
PLANS AND PROGRAMMES FOR THE ECONOMIC RELAUNCH OF THE
SERIANA VALLEY AND THE CRISIS AREAS OF THE BERGAMO PROVINCE

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Introduction

The Associations and Unions of the Bergamo province (Confindustria Bergamo, Imprese & Territorio and the Province's trade unions CGIL, CISL and UIL), due to the worsening of socio-economic conditions in the mid Seriana Valley¹ caused by the cumulative effects of the global crisis and the structural difficulties particular to this industrial district, have agreed to implement a common action aimed at relaunching the Valley. The shared intention is to identify effective actions that can be implemented in the short to medium period. Indeed, it would be inadmissible to lightly accept change and the ongoing crisis, without even attempting to counter the decline through appropriate governance policies together with the Unions and Associations. This is especially true for a province such as Bergamo, one of the wealthiest in Italy, with centres of excellence in specific sectors of industrial production (such as Brembo or the textile industrial cluster), as this would only lead to the risk of the Bergamo province falling behind the group of leading Italian provinces. Consequently, the intention is to immediately implement policies aimed at relaunching/supporting this area. Although the venture was specifically formulated for this particular part of the Bergamo province, it represents a model and pilot area that can be reproduced and applied to other territories with similar demographic, social and manufacturing difficulties.

The main objective of the project is to study the reference context in terms of infrastructure, employment, production, economic and demographic aspects; to map the specialised productions in the territory; to map the types of currently expanding activities that may represent potential alternatives; to define future scenarios and shared solutions; to outline the first strategic policies for action that proves effective in fighting this highly critical phase.

The research needed to identify and plan activities in support of the Seriana Valley was entrusted to the firm Tolomeo Studi e Ricerche Srl, under the scientific guidance and responsibility of Prof. Paolo Feltrin and the supervision of the Comitato dei Committenti [committee of organisations who entrusted the research], together with representatives of the Province, CCIAA (local Chamber of Commerce) and Comunità Montana (a consortium of municipalities located in mountain areas) of the Mid Seriana Valley representing the local institutions. The project was partly funded by Fondazione Banca Popolare di Bergamo.

Summary of research findings

In recent years, the local economic fabric has undergone profound changes that have had significant effects on the employment and industry in the area, in every location sector, product and market. Specifically, there are at least three main changes that are of concerns for production models based on small businesses: firstly the widespread use of ICT; secondly, new low-cost economies in international commerce; and thirdly the success of Euro as a currency. These three factors define a new framework that has to be dealt with by the industrial clusters, which require qualitative repositioning processes and the development of new functions within value chains which are becoming increasingly global. Consequently, this raises the level of efficient production, changing the model based on small businesses. Therefore, the

¹ The area considered covers the Mountain Community of the Low Seriana Valley, as well as the area covered by the towns of Parre and Ponte Nossia, that are industrial areas similar to the towns in the lower Valley. The research also includes the Upper Seriana Valley, especially with regards to opportunities for tourism development, infrastructures and common actions.

industrial clusters and the businesses within these zones have to change for the simple reason that no balance lasts forever: new technologies, new competitors, new markets and new government policies change the context in which the companies do business. Some enterprises have taken this in and have adjusted to the new context, while others, located in the same district, have not been able to do so. Hence, we are witnessing a metamorphosis of the local system, as it tries to adjust to the ongoing globalisation through a slow verticalisation process of its structure. This transformation produces great changes both in terms of industrial basis and relationship with the surrounding social context.

These deep-set structural changes are compounded by the changing domestic and international macro-economic context. After four years of sustained growth, the second half of 2007 was characterised by a slowdown in growth percentages. In Italy, the GDP (gross domestic product) reflected this trend, going from 1.8% in 2006 to 1.5% in 2007 and -1% in 2008, with a negative growth forecast for the years 2009 and 2010. Naturally, this international crisis will affect production and employment of all local systems, including the province of Bergamo.

An excellent pilot case to start defining and implementing actions to counter the ongoing crisis is the Seriana Valley, a territory with a strong manufacturing tradition and small sized companies, whose specialization is traditional sectors such as textile and clothing. These characteristics make the Seriana Valley especially sensitive to international competition and changes in the global economy, consequently it is much more affected (in terms of occupation and wealth) by the ongoing changes. On the other hand, this valley enjoys a favourable position in intermodal and logistical terms (located in the centre of Northern Italy and close to the borders) as well as high-quality specialized skills that are to be supported and exploited.

For the purpose of defining actions useful to relaunching the Valley, a plan of operation was laid down and divided into three research actions that, although distinct, are highly synergetic.

Socio-economic analysis of the Seriana Valley

The first step consists in a desk analysis of bibliographic data and secondary data sources, aimed at describing the local system and its evolution in time; the objective is to reconstruct the legislative context and establish a connection between trends in demography, infrastructure and production. By doing so, we want to retrace the recent evolution of the local system compared to other territorial groupings in the Bergamo province, so that we can understand if the figures signal a truly dramatic situation or, more realistically, a phase in a negative cycle that has recently involved other sectors and territories as well. To achieve this goal, a serious and scientific analysis was conducted on secondary data obtained from various sources pertaining to: companies (ASIA archive, industry and service census, Unioncamere database), workers (employment centres, INPS database, workforce surveys, surveys on employment forecasts by Excelsior), import-export (Coeweb data), residents and dwellings (population and dwellings census), infrastructure and transport (regional and provincial planning such as PTRC or Regional Coordination Plan, PRS or Regional Development Plan, PRT or Regional Transportation Plan and PTPC, or Provincial Coordination Plan).

By 2008, the number of inhabitants in the Valley reached 137,456 compared to the 1,044,820 of the entire Bergamo province (approximately 13.1%). 71% of the population lives in the lower valley, and approximately one third is concentrated in three towns: Albino, Alzano Lombardo and Nembro. The Valley is currently

experiencing a period of population aging and slow growth; from 1961 to today, the population of the province has increased by 40%, against the 27% and 10% growth of the Lower and Upper Valley, respectively.

As already mentioned, the Seriana Valley is a highly industrialised area. The percentage of industry is higher than in Lombardy and in the province of Bergamo as a whole, and Bergamo has a higher percentage than the rest of Lombardy. In recent years, economic development has occurred faster in the south of the province, in line with population growth.

With regards to foreign exchanges, the Bergamo province exports more than both Lombardy and the rest of Italy, with an index of 36 compared to 30.1 and 22.2 respectively. The products where Bergamo exports more are machinery and mechanical equipment, with the chemical compartment also playing a leading role.

The advanced service industry is heavily concentrated in Milan, thus setting the conditions for this sector being undersized in the remaining Lombardy region. Bergamo is more specialised in R&D, while it is weaker in the fields of communication, marketing and ICT. This is partly due to the fact that Bergamo is highly specialized in manufacturing.

In line with the demographic growth of the past 15 years, employment in the valley experienced a smaller growth compared to the Province: from 1991 to 2005, the number of workers in the Province grew by 21.4%, against 3.4% and 12.3% in the Lower and Upper Valley, respectively. An area of growth is the service industry, specifically the sectors related to services to enterprises (transportation, brokerage and real estate activities), which drive the increase in employment rates in the Valley and in the Province. At the same time, the number of workers in the manufacturing sector has fallen, in both the Valley and province, consequently its percentage decreases, although the Valley still maintains a greater manufacturing connotation: in 2005, 47.5% of workers are employed in the manufacturing sector, while in the province this number falls to 40%. The textile and clothing compartment reflected a larger decrease. In the Upper Valley, the textile compartment employs 50% of manufacturing workers, unlike the Province, which employs only 15%. Of the loss of more than 3,000 jobs in the Lower Valley manufacturing sector, 2,000 belong to the textile and clothing compartments. The steel industry and mechanical sectors, which together with the textile sector employ more than 70% of the Valley's workforce in 2005, also reflect a loss in jobs. The trend is positive for the foodstuff, plastic and electrical machinery sectors, although their weight is very limited. There are more workers in the transportation, brokerage and real estate activities in all of the Valley's towns.

The province's trend reflects the valley's, with a reduction in the textile compartment (which has lost 15,000 jobs in 15 years). In the 1990s the declining textile sector was offset by growth in other compartments, including the steel industry and mechanical sectors; in the past five years the loss of jobs is due to the textile and electrical machinery compartments.

The medium-period estimate of the trends and effects of the crisis on the economy of the Seriana Valley indicates that the most pessimistic scenario foresees a further loss of 5,000 jobs in industry over the next five years. A feasible strategy could focus on absorbing half of this potential increase in unemployment in the service industry, and the other half in new industry; this would make it possible to safeguard industrial specialization, which is unanimously considered to be valuable but would also encourage the diversification of the area's production systems. From a social standpoint, the most serious consequences of the crisis are the risk of depopulation, the inability to develop human resources in the area and, lastly, the risk that recent infrastructure investment will be wasted.

Analysis of companies and institutions facing the crisis

Production systems are constantly changing, they are open to new contaminations, although not in a systematic way. What clearly comes to light is that within the specific sectors, companies cannot be simplistically treated as an internally differentiated category: some companies have opted to take on the role of leader, others have decided to settle underneath the leader's umbrella. An obvious case is the presence of international companies in the local economy, triggered by both the entrance of external outsourcers in the local networks, and by the marked growth of local companies that become global.

By interviewing companies, we aim to analyse the recent trend in specialized productions that are showing signs of difficulty, although there are still extremely productive and innovative local players. The main goal consists in identifying their localization (local, domestic, international) and their opportunities, and understanding how they are reorganizing. Naturally, along with the textile and clothing sectors, an analysis was conducted on changes that have taken place in other service and industry sectors (for example the construction sector, which has recently shown signs of a downturn). In fact, next to declining sectors in which the number of the employed has decreased there are others which are on the upswing, driven by international supply chain logics and by the possibility of being able to provide for new and growing needs typical of the affluent society. Indeed, there continues to be a need to develop in depth inter-sector relations between the service and the manufacturing sectors. In recent years, we have witnessed a growing integration between the traditional production world and the services system. This phenomenon is known as the expansion of service industries of the economy and derives from both an increase in the need for services purchased by companies on the market and by the increasing relevance of the service functions developed within the companies. There is no conflict between the service sector and industry, rather a sector co-penetration. It follows that there can be no services without industry, or industry without services.

To this end, eleven interviews were prepared, specifically structured with the management of enterprises located throughout the province. The interviews, conducted by pairs of researchers on the basis of a questionnaire, point to salient features in the company's evolutionary path and factors of competitive success, and allow the reconstruction of main transformations and innovations thanks to which the company was able to hold on to its market position even through difficult times. This part of the research has enabled the production of material that can be used to draw up a case study for each company analysed, to describe company *best practices*.

Information collected through company cases basically highlights three key topics that may have interesting implications in the territory's growth scenarios. The three key topics identified are:

- ⇒ Resistance and survival. This is the underlying attitude of companies positioned in mature markets, which forces them to move along the following axes:
 - Building a competitive advantage through variety of the product range and flexibility of the process (but with a tendency to focus on *core* products);
 - Specializing in top-of-the-range;
 - Diversifying in adjoining sectors or finding new business opportunities. The technical textile sector, with its varied fields of application (biomedical, above all), may represent that "knowledge base" towards which one can take the first steps;

- ⇒ Product innovation. Companies pursuing market *leadership* through a distinctive product offer, based on ongoing research and the integration of skills (also supplied through technological cooperation networks). Those cases in which this strategy was adopted show how it is possible to develop some interesting discontinuities by working on:
 - Product architecture and supporting electronics;
 - The ability to integrate different disciplines in process technologies; in the medium period, the process may be accelerated by setting up interdisciplinary design centres that draw from the manufacturing know-how present in the territory, and by recombining them within wider knowledge circuits; or the possibility to bring to a greater critical mass specific investments in *know-how*, for example by setting up a centre of excellence for mechatronics, to support a systematic transition of more manufacturing companies towards the services in *engineering*, industrialisation and the development of industrial system solutions for large-scale enterprises;
 - Migration towards new products, with the use of new materials. The successful entrepreneurial story built around the use of new materials (but also around the ability to interact intelligently with customers), could be applied to a possible carbon cluster: which would involve a local network of small specialised businesses, with the dual effect of increasing the production capacity of carbon composites and encouraging their distribution on the markets. Perhaps foreseeing, through a special cluster-specific *marketing service*, in which sectors these technologies can be used more easily.

- ⇒ Development of entrepreneurial ventures related to the industrial transformation and reconversion of the territory. Operations for the instant industrial reconversion to services may turn out to be necessary due to the crisis, yet they will also need to be handled as an opportunity for a town-planning rethinking and rebalancing of the services offered in the territory. Surveys in the field have picked up, in particular, new forms of enterprise on the topic of:
 - Advanced tourism offer: the possibility to build a more systematic and developed tourism plan for the Seriana Valley, which may also rely on framework elements – guaranteed by public institutions – such as professional training, enhancement of the landscape and monuments and buildings, the planning of additional services, logistic interconnections;
 - Urban development and environmental sustainability: the possibility to conceive the structural transformations of the Seriana Valley as an excellent opportunity to rethink the town-planning model: to be supported both through suitable real estate renovation policies, from industry to services; and through innovative forms of *social housing*; and finally by promoting the culture and technologies of energy saving, around which to develop further investments for the territory.

Three focus groups were set up, with the participation of representatives of local agencies and small businesses, for the purpose of ascertaining and extending the feelings and impressions expressed by the companies. The topics dealt with during the focus group discussions touched upon the quality of life in the Seriana Valley, its possible decline, the worries and concerns perceived by the different social partners, the possible strategies for relaunching the area and the possibility to implement

supra-municipal policies. These discussions highlighted the fact that all the social players are willing to do their part to overcome the crisis. In particular, small businesses emphasized the importance of developing cooperation or consortium forms, as well as the need to improve skills and managerial skills (marketing, sales, research of new products, management control, advertising); the local government, in step with small businesses, expressed their desire to preserve the manufacturing vocation of the territory, given the excellent technical and labour skills, and to encourage diversification and stimulate industrial and managerial culture and innovation. They were also inclined to support consortium and coordination, for example by starting from an inter-town coordination office for dismantled industrial areas, which would result in less speculation and would guarantee a proper balance in the area.

Analysis of the impact of the crisis on the population

A telephone survey was conducted locally with 1,000 interviews, for the purpose of outlining the people's feelings towards the local economic trend, their fears, expectations and attitudes towards policies involving groups of towns and villages that may include measures such as programmes concerning more than one town or village or the possibility of local government mergers. The questionnaire was constructed so as to allow a close examination both in qualitative (with the introduction of a set of open-ended questions) and quantitative terms.

The results of the survey indicate that the people in the mid Seriana Valley are satisfied with their territory, not only from a landscape and environmental standpoint, but also with regards to the quality of life: 84.4% enjoys a comfortable standard of living and less than one third of those interviewed experienced a worsening in their standard of living in the past 2-3 years. The sense of belonging to one's territory is strong in all the inhabitants of the Seriana Valley. This feeling is strong also amongst the youth, providing them with an identity, as demonstrated by the fact that among those not in favour of town mergers, the highest percentage is the group of 18 to 30 year olds. Young people, however, are also the most dynamic: they are more inclined to leave their hometown in search of something new, and more willing to relocate for work reasons, both with the intention of finding a job away from home or looking to open their own business outside the town in which they live. It seems as if they are searching for something new, a need to "learn about the world", leaving a territory that is perceived as being a bit too closed upon itself and which lacks attention to their specific needs. This population group shows interest in anything that is new by favouring the construction of shopping centres, auditoriums and multiplex cinemas.

People specifically feel the need to solve the problems of road conditions, traffic and the limited availability of efficient transport. In this sense, the construction of new road networks is considered an important issue. With regards to additional reported problems, no issues emerged with regards to feelings of insecurity due to criminality or to problems with living close to foreign residents.

One of the other problems associated with the territory that was mentioned by people is job insecurity brought on by the current economic crisis. Indeed, the major concern is factories closing, the loss of jobs and the inability to reduce unemployment. This influences people's worries and expectations about the future. Approximately half of the people interviewed feel that their territory may perhaps suffer more serious consequences than the rest of the Bergamo province. At the same time, however, the interviewees show willingness to do their own part. Not only are they ready to accept sacrifices directly associated with their job (for example by being more willing to get to workplaces that are farther away), but also by accepting the construction of works near their homes with a significant territorial and environmental impact, for something

in exchange. For example, at a time where there is fear that more and more jobs will be lost, the creation of 100 new jobs appears to be as a suitable offset for the construction of works such as shopping centres or waste disposal plants.

Definition of alternative scenarios and policies

Today, the territories are squaring off against each other in competition and this is increasingly direct and global; this implies the need for territorial systems to orient the area's structural evolution and the medium-long term choices of the economic and social players who operate in the area, in order to beat the competition and avoid the decline. At this point, it is a matter of starting to recognize strengths and weaknesses and decide where to concentrate future efforts. The spontaneity and creativity that encouraged the sudden local development no longer appear to be sufficient to withstand a competition that is increasingly global. With the awareness that competition on global markets does not only mean the ability to export or know how to cut down on costs through de-localisation, but also know how to attract capital and investments, a targeted strategy of measures of a structural nature to obtain a quantitative growth, as well as the creation of excellence and the acquisition of competitive advantage factors. Through the years, the concept of excellence and competitiveness of a specific territory has grown into the awareness that the appeal of a territorial system derives from multiple factors that emphasise the difference between the territories and ensure its "success" and its instant recognisability. In particular, the Seriana Valley can certainly number among its advantages the high quality of the goods obtained through specialised productions, the high professional and technical skills, the work and entrepreneurial culture, the vicinity to an important intermodal hub such as the Orio al Serio Airport, the completion of Tramvie Elettriche Bergamasche (TEB), the proximity to tourism areas (Val Gandino and Val Brembana), skiing facilities and the historic-artistic heritage, the production of organically-grown and products of guaranteed origin (table 1).

Table 1: Summary of the Seriana Valley SWOT analysis

STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
Labour culture and entrepreneurship	Low level of education	New markets for technical textile and Smart Textile; development of new sectors, renewable energy, eHealth...	Depopulation
High professional and technical training	Limited cluster and managerial culture; lack of attention to venture capital	Evolution of productions through technological skills and with the university's contribution	Signs of de-industrialization; fragmentation of the production chain
Manufacturing tradition	Technological infrastructures and for transport	Orio al Serio Airport; new infrastructures (light railway and its extension)	Shifting of the economic activity to the plain
Credit institutions' consideration for the needs of businesses	High concentration of third-party production	European programmes and funding (Era-Net, Structural funds, Foresight, Lead market, knowledge-based clusters); national and regional programmes and financing (clusters and meta-clusters)	Global competition
Social cohesion	Small businesses dominated by unbranded homogeneous products and little knowledge of final markets	Labelling for environmentally-friendly products and for guaranteed origin against counterfeits (Servitec)	Unfair competition

Source: Tolomeo Studio e Ricerche Srl

This is the scenario for promotional actions with the aim of further enhancing the high quality of products and services, and attempt to make the most of possible synergies with neighbouring areas and to create new ones (for example, the development of a logistics pole by taking advantage of the nearby airport, as well as of the completion of the TEB and the Bergamo ring-road system), also drawing on both external and private funding, such as *private equity*, as well as public, national and European Community funding. Below is a list of actions aimed at stemming the ongoing crisis and becoming more competitive once the recovery gets underway:

⇒ Policies aimed at developing the manufacturing industry, to safeguard the

current production activities and facilitate their relocation to adjacent sectors (including, among other things, promoting “Made in Italy”, helping the growth of enterprises and their internationalisation, research and innovation, maintaining the production basis and employability);

- ⇒ Policies aimed at renovating and expanding the service industry: the aim is to encourage the creation of businesses in new sectors and to welcome entrepreneurial ventures that wish to expand their activity horizontally (including the development of commerce and shopping centres, public health and social services, tourism, innovative services, green economy and sustainable construction);
- ⇒ Policies aimed at encouraging the “residential advantage”: intended to make it more desirable to live far from where one works (in particular the renovation of historical centres; the creation of a real estate fund for restoring older buildings; the improvement in quality of life through day-cares and nursery schools, sports facilities, swimming pools, cinemas and schools);
- ⇒ Cross-sector success policies: these initiatives are transversal to the previous and serve as a driving force for local development, mostly related to infrastructures and town-planning involving more than one village (including activities capable of facilitating the management of incoming and outgoing goods at the airport, improving the connection between the Valley, the trade fair and Bergamo, not to mention connections between the Lower and Upper Seriana Valley and with the neighbouring valleys; town-planning and policies involving more villages and towns, aimed at limiting redundancies and inefficiencies at town level).

The agreement

The Associations and Unions have decided to set up a Support and Guidance Committee to promote activities capable of helping and driving entrepreneurial development, as well as to promote economic and territorial initiatives, not necessarily only for the Seriana Valley, with the possibility to expand its activities in all areas experiencing hard times within the territory of the province. This Committee will consist of the sponsors, the territorial Agencies and the financial institutions.

In detail, the Committee will focus on and define four main lines of action deemed to be crucial:

- Provide support to entrepreneurial projects through the establishment of a task force capable of assisting companies and entrepreneurs as they evaluate and implement their investments;
- Carry out economic-projects by setting up a fund (with a majority from the private sector and managed by a specialized company independent from the sponsors) intended to finance new businesses, to temporarily participate in sound companies and in significant projects. The fund will invest in developing corporate real estate and restoring dismantled industrial areas. Other forms of investment are also possible, such as social *housing*, service industry areas, service centres, etc.;
- Assistance to employment opportunities through the use of the *flex-security* initiative in one of the *lead markets* defined by the European Union (eHealth,

- renewable energy, sustainable construction, recycling, bio-products, technical textile) to transfer skills from manufacturing to innovative sectors where production capacity or potential for conversion already exists;
- Activities to promote marketing of the territory and the grouping together of towns and villages, improvement in state services for the employment, planning involving more towns and villages, the growth of social and health services, the formulation of a tourism project. The definition of an educational-training system associated with the University and satisfying ongoing training needs, the development of the mountain economy, the restoration of historic centres, the growth in social services and the upgrade of technological infrastructures.