

## EU 2020 STRATEGY - An Agenda for European Manufacturing in a changing world

### EXECUTIVE SUMMARY

Restoring sustainable economic growth, speeding up the move towards a more environmentally responsible economy and addressing demographic change need to remain the key focal points of the European Union and its Member States. CEEMET<sup>1</sup> and its national members are committed to strive for a sustainable, innovative and competitive manufacturing industry and see a wealth of opportunities for manufacturers in the future. Manufacturers will continue to play a central role in the EU economy as they are also part of the solution to the major challenges facing Europe. However, the right framework conditions need to be in place to maintain and further strengthen a competitive European industrial base with the following key priorities addressed:

#### **1. A skilled workforce – more important than ever to compete in the global marketplace**

In the post-crisis economy, many of the jobs in the metal, engineering and technology-based (MET) sector will require new skills, with manufacturers playing a central role in providing Europe with technological solutions to the triple challenges of climate change, energy security and demographic change. Companies will need highly-qualified people to meet these challenges. To achieve this and address the current qualitative and quantitative shortage of skills, lifelong learning needs to become a reality as well as a mindset. Further, improved two-way communications between education and industry involving all stakeholders is necessary to achieve quality and innovation in education, up-to-date guidance and education, allowing workers and companies to adapt to changes in technology and methods of working.

#### **2. Safeguarding and promoting flexibility within labour markets - a precondition for economic growth and social development within a well-functioning European Single Market**

Social policies are a vital part of the framework in which companies operate. Flexible labour markets allowing the speedy and efficient deployment of workers are vital if European companies are to respond to the increasing pressures of global competition. Employment legislation must facilitate the flexible work arrangements, both externally and internally, that are increasingly being sought by both employers and individuals. Flexicurity needs to be the underlying concept for the employment and social policies of the European Union and all Member States to improve the adaptability of workers and companies, shifting the focus from job protection to employment security.

The European Single Market is a success story that must be supported by all actors. In an increasingly consolidated European Single Market, national industrial relations and collective bargaining systems have to be able to adapt to reflect local needs and circumstances. CEEMET is convinced that supporting these national developments with European social dialogue, fully respecting the principles of subsidiarity and proportionality, can increase understanding and dialogue between the social partners – an important factor for the successful future of our industry.

#### **3. Increasing productivity and creating new products and businesses supported by innovation and research & development**

If European industry is to compete in the global market, CEEMET is convinced that a comprehensive and “needs driven” European R&D policy is pivotal, allowing entrepreneurship to flourish.

#### **4. Better regulation and ensuring adherence to the principles of subsidiarity and proportionality**

CEEMET strongly supports the EU’s Better Regulation agenda and welcomes the appointment of the High Level Group on Administrative Burdens. Reducing red-tape and administrative burdens produced by existing legislation and new European initiatives is necessary by rigorously implementing the principles of subsidiarity and proportionality. All parts of the impact assessment process need to be improved including using the specific knowledge and expertise that employers have on the practical implications of planned legislation.

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<sup>1</sup> CEEMET represents the interests of employers’ organisations in the metal, engineering and technology-based industries with a particular focus on **social policy issues**. We speak for **200,000 companies** from 22 countries with some **12.7 millions employees** – [www.ceemet.eu](http://www.ceemet.eu). CEEMET is registered at the Commission’s Register of Interest Representatives.

## EU 2020 Strategy – A European Agenda for Manufacturing Industry in a changing World

### INTRODUCTION

In this document CEEMET sets out the key competitive priorities in the area of social policy it and its member organisations consider are crucial for maintaining a **strong and competitive industrial base in Europe**, a prime goal that we are pleased to see has been highlighted in the Commission's Consultation Document on the EU 2020 Strategy (*COM(2009)647 final*).

To contribute to achieving the objective of a strong and competitive industrial base in Europe, CEEMET has identified the following **key competitive priorities in the area of social policy** where it will work with all stakeholders:

1. A skilled workforce – more important than ever to compete in the global marketplace
2. Safeguarding and promoting flexibility within labour markets - a precondition for economic growth and social development, within a well functioning European Single Market
3. Increasing productivity and creating new products and businesses supported by innovation and research & development
4. Better regulation and ensuring adherence to the principles of subsidiarity and proportionality

Sustainable economic growth must remain the focus of the EU 2020 Strategy and the EU Member States as it is a prerequisite for maintaining and creating wealth, including high employment levels. CEEMET and its national member organisations are committed to striving for an economically, socially and environmentally sustainable competitive industry.

These difficult financial and economic times have refocused attention on the importance of manufacturing industries which account for approximately 70% of European exports, creating growth and prosperity for European citizens and societies as a whole. CEEMET is convinced that also in the future the European economy will continue to revolve around manufactured products and their related processes and services. To be in a position to exploit its potential to the full, industry needs to have access to credit at reasonable conditions. However, lessons have to be learnt from the ongoing crisis and, in particular, financial systems have to be adapted accordingly. Returning to business as usual is not an option. Public finances have to be put in order and prepared for future challenges stemming from demographic developments as well as, in contrast to this, rising expenditures on unemployment benefits. This would also contribute to controlling additional labour costs, which in many European countries are among the highest in the world.

### **COMPETITIVE AND INNOVATIVE MANUFACTURING INDUSTRIES REQUIRE SUPPORTIVE CONDITIONS TO THRIVE**

If these challenges are not tackled quickly, they will lead to negative long-term effects on Europe's growth potential, resulting in rising structural unemployment with lower levels of investment and innovation.

Despite this difficult situation, CEEMET members see a lot of opportunities for manufacturing industries in the future. During the financial and economic crisis, innovative manufacturers have shown that they are an important and reliable creator of wealth and employment. Manufacturers will continue to play this central role as they are part of the solution to the major challenges facing Europe and the rest of the world. Europe has benefited from globalisation and Member States must therefore resist all forms of protectionism.

The extremely wide-ranging nature of the metal, engineering and technology-based (MET) industries<sup>2</sup> and the cutting-edge products, processes and services they provide will help our society to cope with current and future key issues, such as scarcity of resources, reducing the carbon footprint, demographic developments and the need for various forms of smart infrastructures and grids<sup>3</sup>. Future European industrial policy must duly consider this wide-ranging nature of manufacturing in addition to providing the conditions that will enable European manufacturers to exploit fully opportunities in fast-growing clean technology sectors.

Irrespective of the ongoing financial and economic crisis, European industry is faced with increasing pressure from the emerging economies where our competitors have the advantage of lower labour and production costs. To cope with these challenges, Europe has to strengthen its international competitive advantages, particularly in the areas of technological *-including environmental-* leadership, quality and proximity to customers.

CEEMET is firmly of the view that, for Europe, it is neither desirable nor, indeed, sustainable to try to respond to these challenges from the emerging economies simply through wage competition. However, the often too high levels of employment costs in Europe must be addressed quickly.

## CEEMET'S KEY COMPETITIVE PRIORITIES IN THE AREA OF SOCIAL POLICY

### 1. A SKILLED WORKFORCE – MORE IMPORTANT THAN EVER TO COMPETE IN THE GLOBAL MARKETPLACE

To invent, develop and manufacture the new products, processes and services needed to compete in a global market place, a skilled and motivated workforce is of pivotal importance. To achieve this, the core problem of a qualitative and quantitative shortage of skills affecting the competitiveness and innovative strength of the MET industry has to be tackled, taking into account the challenges of demographic change, the poor "image" that handicaps parts of the manufacturing sector, the too often insufficient skills and competences of school leavers, the wide diversity of national education systems and cultures and the accelerated pace of technological change.

In the immediate future, to ensure the availability of highly-qualified personnel, Europe must focus on high quality vocational and educational training that reflects labour market needs. To achieve this, rebuilding and strengthening the links between the MET industry and the national education and training systems is imperative.

<sup>2</sup> The member organisations of CEEMET cover the whole sector of the metal industries, including: Fabricated Metal Goods, Mechanical Engineering, Electrical and Electronical Industry, ICT Industries, Transportation Means (automobile, ship, aircraft).

<sup>3</sup> CEEMET is pleased note that the strategic importance of manufacturing industries, eg in nanoelectronics, for Europe's society and economy is confirmed in the Commission's 2009 Communication on "Key enabling industries".

Furthermore, this needs to be supported by ensuring a better orientation of young people towards the MET industry, not least in the context of an ageing workforce, school drop-out rates and youth unemployment.

Overall, it is also essential that lifelong learning becomes a reality as well as a mindset beyond just a policy objective. Education and training systems will have to be able to retrain and up-skill increasing numbers of older workers while at the same time provide young people with key competences, ensuring their capacity and motivation to learn during their entire life and thus ensure their future employability. To achieve this, *all* stakeholders have to invest in education.

Finally, CEEMET would also encourage stakeholders to introduce a European approach to the immigration of qualified people, which must be based on openness and the greater attractiveness of Europe as a labour market for qualified people.

#### **A SKILLED WORKFORCE – MORE IMPORTANT THAN EVER TO COMPETE IN THE GLOBAL MARKETPLACE**

- CEEMET members see qualitative and quantitative skills shortage as the main challenge to be addressed
- As an important step to overcome the skills shortage, CEEMET is committed to strengthening the cooperation between manufacturing industry and (vocational) education and training systems
- This needs to be supplemented by ensuring a better orientation of young people and of women towards industry
- All relevant stakeholders have to improve or correct the often outdated image of the MET industries
- All stakeholders have to be committed to LLL and invest in education and training
- National responsibilities in education and training and the diversity of paths chosen need to be respected
- CEEMET members encourage stakeholders to introduce a European approach to the immigration of qualified people

## **2. SAFEGUARDING AND PROMOTING FLEXIBILITY IN LABOUR MARKETS IS A PRECONDITION FOR ECONOMIC GROWTH AND SOCIAL DEVELOPMENT, WITHIN A WELL-FUNCTIONING EUROPEAN SINGLE MARKET**

The European Single Market is a success story. It is the bedrock of EU economic growth, leading to the creation of millions of jobs and social development.

The European Commission has identified a number of protectionist measures that have been introduced at national level, in particular with regard to the freedom to provide services. In light of this, CEEMET therefore supports the ECJ Rulings on the Rüffert, Laval, and Viking cases, which have contributed to securing the European Single Market. Undermining this basic freedom would exclude foreign companies from competition, depriving them from using their competitive advantage on the basis of their cost structure. It is in the interests of the consumer for companies to have the opportunity to exploit these freedoms, respecting existing laws.

The erection of protectionist fences in the European Union would have long-term negative effects on Europe's competitiveness and the potential for wealth creation. Furthermore, curtailing the Single Market would put Europe at a disadvantage vis-à-vis its competitors in the international marketplace.

### THE IMPORTANCE OF FLEXICURITY

Companies in the metal, engineering and technology-based industries, more than in other sectors, have to undergo a permanent and evolutionary process of change. To be successful, this process needs freedom and encouraging framework conditions, including for the labour market. Overregulated labour markets have a negative effect on competitiveness and employment. In general, Europe today already has highly developed and expensive social protection systems in comparison with the rest of the world.

Flexicurity needs to be the underlying concept for the employment and social policies of the European Union and Member States to improve the adaptability of workers and companies. Lessons can be learnt from well-performing countries and CEEMET considers that the path of Flexicurity advocated at EU-level is the best way to pursue this important objective. CEEMET supports the integrated policy mix approach at EU-level, which rightly focuses on a shift from job protection to employment security. Ensuring employment is only possible where job creation is encouraged which can only be based on a high level of economic growth. Efforts must be made to support businesses and encourage entrepreneurship including, but not limited to, lowering the administrative burdens for employers.

Overall, it is crucial for the success of European and national Flexicurity strategies that the concept of Flexicurity and its importance are understood and accepted by all stakeholders.

Flexible markets allowing the speedy and efficient deployment of labour are vital if European companies are to respond efficiently to the increasing pressures of global competition. Employment legislation must facilitate the flexible work arrangements, both externally and internally, that are increasingly being sought by both employers and individuals.

All stakeholders need to recognise that, in addition to full-time and permanent work, there is an increasing demand for a diversity of working arrangements, including part-time, fixed-term and temporary agency work, from *both* employers and individuals. Because of demographic developments, it will become increasingly important to try to retain the know-how of older workers in companies for as long as possible, addressing the issue of an ageing workforce appropriately. This could be achieved through the introduction of genuine part-time retirement or intelligent job rotation models, possibly supported by long term working time accounts. Flexible employment contracts will also become increasingly important for employees due to the growing need for them to care for their dependants. Such employment contracts can also contribute to reducing the ever-increasing structural unemployment.

Overall, CEEMET considers that it is imperative that the door to the labour market is kept open in both directions and that access to it is also available for the less qualified.

In the longer term, flexible employment rules will have positive effects on the dynamics of the labour market, contributing to the competitiveness of companies in Europe. This applies not only to recruitment, but also to dismissals, which can sometimes become necessary as a measure of last resort. The existence of dismissal procedures that are often too bureaucratic and costly is detrimental to job creation leading, in some cases, to situations where employees or trade unions bargain only about the level of severance pay. In the end, excessive and inappropriate employment regulations tend to protect employed people at the expense of unemployed people, including the young.

In the current context it is also important to highlight the issue of short time work, which is used in different ways in several EU Member States. Short time work can be an appropriate short-term measure to retain skilled workers, however it is and must remain a strictly national issue.

Unfortunately, European Directives in the social field too often contribute to less flexibility, adding new layers or stricter rules to already existing national regulation. It is therefore imperative that there should be a consolidation of existing EU Directives and their proper implementation in all of the EU 27 Member States before the Commission considers any new legislative initiatives.

In a broader context, modern, effective and employment-friendly social protection systems that are in line with active labour market policies should be targeted so that they establish an efficient link between rights and obligations. In particular, they should not only provide for social benefits at a reasonable level but they should, at the same time, create incentives for individuals to return to work and to live an independent life. An increasing number of European countries also face potential problems in the gap between their pension commitments and fiscal reality, in particular due to the extremely high levels of public debt created by the financial crisis. They are therefore in danger of creating an environment that prices people out of their jobs.

#### **INDUSTRIAL RELATIONS AND SOCIAL DIALOGUE**

Finally, CEEMET members are witnessing a new context for industrial relations emerging that comes from the impact of an increasingly consolidated European Single Market on national industrial relations and collective bargaining systems. Over the past years, the social partners of the metal, engineering and technology-based industries in many European countries have adapted their collective agreements by introducing innovative measures that offer more room for tailor-made solutions at company level. CEEMET welcomes these developments which must be acknowledged by the European Commission and any new EU initiatives must not be an obstacle to this more flexible and decentralised approach.

Nevertheless, CEEMET is convinced of the added value of sectoral social dialogue at European level. CEEMET and its counterpart, the European Metalworkers' Federation (EMF), have therefore recently launched their Sectoral Social Dialogue Committee covering the entire MET industries with the formal recognition of the European Commission. CEEMET is firmly of the view that European social dialogue, fully respecting the principles of subsidiarity and proportionality, can contribute to improving the economic and business environment that supports the development of competitive and profitable companies in a globalised economy.

### **SAFEGUARDING AND PROMOTING FLEXIBILITY IN LABOUR MARKETS IS A PRECONDITION FOR ECONOMIC GROWTH AND SOCIAL DEVELOPMENT, WITHIN A WELL-FUNCTIONING EUROPEAN SINGLE MARKET**

CEEMET members ask the EU and its members States to:

- seize the scale effects and growth potential of the European Single Market and resist protectionism
- acknowledge that tensions between the European Single Market and increasingly decentralised and flexible national industrial relations systems cannot be overcome by an EU initiative on transnational collective bargaining.
- promote Flexicurity as the underlying concept to improve the adaptability of workers and the competitiveness of the MET industry, shifting the emphasis from job protection to employment security.
- support the recent trend to innovative collective agreements that offer more room for tailor-made solutions at company level
- support a well-balanced European sectoral social dialogue can contribute to improving competitiveness and employment

#### **Recommendations on selected EU Directives and Initiatives:**

- proper national application and enforcement of the Posting of Workers Directive would contribute to further complementing the European Single Market, while ensuring a fair competition, preserving the rights of workers
- despite its difficulties, a Review of the Working Time Directive does not appear to be either politically feasible or practically necessary as many manufacturing companies, often together with worker representatives, have found pragmatic ways to cope with the current situation

*(Further examples – please refer to Chapter 4. “Better Regulation”)*

### **3. INCREASING PRODUCTIVITY AND CREATING NEW PRODUCTS AND BUSINESSES THROUGH INNOVATION AND RESEARCH & DEVELOPMENT – BASIS FOR ENTREPRENEURSHIP IN EUROPE**

If European industry is to compete in the global market, we must achieve significant and sustained productivity growth, hand in hand with improving Europe's innovative capacity.

The right competences are needed if the metal, engineering and technology-based industries in Europe are to become world leaders in R&D, boosting new technologies as mentioned in the Commission's Communication on key enabling industries. This requires the development of a strategic European approach to industrial innovation policy supported by very concrete measures, bearing in mind that innovation is closely linked with another feature of utmost importance for Europe: entrepreneurship.

CEEMET is convinced that a comprehensive and “needs driven” European R&D policy that encourages the development of knowledge and innovation is needed in order to raise productivity and create new jobs and the new products and services mentioned above. A strong institutional framework is crucial in this respect.

R&D policy needs to be supported by investment in infrastructure and capital equipment as well as by better collaboration between industry and higher education institutions. To increase overall R&D activities, appropriate

levels of public financing must be maintained. At the European level and particularly with regard to the FP7 and its follow-up programmes, better coordination between the European Commission services and much simpler application procedures are vital, particularly for SME's.

Measures that could be adopted to facilitate market relevant innovation include co-funding mechanisms that have to be used efficiently and effectively, public procurement (a key factor to promote new technologies), tax incentives (the financial support for start-up companies within a framework that provides equal competition conditions is particularly important) and the protection of intellectual property rights linked to the transfer of technologies through the transfer of people and its influence on the relationship between business and research.

#### **INCREASING PRODUCTIVITY AND CREATING NEW PRODUCTS AND BUSINESSES THROUGH INNOVATION AND R& D**

- Europe needs a strategic approach to industrial innovation closely linked with entrepreneurship to be promoted at all levels
- To facilitate innovation we need efficient and effective co-funding mechanisms, public procurement and/or tax incentives, ensuring that innovative companies, including start-ups, have access to the finance they need to grow and the protection of intellectual property rights
- EU R&D programmes have to be better coordinated between Commission services and become much simpler to apply for, in particular for SMEs

#### **4. BETTER REGULATION AND, IN PARTICULAR, ENSURING ADHERENCE TO THE PRINCIPLES OF SUBSIDIARITY AND PROPORTIONALITY**

CEEMET strongly supports the EU's Better Regulation agenda and welcomes the appointment of the High Level Group on Administrative Burdens. We support the Commission's idea of reducing red-tape by 25% which, in line with the Small Business Act, aims to lower costs for SMEs by reducing by 25% the administrative burden of unnecessary regulation by 2012. Whilst we acknowledge the difficulty of this task, we firmly believe that these initiatives must be followed up by more concrete action.

CEEMET members are convinced that, in the field of social policy, more adaptability will contribute to improved competitiveness. In our view, all existing and forthcoming social policy regulations at European and their national implementation should always be checked against the principles of subsidiarity and proportionality. Improved impact assessments are vital in contributing to properly identifying necessary and proportionate EU legislation. As a general rule, the following three questions should always be asked before any European legislative proposal is considered. Is there an objective need for it? Are the costs, including those caused by unnecessary administrative burdens, proportionate to the benefits? At what level of government – whether European, national, regional or local – is action most appropriate?

Social Partners and their members can play an important role in contributing to these impact assessments using their specific knowledge and expertise and their insight on the practical impact that planned legislation is likely to have on the day-to-day operations of companies.

We also see no reason why automatic review mechanisms, for checking the effectiveness of legislative initiatives after they have been in force for a few years cannot be formally written into all EU legislation. In the area of labour law, we have the impression that, in cases where revisions of certain EU Directives are being considered, this is predominantly leading to the imposition of stricter rules and, unfortunately, not to creating greater labour market flexibility, let alone the total withdrawal of any legislation. Finally, we would like to see all European institutions, including the various Directorates of the European Commission, co-ordinating in a better way their different policies and initiatives.

#### **BETTER REGULATION – RECOMMENDATIONS ON SELECTED EU DIRECTIVES AND INITIATIVES**

- proper national application and enforcement of the Posting of Workers Directive would contribute to completing the European Single Market
- despite its difficulties, a Review of the Working Time Directive does neither appear to be politically feasible nor practically necessary, as many manufacturing companies, often together with worker representatives, have found pragmatic ways to cope with the current situation
- in the field of health and safety, the European Commission should redirect its activities on guidance for prevention and exchange of good practices instead of focusing on legislation.

#### **CONCLUSION**

The future of Europe is directly linked to the success of its industrial sector. Ensuring a thriving and competitive environment for CEEMET's members should therefore be a common goal for all governments, institutions, employers, employees and their representatives. We also need to acknowledge the possibilities for and the limits of harmonisation at European level. The key for a successful transformation of the current Lisbon Strategy into an integrated vision of "EU 2020" is mainly in the hands of the Member States supported by the European Institutions. In essence, Europe needs to be taken more seriously at Member State level.

By successfully implementing this strategic agenda with the involvement of all stakeholders, CEEMET will contribute to the development of a more competitive industrial environment, which today we consider is the best – and only – solution to reduce the need for business relocations and to create industrial jobs and wealth for our societies within Europe.

Brussels, January 2010