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EXPERIENCE WITH SOCIAL CRISIS MANAGEMENT IN
COAL RESTRUCTURING IN THE EUROPEAN UNION

(Transmitted by the European Coal and Steel Community) */ **/

I. Introduction

1. Coal in Europe is in a particularly delicate situation. On the one hand, after more than three decades of restructuring and modernisation, the coal industry in the four remaining coal-producing countries of the EU (Germany, Spain, France and UK) is - with a few exceptions - still not competitive when compared with world market prices. On the other hand, the coal industry in the countries of Central and Eastern Europe, nine years after the introduction of market economy, is today confronted with a big challenge: how to achieve over a short period of time what the coal industry in Western Europe has not managed to achieve in three decades?

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2. Even if the situation of coal in Europe today is extremely difficult, both for economic and environmental reasons, the situation of coal workers and coal mining communities is certainly not desperate. The main reason for that is that the EU has acquired a solid experience with efficient social and regional crisis management.

3. The paper, first, gives an overview of the general policy of the European Communities and, second, shows how - within the general framework of the ECSC Treaty - different "national" models for implementing the concept of social crisis management were developed. In the last part, an attempt is made to draw some general lessons from the experience with coal restructuring in the EU that might be applicable elsewhere, even if the global economic context today is completely different from the conditions in which the "European social model" was developed after World War II.

II. The European Coal and Steel Community

4. Originally, the primary function of the Treaty of the European Coal and Steel Community signed in 1951 by six countries (France, Germany, Italy and the Benelux countries) was to regulate the market in the context of the post-war expansion of the European economy. It was a rather dirigistic approach linked to the general philosophy of a "third way" between capitalism and socialism.

5. However, with the deepening crisis in both industries, the mechanisms for social crisis management became more and more important with respect to the market regulating mechanisms. The relevant Article 56 of the ECSC Treaty became the broadly interpreted basis for the (partial) financing of almost all important instruments for managing the social crisis.

6. The most important source of finance for so-called readaptation aid, which is non-repayable, was the levy on coal and steel production paid by undertakings in the Member States. Readaptation aid was co-financed by the Commission and the Member States. The main standard instruments of readaptation aid were:

- early retirement and associated temporary allowances;
- compensation for loss of income (wage and salary allowances);
- financial aid to encourage geographical mobility (travel expenses, removal costs, separation allowances);
- compensation payments;
- training allowances for employees and reimbursement to undertakings of expenses involved in organising retraining;
- allowances for short-time working.

7. In general, it can be said the ECSC social readaptation strategy was aiming at a balance between negative and positive measures, between the withdrawal of redundant workers from the labour market and pro-active measures for new employment.

III. Sectorial social dialogue

8. Cooperation between social partners traditionally had a special quality in the coal and steel industries in Europe. The undertakings saw themselves responsible for all aspects of the workers' everyday life, including health care and social housing. For this reason, management and unions had experience in the co-administration of various social schemes, experience that turned to be an asset when it became necessary to agree on "social plans" for job reduction.

9. On the other hand, at the European level, since the 1950s, a number of committees were set up within the framework of the ECSC Treaty to institutionalise structured social dialogue at sectorial level. The main such committees were:

- the Consultative Committee set up by Article 18 of the ECSC Treaty, bringing together representatives of producers, workers as well as consumers and dealers and which is consulted on all aspects of industrial policy for both sectors, including research and competition issues;
- the Safety and Health Commission for the Mining and other Extractive Industries;
- the Mixed Committee for the Harmonisation of Working Conditions in the Coal Industry.

10. In the perspective of the expiry of the ECSC Treaty in July 2002, the Commission is committed to maintain the spirit of dialogue between the social partners created within that Treaty and to extend the policy of sectorial social dialogue to all sectors of industry. On the other hand, the specific social measures for coal and steel will be discontinued after 2002.

IV. The experience of the major coal countries of the EU

11. Notwithstanding the common "EU tradition" just outlined, it should nevertheless be stressed that the restructuring process in each individual country is unique, linked to the specific political conditions of that country, and that every country has to find its own way. In the following, the policy of three of the four remaining coal producing countries of the EU is reviewed to understand how the unavoidable decline of the coal industry was

managed in each of these countries and what kind of social measures were implemented successfully.

V. The German model

12. In what is today the biggest coal producer in the EU, management of the decline of the coal industry has been geared to maintaining a "core" of indigenous production, whatever the problems of competitiveness may be. Nevertheless, over a period of four decades (1957-1996) German coal production has declined by more than two-thirds (67.3%) to a level of 49 million tonnes, with a parallel decline in employment from 607,000 to 85,000.

13. The main social measures used in Germany were early retirement and financial bridging aid. However, in view of the age structure of the remaining work-force, these measures are increasingly difficult to implement. What can be learned from the German model is actually not so much on social measures, but rather on a comprehensive industrial and regional conversion strategy. The strategy of Ruhrkohle AG, created in 1970, was founded, on the one hand, on modernisation, rationalisation and socially responsible job-shedding, especially through the creation of "consolidated" production units by way of underground linkage of existing mines and the reduction of the number of pits, and, on the other hand, on diversification, i.e. overcoming the crisis by getting out of coal, both from the undertaking's and the regional point of view, with a resulting improvement of the economic structure of the mining areas.

VI. The British model

14. Only a few years ago, the United Kingdom was the biggest coal producer in the EU. In connection with the privatisation of British Coal in 1994, a drastic restructuring programme was carried out, with the result that UK underground mines are today the only mines in the EU producing more or less under conditions of economic viability. The viability of open-cast coal mines in the UK can be taken for granted in any case.

15. Even if the restructuring programme was not directly agreed between social partners, the social measures proposed were quite attractive: there were a redundant mineworkers' payment scheme, a voluntary early retirement scheme as well as transfer payments and allowances. However, the distinctive feature of the British model was the agency set up for the creation of alternative employment: British Coal Enterprise. BCE was geared to generating jobs by attracting new businesses to coal field areas and by supporting businesses starting up, relocating or expanding. This was done by means of:

- financial support in the form of loans and equity finance;
- letting of business facilities for small and medium-sized units together with the provision of advice and centralised facilities;
- support for local development agencies;
- outplacement and assistance in finding a job, as well as various training measures, especially in BCE's own training centres.

VII. The French model

16. In France, which is today the smallest of the remaining four coal producers of the EU, the strategy chosen is the programmed disappearance of the mining industry, in view of the fact that the achievement of economic viability was not deemed realistic. The biggest coal field of the country (Nord-Pas de Calais) has already been closed definitively, the two remaining ones (Lorraine and Centre-Midi) will be closed by the year 2005.

17. From the social point of view, the French example has the special feature that the phasing out of coal production is the subject of an agreement on national level between employers, workers and the government. The social cushioning measures agreed are quite attractive, especially because, in addition to early retirement, there are a number of pro-active measures: external placement with another employer, especially within the energy group EDF, new business start-up aid, further training or retraining in conjunction with transfer to another region and/or another undertaking.

VIII. Spain

18. A comprehensive restructuring plan for the Spanish coal mining industry was adopted only recently. Since it joined the EU, Spain had nevertheless implemented the ECSC readaptation measures described above at the level of the various private and State owned undertakings. However, it would be going too far to say that there is a Spanish model for coal restructuring. The situation of the individual undertakings is too specific and can therefore not be dealt with in this short paper.

IX. Conclusions

19. After this "tour d'horizon" through the EU coal countries, it seems that a few conditions apply to coal restructuring in all countries:

- (a) Once the economic objectives of a restructuring programme are clear, the methods for its implementation have to be negotiated between the social partners as well as with the local and national authorities. Permanent and efficient social dialogue is essential for the success of a restructuring programme. It is also a question of information, communication and transparency. Once the workers understand the

objectives of the programme, they will be prepared to play an active part in the transformation. In other words: the key issue for successful restructuring and reconversion is about human resources.

- (b) The second element is diversification, which means taking advantage of the technical know-how and skills of the workforce existing within the mining companies to develop new and viable economic activities. From the various coal producing countries a number of examples are known where companies actually succeeded their diversification into non-mining activities. It should be stressed that both for achieving diversification and for reaching competitive production, the research potential of the coal research institutes is of crucial importance. Diversification means social imagination and putting the human factor to the centre of the transformation process.
- (c) The third element is the quality of the social measures to cushion the job losses resulting from the restructuring. The quality is important because ideally these measures should help those workers leaving the mining industry to find a new professional orientation and personal satisfaction in a new job. This being stressed, the financing of the social measures is a crucial point. If the financial envelope is not satisfactory, one will not succeed in convincing miners to leave the industry. The financial envelope is also essential to ensure the maintenance of purchasing power and thus economic development of the coal mining regions.
- (d) The last element is that restructuring takes time. This became evident from the experience in several countries. Too rigid a timetable might be an obstacle. On the other hand, slowing down the process is not necessarily a good solution. Successful examples in West European coalfields show that the optimum speed of restructuring is probably when the number of job losses in the mining industry is no higher than the number of the new jobs created in the region during the same period.

20. The EU remains committed to the coal industry and to the coalmining communities, not only within the Member States, but also in countries of Central and Eastern Europe. Over recent years, a special effort has been made to share experience with these countries. A number of joint workshops were held with countries such as Poland, Romania, Russian Federation and Ukraine. Moreover, within the framework of the PHARE programme, multi-country projects were carried out geared to the transfer of examples of good practice.
