

BUREAU POSITION

Digitalisation

Background & Challenges

The digital transformation of our society and the way we conduct administration & business presents enormous growth potential for Europe while requiring an urgent change in attitude in a fast-changing world. European industry is well equipped to build on its strengths in advanced digital technologies and reap the benefits of lower costs, efficiency and shorter response time to the market.

Cities and regions, however, are the major enablers of digital transformation in Europe. They orchestrate the development of vibrant innovation ecosystems by bringing together local resources and mobilising the participation of stakeholders. Decision-makers in the public and private sectors, as well as civil society, must have a clear and accurate understanding of the social and economic implications of advanced technologies, respectively of the core drivers of digital transformation and enablers of a cultural shift. As the world becomes increasingly connected, digitalization is a key differentiator that will enable regions to remain competitive.

Nevertheless, within countries, there is a rural-urban divide. Digitalisation is commonly associated with urban areas, with cities featuring as the digital 'hot spots'. Various initiatives, such as 'smart cities'¹, have made digitalisation in urban areas even more visible. However, thus far digitalisation in rural and peripheral areas has received considerably less attention by policy- and decision-makers, although digitalisation has the potential to play a significant role in these areas not least in terms of services and employment opportunities. Larger cities and regions do indeed have more means for digitalisation, yet smaller regions may be faster and more flexible in trying out and using innovative niches and thus obtain a competitive edge in digitalisation.

As "necessity is the mother of invention," coronavirus (COVID-19) forced many around the world to rethink our daily lives from work to school to entertainment. In response to travel bans, school closures, and recommendations to keep our distance from fellow humans to limit the spread of the virus, many people turned to digital tools to keep some semblance of normality. Digital frontrunners easily changed to provide their services digitally while protecting a part of their employees by working from the home office. As the world's second largest economy, the EU should aim to master these challenges while improving regional competitiveness. The time to do so is now:

Infrastructure

It is up to the public institutions to provide internet access to everyone whereas building infrastructure is costly and non-public. Which leads to delays and is one of the challenges in terms of enabling digital transformation. As in the case of transport, adequate and affordable energy infrastructure plays a vital role in ensuring that the benefits of economic growth are evenly distributed among the regions.

¹ Smart cities are places where traditional networks and services are made more efficient with the use of digital and telecommunication technologies for the benefit of the inhabitants and business (although the definition goes beyond the use of ICT, including better use of resources and lower emissions). See: *European Commission. EU regional and urban development. Smart cities*. Available from: https://ec.europa.eu/info/eu-regional-and-urban-development/topics/cities-and-urban-development/city-initiatives/smart-cities_en#:~:text=Related%20links-.What%20are%20smart%20cities%3F.of%20its%20inhabitants%20and%20business.

Likewise, high-speed internet access shall be accessible to all regions and cities, as digitalisation should not only be possible in capital cities but everywhere. Although specific (digitalisation) challenges continue to exist in urban areas, rural and peripheral areas are often at the other end of the spectrum, for instance in terms of lacking appropriate fast and superfast (fibre, Next Generation Access, etc.) infrastructure, as well as the appropriate digital skills to use digitalisation opportunities.

Digitalisation is an opportunity, and it is vital for regions, in order to keep talent and prevent depopulation.

Closer Interaction & Customer-oriented approach

One key issue is the implementation of the customer centric approach of public bodies that inevitably lead all levels from municipalities up to the European Commission to tighter collaboration. First steps were being made by introducing the digital single market strategy. For a successful implementation, the efforts on all levels should be bundled. There are different challenges and a way needs to be found to put together the main pillars in order to find solutions. Networking and partnerships can be one solution, as they are key for innovation. Data interoperability among different levels of governance will be just as important. A clearer customer-centric approach to the digitisation process in the public administration is essential and citizens and companies should be involved.

Values of civil society in a digital world

What are our values in a digital world? We do not have common values in our civil society when it comes to digitalization. Values are becoming more and more important and can take the place of functionality. Privacy is the production cost of using digital tools, to build trust is a difficult mission. It will be important to reflect on digital ethics and digital rights, drawing on the statement on artificial intelligence by the European Group on Ethics in Science and New Technologies². Interaction with the citizens to achieve a common understanding of values in the digital world, seems likewise vital. At the same time, it is important to build up trust on implementing the new technologies, finding good ways of communicating and using open data.

This throws up something of a dichotomy. Digitalisation aims to open up processes, remove silos and make data transient and freely available. Yet regulations are becoming more stringent than ever.

Therefore, policies must factor in data security while at the same time sharing data more widely; that means putting in place measures and controls that secure clear consent and protect data from the moment it is created, throughout its lifecycle, to the moment it is redacted or destroyed.

In other words: the notion of security and privacy being at odds fails to recognize a critical element: without privacy and security, there is no trust.

Therefore, the AER strives to establish trust in our digital ecosystem and its institutions. By taking privacy seriously, regions can strengthen their relationship with their citizens. Trust is necessary for a sustainable digital future, and trust-promoting privacy rules can create value, while safeguarding our values!

Digital transformation issues on the labour market

As regions, we are catalysts in enabling digital transformation in business. Therefore, we know the hurdles businesses are facing, such as target conflicts between new business

² European Commission Directorate-General for Research and Innovation Unit RTD.01. *European Group on Ethics in Science and New Technologies Artificial Intelligence, Robotics and 'Autonomous' Systems*. (2018). Available from: http://ec.europa.eu/research/ege/pdf/ege_ai_statement_2018.pdf

models and established ones. Digital literacy is an essential element for exploiting the opportunities provided by digitalisation; not just for those “left behind” but also for those that will need to work from home and have some sort of digital illiteracy to do so.

As we enter a digital era, local leaders need to make sure that residents are able to acquire digital knowledge through all layers of society and ages. In terms of fostering inclusion it is necessary to offer especially women more opportunities to participate in the ICT-sector.

The COVID-19 crisis is disrupting the labour market by changing how employees work, new workflows and by shifting the importance of jobs. For many white-collar workers, it has meant remote work. For many service workers and blue-collar workers, it has provided a window into a future where machines may displace people especially as firms consider increasing automation to enhance their future resilience. For those in the care economy, health sector and education sector, it has led to a long overdue global revaluation of the significance and essential nature of these professions. For those in the informal and gig economy, it has exposed the fundamental lack of social protection and the precarious nature of subsistence work.

Thus, there is a need to develop solutions to the problems and make people aware of the digital era and the skills they need. The regions could provide basic and essential information for the commission for future regulation and policy discussions. Therefore, closer cooperation may be a requirement as digitalisation is all about fast transfer or real time flow of information and pace. For without a longer term strategy it may not always translate into deeper societal gains.

Recovery & Digitalisation

The Commission’s proposals for a revised Multiannual Financial Framework and the Union Recovery Instrument include an additional 55 bln EUR in support for Cohesion Policy³. Despite the immense challenges, the strong link to the strategic policy objectives of the EU - such as Digitalisation - also presents an opportunity. These funds will provide additional focus on the digital transformation of regions to boost jobs, growth, and, ultimately, resilience.

Summary of the main objectives

- In an effort to attain the objectives outlined, ensure the promotion of the spirit of the **Declaration of Tallinn on eGovernment of 2017**.
- **Provide reliable infrastructure** (electricity, broadband): there needs to be an in depth discussion of how it can be facilitated to speed up.
- **Develop closer interaction** of all public levels to get the knowledge spread through actions that facilitate participation.
- **Create a sense of customer-oriented approach** in the public sector by raising awareness, sharing best practices, providing platforms.
- Achieve a common understanding of **values of civil society in a digital world** through discussions and interactions.
- **Face digital transformation issues of the labour market** to ensure prosperity and employment in the future.

³ European Commission. 2020. REACT-EU [Recovery Assistance for Cohesion and the Territories of Europe]. See https://ec.europa.eu/commission/presscorner/detail/en/QANDA_20_948