



**COUNCIL OF EUROPEAN EMPLOYERS OF  
THE METAL, ENGINEERING AND  
TECHNOLOGY-BASED INDUSTRIES**

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**CEEMET STRATEGY PAPER**

**“STRENGTHENING THE COMPETITIVENESS OF THE EUROPEAN METAL,  
ENGINEERING AND TECHNOLOGY-BASED INDUSTRIES”**

**BRUSSELS, OCTOBER 2004**



## **CEEMET STRATEGY PAPER**

### **STRENGTHENING THE COMPETITIVENESS OF THE EUROPEAN METAL, ENGINEERING AND TECHNOLOGY-BASED INDUSTRIES**

#### **INTRODUCTION**

CEEMET represents the interests of employers' organisations in the metal, engineering and technology-based industries from 15 European countries with a particular focus on social policy issues. Furthermore, CEEMET has established and is developing a network of contacts with employers' organisations in the new EU Member States. Our member organisations currently represent around 200,000 companies, employing some 12 million people.

Together these companies make up the largest industrial sector in Europe both in terms of employment levels and added value. In the wealth they generate, the people they employ and the skills they provide, our members' businesses are vital in driving forward Europe's future economic prosperity and have a key role in creating wealth for our society. Moreover, the income that they generate fuels other sectors, including the services sector. The growth of the latter results largely from services provided to our sector whose products represent more than 70% of European exports. Creating and maintaining an environment that ensures a thriving and competitive manufacturing sector should therefore be a common goal for all stakeholders in Europe.

This strategy paper sets out the key areas on which CEEMET, together with its member organisations, will work to strengthen the current and future competitiveness of the metal, engineering and technology-based industries within Europe.

Unlike CEEMET, which focuses on social policy related topics, our European sister organisations, such as Orgalime, are focusing on the economic aspects of industrial policy and competitiveness, highlighting in particular the importance of entrepreneurship, the financing of research and development or framework conditions in the internal market and the international dimension of our industries, which are largely export driven.

#### **COMPETITIVENESS, GROWTH AND INNOVATION MEANS PROSPERITY FOR ALL**

At the Lisbon Summit in 2000 the European Union set itself the ambitious ten-year goal of becoming the most competitive and dynamic-knowledge based economy in the world.

CEEMET and its member organisations recognise the importance of the Lisbon process and the progress that has been made so far but we are concerned to ensure that the momentum towards achieving the goals set in Lisbon, to which we are fully committed, is not lost.

Like the Commission in its Communications on Industrial Policy in an Enlarged Europe<sup>1</sup> and on "Fostering structural change: an industrial policy for an enlarged Europe"<sup>2</sup>, CEEMET is convinced of the necessity to make the most of the opportunities that enlargement offers to Europe, including in the

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<sup>1</sup> COM(2002) 714 Final

<sup>2</sup> COM(2004) 274 Final

context of globalisation. Several economic forecasts indicate that the additional growth generated by enlargement will be much higher in the new Member States than in the EU-15. Therefore, in order for this potential for economic growth to be released, an acceleration of structural reforms both at EU and at national level is urgently needed.

Furthermore, the Lisbon process should not just be about Europe catching up and overtaking the United States. In these times of increasing globalisation, the challenge facing Europe's industry is just as strong, if not more so, from the emerging economies, such as China and India, where our competitors have the advantage of lower labour and production costs.

CEEMET is firmly of the view that it is neither desirable nor, indeed, sustainable to try to respond to these challenges from the emerging economies simply through wage competition. However, the need to tackle the often too high levels of employment costs in Europe is essential and must not be overlooked.

Instead, the challenge for Europe – and one that must urgently be taken forward as part of the Lisbon process - is to take steps to improve productivity and innovation as well as create a regulatory framework that encourages, rather than stifles, competitiveness.

CEEMET and its member organisations have therefore identified the following key areas where we will work with all stakeholders in society to improve the competitiveness of the sectors in which our members operate and therefore contribute to the wellbeing of our societies:

1. Equipping our current and future workforce with the skills to compete in the global marketplace
2. Increasing productivity and creating new products and businesses through innovation and research & development
3. Safeguarding and promoting flexibility within labour markets
4. Better regulation and, in particular, ensuring adherence to the principles of subsidiarity and proportionality

## **KEY COMPETITIVE PRIORITIES**

### **Equipping our workforce with the skills to compete in the global marketplace**

It is vital that our workforce is equipped to meet the needs of companies and the challenges of both globalisation and ever increasing technological changes. This can only happen through the provision of high quality vocational and occupational training, including the development of and support for apprenticeship systems. This must be supplemented by ensuring a better orientation of young people towards industry which is now becoming increasingly important due to demographic changes.

CEEMET wishes to see all the relevant stakeholders encourage and invest in a commitment to lifelong learning. It is a dangerous fallacy to suppose that people who have successfully passed through the school and/or vocational training or university system have been equipped with the necessary knowledge and skills for their entire working life. For their part, employees will increasingly have to recognise that the need for ongoing training and development is the key to achieving more secure and enriching jobs.

## **Increasing productivity and creating new products and businesses through innovation and research & development**

If European industry is to compete in the intense global market, we must achieve significant and sustained productivity growth.

An important element for achieving this necessary increase in productivity and competitiveness in Europe is a comprehensive and “needs driven” research and development policy in order to create an environment that will foster new and innovative production processes and products. This policy needs to be supported by investment in infrastructure and capital equipment as well as by better collaboration between industry and higher education institutions.

Finally and in order to counter the effects of productivity increases on employment, future economic growth has to be at higher rates than it has been in the recent past. This will also be facilitated by effective implementation of structural changes.

## **Safeguarding and promoting flexibility within labour markets**

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. This view was spelt out in the report of the Employment Task Force, chaired by former Dutch Prime Minister Wim Kok, which argued that the European Commission and Member States should actively promote modern and more flexible work organisations.

CEEMET strongly supports the conclusions of the Kok Report and believes that implementing these should form the basis for future European labour market regulation. In particular, legislators 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 employees.

Linked to the need for flexible labour markets are the demographic problems that Europe – particularly the 15 “old” Member States – will face in the years ahead. Many European countries already suffer from skills and labour shortfalls which will be exacerbated as Europe’s population grows older. The member organisations of CEEMET therefore support, in principle, the free movement of workers in the enlarged European Union without any restrictions.

Some European countries also face potential problems in the gap between their pension commitments and fiscal reality. It is felt that what can sometimes be seen as opportunistic reforms of, for example, “pay-as-you-go” financed social security systems are potentially playing a dangerous game with the future of our societies. They are also in danger of creating an environment that could price people out of their jobs.

Companies and their employees will also need to become more open to the idea of working later in life. Governments should therefore re-consider existing provisions which encourage early exits from the labour market and replace them by ones that promote active ageing policies including, for example, flexible retirement arrangements.

## **Better regulation and, in particular, ensuring adherence to the principles of subsidiarity and proportionality**

CEEMET welcomes initiatives, such as the EU Inter-Institutional Agreement of Better Law Making and the joint initiative on Better Regulation, that have been and are being pursued by the Irish, Dutch, Luxembourg and UK Presidencies. However, we believe that these must be followed up by concrete action.

Social policies are a vital part of the framework in which companies operate. 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 national level should always be checked against the principle of subsidiarity.

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 proportionate to the benefits? At what level of government – whether European, national, regional or local – is action most appropriate?

As the initiators of EU legislation, the key principles of subsidiarity and proportionality must be heeded by the European Commission as well as by national governments when implementing European legislation. CEEMET believes that all EU legislation should be subject to a thorough and transparent cost-benefit analysis, including the costs caused by unnecessary administrative burdens. We also see no reason why automatic review mechanisms, for checking the effectiveness of the initiative after it has 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.

## **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. The key for the success of the Lisbon goals is mainly in the hands of the Member States.

CEEMET believes that the above strategic agenda is fundamental to achieving this goal and will therefore be putting forward its views, and engaging in the debate, on the following key policy areas:

- Education, Skills and Lifelong Learning
- Labour Market Flexibility and Employee Mobility
- Pensions and Retirement Arrangements
- Better Regulation
- Improving Productivity Performance
- Innovation and Research and Development

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 is the best – and probably the only – solution to reduce the need for business relocations and to create industrial jobs and wealth for our societies within Europe.

Brussels, October 2004

## CEEMET MEMBER ORGANISATIONS



Austria



Belgium



Denmark



Finland



France



Germany



Italy



Italy



Italy



The Netherlands



Norway



Portugal



Spain



Sweden



Switzerland



Turkey



United Kingdom



Australia

## CEEMET OBSERVERS



Estonia



Hungary



Poland