at a joint conference of the EESC Employers' Group Bureau and the Austrian Federal Economic Chamber, held in Vienna on 24 October 2018.

Digitalising SMEs – problems and solutions in Europe

SMEs are lagging behind large companies when it comes to digitalisation. For example, only 32% of SMEs use customer relationship management software, against 62% of large companies. Similarly, only 20% of SMEs offer ICT training to their employees, against 68% of large companies. "We need quick



solutions to let SMEs benefit more from digitalisation. Otherwise, the gap between large and smaller companies will grow even further – particularly in the light of new trends such as artificial intelligence", said Mr Jacek Krawczyk, president of the Employers' Group, in his opening remarks.

Well-developed infrastructure and a sufficiently skilled workforce are key for digitalisation, stated Ms Rabmer-Koller, president of SMEUnited (formerly UEAPME), in her keynote address. Underdeveloped infrastructure, such as lack of high-speed internet, limits companies' ability to partake in the digitalisation process. However, the number one issue for SMEs is the skills shortage and mismatch and this has to be tackled using solutions at EU level. It is also important to exchange experiences of digitalisation initiatives at national and European level, as in the SMEUnited report on "Best practices on assisting SMEs with the digital transformation".

An example of an EU initiative that can help SMEs by streamlining processes is the European Regulation on electronic identification and trust services (eIDAS). "Trust services", which include electronic signatures and website authentication certificates, help make online cross-border trade more secure and enhance legal certainty. The Regulation also makes provision for notified national electronic identification schemes to be used for online public services in all Member States, if the assurance level of the service is high enough. However, this project will only be successful with the participation of Member States.

The example of Austria

In Austria, it is also the case that large companies are more likely than SMEs to introduce digital solutions. According to the Austrian Federal Economic Chamber's 2018 business barometer, 83% of large Austrian companies are planning to implement further digitalisation measures in the next 12 months. This is against only 35% of small and 59% of medium companies. According to Mr Rupp, programme director of the Austrian digitisation initiative



SME Digital, many SMEs are not aware of technology trends that could disrupt their business in the years to come. SME Digital is a joint initiative of the Austrian Federal Economic Chamber and the Ministry for Digital and Economic Affairs. It provides a positive example of good cooperation between businesses and policy-makers.

In order to support SMEs through the digitalisation process, companies have access to craft and trade digitisation handbooks focusing on different sectors of the economy. Furthermore, the SME Digital initiative also provides a special "digitalisation check" service for SMEs. Here, an SME can complete an online "status check" which assesses how digitalised the business is. A certified digitisation consultant then carries out a free analysis of the SME's digitalisation potential. Afterwards, the Austrian Federal Economic Chamber subsidises digital skills training and assistance with drawing up a detailed digitalisation strategy. This model has been adapted and implemented by the Center for Digital Transformation, a subsidiary of the Serbian Chamber of Commerce.

Austria also has an apprenticeship system that combines 80% company training with 20% vocational schooling. This model provides a hands-on approach to prepare young people for the digital labour market. In order to match apprenticeships with the demands of the economy, 16 new apprenticeships were developed in 2018, with 50 more to follow in 2019. For example, apprenticeships on e-commerce and application development have been recently introduced or updated. This system is part of a wider approach that helps Austria benefit from a low youth unemployment rate.

EU-Japan Economic Partnership Agreement and the role of civil society

The EESC-Japan Follow-Up Committee visited Japan (Tokyo, Kobe) on 13-15 November. The aim was to continue to strengthen cooperation with the EU's main partners in Japan and to raise awareness of the EU-Japan Economic Partnership Agreement (EPA), signed on 17 July 2018. We also needed to prepare for setting up domestic advisory groups and a joint dialogue with civil society, and for monitoring the implementation of the trade and sustainable development chapter. These civil society structures must be set up within one year of the date of entry into force of the EU-Japan EPA, expected to be 1 February 2019.



A two-day conference, entitled The EU-Japan EPA – additional opportunities for trade, investment and cooperation, recently took place in Tokyo. The first day focused on the role of civil society in monitoring the EU-Japan EPA and economic opportunities arising from the agreement. The second day focused on analysing the impact of technological change on labour markets.

This was followed by the conference on technological change and its impact on labour markets on 15 November in Kobe, in cooperation with Kobe University. In both cases, meetings were also held with partner organisations.

The EU-Japan EPA is of major global importance. The biggest trade deal concluded so far by either side, covering 640 million consumers and 37 percent of global trade, it will have a huge impact on both sides' trade and investment, saving European companies EUR 1 billion annually through cuts in tariffs. The EPA improves the regulatory and business environment, with transparent, shared technical standards and lower administrative costs.

The benefit for consumers is that there will be more choice at a lower price. And it's good for businesses and economies on both sides too. It opens up the Japanese consumer market to the EU agrifood sector (cheese, wines, beef and pork). More than 200 geographical indicators (GIs) of the EU (wines, agricultural products) will be protected under the EPA. It also opens up services markets (financial services, e-services, telecommunications and transport) and guarantees European companies access to public procurement markets in 54 key cities in Japan.



The EU sectors set to gain the most include the agrifood, chemical, electric machinery and pharmaceutical sectors. The Japanese motor vehicle sector will benefit the most.

The EPA will also have a positive impact on research and innovation (R&I), the digital economy (AI, IoT) and the general global competitiveness of companies on both sides.

But of course its significance will be far wider than just economic. For the first time ever, the EPA also refers to the Paris Climate Agreement in its trade and sustainable development chapter. This is of major global significance, especially when there are major, unforeseen pressures exerting themselves on the Paris Climate Agreement, as well as on free and fair, rules-based global trade.

For the first time ever, there is also a special chapter on SMEs. This is very important, since SMEs really play a vital role in both economies, with 99% of all companies being SMEs in the EU and Japan, and 85% of new jobs created by SMEs. Of the 74000 EU companies that export to Japan, 78% are SMEs.



This EPA is especially significant for the EESC and Japanese economic, social and environmental stakeholders, as it also accords civil society a special role – to monitor the implementation and impact of the trade and sustainable development chapter both domestically (domestic advisory group in Japan and in the EU) and jointly (joint dialogue with civil society).

What conclusions can we draw from our visit?

Based on our recent visit to Japan, we can report that it has made the following progress:

- It has significantly increased awareness of the EPA, including the trade and sustainable chapter, by making it available in Japanese.
- The Japanese Government has convened an interministerial meeting to seriously consider implementation of the trade and sustainable development chapter. It has also arranged meetings with potential civil society participants.
- Japan may consider setting up more than one subject-specific domestic advisory group, using already existing structures, such as the Central Environmental Council, the Labour Policy Council or the Sustainable Development Round Table.

For Keidanren Society 5.0 (Japan's strategy for the implementation of sustainable development goals), the above could be a useful starting point for discussion.

Both the EU and Japan face similar challenges, such as escalating global trade tensions, challenges related to technological advancement, a shortage of labour and skills. Ageing and dwindling populations on both sides are exacerbating the skills shortage. Robotisation and digitalisation (AI, IoT) could be one way of compensating for a shortage of labour, but in Japan women should be more involved in the labour market. In Japan too, acceptance of foreign workers is becoming an issue.

The EPA will offer various opportunities to advance trade and economic relations between the two economies, as well as facilitating closer cooperation. It is also hoped that World Expo 2025 in Osaka – Designing Future Society for Our Lives – will give rise to many new opportunities for cooperation.



About the author:

Eve Päärendson

Member of the Employers' Group

President of the EESC EU-Japan Follow-up Committee

Estonian Employers' Confederation

Lithuania conference discusses international trade trends

In recent years, with global trade picking up again, the expectations of businesses and consumers in many developed countries are at a peak and investment has grown. Unfortunately, what would have seemed quite a remote risk not long ago is now becoming an everyday occurrence: the rules on trade are drastically changing. The world's major economies are announcing new import tariffs almost every month and bilateral agreements are being struck – not to mention Brexit and the search for trade with third countries. The world is now too interconnected for us to remain relaxed or indifferent. What do we need in order to be ready for the future? And what role do regions play in the process?

How can businesses adapt to the growing protectionist trends around the world? Can damage be avoided when the strongest markets are indulging in trading wars? Who might Lithuania find to join it in defending the principles of free trade?

These were the questions discussed at the "International Trade Trends – New Challenges for Business" conference held in Siauliai (Lithuania) on 29 November and organised jointly by Siauliai Chamber of Commerce, Industry and Crafts, the European Commission, the EESC Employers' Group and other partners.

Mr Marius Vascega, Deputy Head of the European Commission Representation in Lithuania, pointed out that countries that had previously been consistently reducing tariffs reverted to protectionism around 2010, when the number of restrictive decisions began to rise. In the second half of the twentieth century, customs duties had been on average between 20% and 40%, depending on the particular market; now they were below 5%. Open trade reduces product prices and increases the incomes of populations, promotes innovation and productivity growth, and delivers higher standards of living. An increase of 1% in the volume of international trade boosts revenue by 3-5%. Why, then, despite the obvious benefits of free trade, is protectionism making a comeback? Mr Vascega is convinced this is the consequence of the international financial crisis of 2008. It is also the result of rapid technological change, to which some sections of society cannot adapt and so are frustrated, losing or benefiting much less than



others. "This division gives rise to anger and the desire to return to the past. But time cannot be turned back," said the Deputy Head of the European Commission Representation in Lithuania.

Mr Jonathan Peel, a member of the EESC's Employers' Group, urged the gathering to remember the lessons of history in the 20th century. The US had raised customs duties in the 1930s and this had been followed by the Depression, the rise of nationalism and the Second World War. Current US President Donald Trump has declared trade wars not only on China, but also on his own partners. However, this is not the only threat: populism is on the rise around the world and in Europe – and Brexit is a further tragedy.

Both Mr Peel and Mr Vascega stressed that Lithuania could rest assured amid the escalating trade wars and tensions, because the European Union was a very strong player in the international arena. If one door closed, you needed to look for others. A free trade agreement with Canada had already been signed, others had been negotiated with Japan and Singapore, and talks with Mexico, Australia, New Zealand and Mercosur were continuing.

Mr Peel also stressed that it was very important for Europe to grow its number of trading partners and exploit the opportunities that trade wars had brought: if the US was battling it out with China, perhaps Europe could step up its ties with the country. It was not President Trump we needed to fear, thought Mr Peel, but the confusion his actions engendered, which was dangerous for countries such as Argentina or Turkey.

Ms Emmanuelle Butaud-Stubbs, member of the EESC's Employers' Group, stressed that the EU should include more elements, such as intellectual property or investor protection, when reviewing and signing new trade agreements. She also drew attention to the complicated mechanism within the EU for ratifying treaties, with some countries requiring a referendum and Belgium, for example, the approval of regional parliaments. In striking deals with other countries, the EU simply could not ignore matters such as social dumping – was it fair to trade with countries that do not respect basic social welfare and environmental standards?

Lithuania is 80% dependent on foreign markets. According to Ms Lina Viltrakenė, Director of the External Economic Relations Department at the country's Ministry of Foreign Affairs, 30% of jobs



depend on exports and every fourth job relies on exports outside the EU. The figure for the EU is every seventh job, so Lithuania is much more "global" and more dependent on world trade. The US is the third largest market for goods and services produced in Lithuania, topped only by Germany and Poland. The United Kingdom is sixth, so there will be adverse consequences from Brexit. Ms Viltrakienė cited the example of increased US customs duties on solar power modules that forced companies operating in Lithuania to change their plans and compete with South East Asian producers. Those attending the conference agreed that the biggest commercial consequences would come from the US introduction of levies on cars produced in Europe, since all the Member States were involved in the industry. Lithuania itself produced various components and parts.

Mr Dominic Boucesin, Head of International Trade and Foreign Policy at EUROCHAMBRES, pointed out that there was still more the EU could do: small and medium-sized enterprises often fail to make use of EU trade agreements with other countries due to excessive bureaucracy or lack of information. He believed that society needed to be more actively informed about the benefits of

free trade: just 44% of people living in EU countries believe that international trade brings benefits, with 39% seeing it as damaging and 17% having no opinion.

The panellists agreed that barriers to free trade would ultimately be dismantled. This did not mean, however, that we should do nothing. While countries are at war with one another, companies are trading and incurring losses. It was important that globalisation not leave too many people behind. The EU would take care of relations with other countries, but the Member States themselves had to reform their education systems so that people could retrain and to limit as much as possible the number of those losing out.



About the author:

Alfredas Jonuška

Member of the Employers' Group

Šiauliai Chamber of Commerce, Industry and Crafts

Automation in transport: how does it affect the labour force?

Automation will substantially change labour requirements in the transport sector. How to adapt to these changes was discussed at the European Commission's participatory conference entitled Automation in transport: how does it affect the labour force? held on 20 November 2018 in Brussels. In addition to other high-level speakers, such as Commissioner Bulc, Madi Sharma represented the Employers' Group of the European Economic and Social Committee. Ms Sharma contributed by highlighting the value of women, young people and entrepreneurship in automated transport.

Employing 1 out of 20 workers in the EU, the transport sector is central to Europe's labour market. However, according to the European Trade Union Institute, transport and logistics are on the list of jobs at greatest risk of automation and digitalisation. The International Transport Forum states that in case of quick deployment of driverless trucks, between 3.4 and 4.4 million out of 6.4 million drivers' jobs in Europe and the US would become redundant by 2030. However, estimations of how fast labour will change as a result of automation vary widely. For example, a study by the International Transport Forum indicates different "possible pathways" for the implementation of driverless truck technology, ranging from the introduction of driverless technology on half of all long-distance routes as of 2021, to no adoption of driverless trucks on any public roads in the next 20 years.

However, automation can also bring advantages and opportunities for the transport sector. For example, it could improve working conditions by requiring workers to travel less and by making transport safer. One example is aviation, where it is standard practice to use autopilot on airplanes. Operators will also need



more ICT competences and new skills to get to grips with the automation and digitalisation of transport. This might attract young people to the ageing transport sector, a third of whose workers are over the age of 50. Jobs might require less physical strength, which could also be to the advantage of women and people with physical disabilities working in the sector.

Although there is uncertainty about how automation in the transport sector will progress, there is no doubt that it can radically change the face of the transport labour market. The challenge, from the policy perspective, will be to adapt the legal aspects of the working conditions of the sector's labour force to the technological developments in the sector.

Are you interested in the EESC's opinion on EU concepts for transition management in a digitalised world of work? Read the text on the EESC website.

The Role of Parliaments and Economic and Social Councils and Similar Institutions in Africa in facing the new challenges of migration

INTERNATIONAL SEMINAR, RABAT 30TH AND 31ST OCTOBER 2018

It is said that there are more people crossing borders than at any other time in history. While some are voluntary migrants, others are forced to leave "home" in order to seek a better life and new opportunities. According to the United Nations, the proportion of migrants in the working population has increased in recent decades from 2.5% in 1960 to 2.9% in 2009 and 3.4% in 2017.

The seminar gave us the opportunity to explore the cooperation policies best able to regulate migratory flows, to contribute to growth while ensuring the rights of migrants, particularly in terms of access to social services, social protection and security.

The President of the House of Representatives of the Kingdom of Morocco, Mr Habib El Maliki, and the President of the Union of Economic and Social Councils of Africa (UCESA), Mr Boulkassoum Haidara, in coordination with the President of the Moroccan ESCE, Mr Nizar Baraka, opened the session, agreeing that the effects of migration vary widely and have created a new set of challenges for governments, civil society organisations, legislators, the private sector as well as the media. These challenges vary from securing labour market needs in some countries with aging populations, preventing illegal migration from countries with a booming population, managing border security issues, facilitating the integration of migrant communities in the host countries and safeguarding their civil and political rights.

Today, despite the significant efforts made to handle the migration flows, their scale and complexity raise new concerns, which are not unique to a single country or continent, but a responsibility that must be shared between all countries in a spirit of solidarity. We are more than ever mindful of the necessity to address the root causes of migration.

Particularly in relation to migration and human rights, we must be clear that the xenophobic tone that can sometimes be heard in the political debate has no place in our societies and has been strongly condemned by the EESC.

First, at a time when discussions about migration are sometimes dominated by emotions and fears, there is an important role for us, the Economic and Social Councils, in bringing our fact-based knowledge and advice to the debate.



Indeed, civil society organisations play a significant role in the **resettlement, movement** and **reception** of migrants and refugees and in making these different aspects safer and more humane. Concerning **resettlement**, one of the examples of our role as a monitoring force is the EU-Turkey agreement in place since 2016, following the large number of Syrian refugees arriving since the beginning of the conflict in 2011.

Concerning **the routes taken by migrants**, we know from the missions we have organised to the various Mediterranean countries that a race to secure borders to prevent migration will only be won by the smugglers, as they will adapt, become more specialised and make more profits, as they will be the last resort of migrants. There is one main, clear way to improve the human rights situation, and that is for the EU to increase legal and safe pathways into Europe so that migrants and refugees are not left in the hands of criminal networks, embarking on perilous journeys.

And regarding the **reception** of migrants, maybe even more than the two other aspects, civil society organisations have a key role to play in developing a more humane system for the arrival and integration of migrants. In Europe as elsewhere, there is work to do regarding this aspect. The European Union Agency for Fundamental Rights has noted persistent challenges in reception conditions, asylum procedures, unaccompanied children and immigration detention.

Governments can create the framework, but integration and improvement of migrants' human rights can only occur in the places where people meet: in workplaces, schools, clubs and so on, where civil society organisations have an important role. **Without local support and understanding, integration it is an empty concept.**

It is therefore of tremendous importance that we work together, not only on advising policy-makers through our consultative role, but on monitoring and evaluating through the organisations we represent the policies and actions of all competent authorities involved in managing migration. Only through collaboration will we be able **to defend a human rights-based approach to all aspects of migration.**



In their conclusions, the participants referred to the importance of establishing an African agenda on emigration, based on regional cooperation and with a comprehensive and integrated approach towards migration trends. These considerations need to be understood within the framework of the idea that poor governance is one of the root causes of migrant trafficking.

We need to recognise the existence of environmental migrants, the importance of the rural environment, the key role of the qualifications held by the workforce and, transversally, the role of women in migration.

In the secretary-general's opinion, this seminar highlighted the existence of what could be referred to as a positive approach to

migration in Africa. In this regard, in order to take advantage of the opportunities provided by migration, our knowledge of the migration situation needs to be improved, and cooperation between the different countries should be used as a tool to achieve these objectives.



About the author:

Helena De Felipe Lehtonen

Member of the Employers' Group
President of the Federation of Businesswomen
Associations in the Mediterranean (AFAEMME)

The European Pillar of Social Rights: ONE YEAR ON

One year has now passed since the proclamation in Gothenburg of the Social Pillar. Even before the proclamation, employers warned that it was naive to believe that the Pillar would not be used as a basis for new social legislation at EU level. We now see the results. The Pillar has already been used as justification for 13 legislative proposals, from a directive on the quality of drinking water to detailed legislation on working conditions.

Several of these new initiatives are a direct threat to national labour market models. This is especially true for Sweden, where the social partners have a high degree of freedom to regulate working and employment conditions, both independently and as a complement to national legislation. Our collective agreement model has many advantages. It creates conditions conducive to long-term stability on the labour market.

The Swedish social partners have, for example, regulated pensions, parental benefits, working hours, redundancies and supplementary income protection and retraining without interference from either European or Swedish legislation.

As part of the raft of new detailed labour legislation that has been proposed, the proposal for a Directive on Transparent and Predictable Working Conditions is a direct threat to the Swedish labour market model. We warned about this when the proposal was presented. The Swedish parliament also concluded, in a reasoned opinion in June this year, that the proposal was in breach of the principle of subsidiarity.

When the responsible Commissioner, Marianne Thyssen, in a debate in the European Parliament, dismissed the Swedish objections by stating that "you must have misunderstood the proposal", she made it evident that the European Commission itself had not understood the implications of its proposal.

Trilogue negotiations have now started and it is clear that certain provisions will undermine the very core of the Swedish labour market model, upsetting the balance between the social partners' self-regulation and labour legislation.



The social partners in Sweden on both sides of the negotiating table have criticised these proposals in a joint letter to the legislators as creating uncertainties on the role of the social partners in collective bargaining and the extent to which the autonomy of national labour market models can be upheld.

Trilogue negotiations are also continuing on another directive, directly derived from the Pillar, the Work-Life Balance Directive. Reasoned opinions were issued on this by the national parliaments of Poland and the Netherlands, who believed that the proposal was in breach of the subsidiarity principle.

At the same time as the European Commission has proposed the introduction of four-month periods of parental leave compensated at least at sick pay level and non-transferable from one parent to another, the Swedish parliament, after long deliberations, has rejected a national proposal to increase the current non-transferable three months to five. Where is the democratic logic and added European value of overriding this decision in favour of one decided in Brussels?

The proposal to establish a European Labour Market Authority (ELA) has also met with resistance from national parliaments. The Swedish parliament stated that it was a breach of the subsidiarity principle, and its employment committee issued a

critical statement, considering that the proposal was unclear and questioning its added value.

Previously, the revision of the Posting of Workers Directive received a yellow card after 13 national parliaments decided that it was in breach of the subsidiarity principle. The directive has now been challenged in the European Court of Justice by Hungary and Poland, who believe that the directive is protectionist in nature and limits the provision of services in Europe. Hungary has added that determining the level of wages is a matter for "the contractual freedom of the social partners at national level and the authority of the Member States".

But the Social Pillar is not just a threat to national labour market models. In fact, it is being used as a justification for political forces who want to limit competition and free movement in the internal market.

On the day of the proclamation President Macron tweeted that it was time to take the next step: to define minimum salaries in all Member States. Later, we saw the birth of the European Alliance for Upward Wage Convergence. The idea behind this movement is to do away with wage competition: Workers in the same multinational group should, according to this creed, have the same wages, regardless of whether they work in, say, Slovakia or in Germany.

The same philosophy is applied by those who argue that all competition should be based on quality and equal conditions and not "social dumping", equating wage competition with social dumping. Some even go so far as wanting to rule out "price" as a determining factor in purchasing decisions.



©Shutterstock / BABAROGA

This is a dangerous and undesirable development. Successful labour market models are being sacrificed on the altar of "Social Europe" and fragmentation of the internal market and divisions between Member States are increasing. We are on a slippery slope towards disintegration and fragmentation, when we need integration and cohesion.

For the future, detailed labour legislation must stop. Instead, successful labour market models and effective individual reforms should serve as examples and inspiration in a structured and positive learning process.



About the author:

Christian Ardhe

Member of the Employers' Group

Rådgivare i EU-frågor, Heimdal European Affairs

New Member of the Employers' Group

The Employers' Group would like to warmly welcome new Member, Ms Claudine Otto, who is replacing Mr Christophe Hansen as the European Economic and Social Committee's Luxembourg representative.

Ms Otto has been the Luxembourg Chamber of Commerce in Brussels' Adviser on European Affairs since June 2018. Before that, Ms Otto was an administrator at Corporate Family Office Belgium PLC, as well as administrator for internal market affairs at the General Secretariat of the Benelux Union. She also worked as competitiveness and internal market adviser to the Permanent Representation of Luxembourg to the EU and adviser to the international department of the Luxembourg Chamber of Commerce. She has an MA in European legal studies from the European Institute for Public Administration in Luxembourg and an economics degree from Louis Pasteur University in Strasbourg.



Editors

Leszek Jarosz | leszek.jarosz@eesc.europa.eu

Monica Procopet | monica.procopet@eesc.europa.eu

THE EESC IS NOT RESPONSIBLE FOR THE CONTENT OF EXTERNAL WEBSITES

Contact

European Economic and Social Committee, 99 Rue Belliard, 1040 Brussels
Tel. +32 (0) 2 546 82 07 | Fax: +32 (0) 2 2 546 97 54

gr1@eesc.europa.eu • www.eesc.europa.eu/employers-group

For any use or reproduction of the photos/illustrations, permission must be sought directly from the copyright holder(s).



@employers_EESC



EmployersEESC

Print:
QE-AH-18-009-EN-C
ISSN 2467-4478
EESC-2018-96-EN

Online:
QE-AH-18-009-EN-N
ISSN 2467-4494

EN