



Industrial Competitiveness for a Social Europe

*Technology industries -
employing Europe*



With the incoming European Parliament and Commission, it is time to deliver a coherent policy vision for industry. Our decision makers at EU level need to demonstrate clarity and single-mindedness on competitiveness and growth to support European manufacturing industry. We need to be at the forefront in new technologies, providing solutions to challenges such as climate change, resource efficiency, healthcare for ageing populations and security. The long timescales and scale of investment required mean that EU institutions and industry will need to work very closely together to succeed.

This is the future of internationally competitive European industries.

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Executive summary

The manufacturing industry is the heart and engine of Europe's economy with the metal, engineering and technology (MET) sectors by far constituting the biggest part of the manufacturing industry. The companies in the MET sector make up a substantial part of the European economy, providing careers and incomes for millions of people.

Manufacturing is growing globally, and there are many opportunities to be seized. Currently, however, **EU countries are lagging behind in international competitiveness**. This directly affects the ability of companies - and Europe - to grow and invest.

A key competitiveness factor for companies is the relationship between a company and its workforce. A supportive European industrial policy needs the right employment and social policy conditions for doing business. In this manifesto, industry sets out its priorities in this field for the new European Parliament and Commission, with **key proposals in three different areas: better regulation, labour markets and industrial relations.**

The EU has set the ambitious goal of raising manufacturing industry's contribution to EU GDP from today's 15.1 % to 20 % by 2020. This goal is achievable – if three essential conditions are met. Industry needs:

1. **A better approach to regulation:** fit-for-purpose policies, active leadership and concerted efforts by all stakeholders, ensuring that all EU policies which impact upon manufacturing's international competitiveness are fully aligned to the 20% objective.
2. **Dynamic labour markets with skilled workers:** a realisation of the underlying idea of flexicurity and a focus on excellence in education and training, enabling R&D, innovation and job creation.
3. **A better dialogue with industry:** improved cooperation between policy makers and industry to ensure industrial policy and economic governance reflects the reality of companies.

Now is the time to deliver a coherent policy vision for industrial competitiveness.

The European Commission, Council and Parliament need to demonstrate clarity and single-mindedness on economic growth in their decision making. With fully fit-for-purpose and stable framework conditions, European manufacturing will be in a position to invest and deliver solutions for a better world – invented and manufactured in Europe.

INDUSTRIAL COMPETITIVENESS FOR A SOCIAL EUROPE

Our shared aim

The economic and financial crisis has taken its toll on the European Union. For the past five years, European policy making has been focussed on crisis management, while other countries outside the EU have been investing in skills, infrastructure and R&D to increase their competitiveness.

Slowly emerging from economic shock, Europe is in many respects at a crossroads. We need growth and jobs, and are faced with taking decisions and actions that will determine the course for European recovery over the next decade.

Much of the potential for growth and employment creation will depend on improving the depleted competitiveness of European manufacturing industry. In particular, it will depend on the ability of companies and their current and future workforces to adapt to change.

Our vision for Europe is one where...

- Manufacturing companies are competitive, investing their profits to sustain growth with positive effects for people.
- Europe is attractive to start, invest in and grow a business.
- Manufacturing is considered an attractive industry to work in, providing quality.
- Employment flexibility and security are complementary.

The EU has set the ambitious goal of raising manufacturing industry's contribution to EU GDP from today's 15.1% to 20% by 2020. This goal is achievable – if three essential conditions are met. Industry needs:

1. Fit-for-purpose policies, active leadership and concerted efforts by all stakeholders, ensuring that all EU policies which impact upon manufacturing competitiveness are fully aligned to the 20% objective.
2. Access to skills-focused and dynamic labour markets, enabling R&D, innovation and job creation.
3. Improved cooperation between policy makers and industry.

Manufacturers have ambitious plans that will deliver growth and jobs. Europe can help achieve these aims.

Why manufacturing?

Manufacturing underpins growth and solid finances

The manufacturing industry is the heart and engine of Europe's economy and the metal, engineering and technology (MET) sector by far constitutes the biggest part of the manufacturing industry. The MET sector acts as an economic hub, organising value chains that critically support business services and other sectors. The companies in the MET sector make up a substantial part of the European economy, providing careers, incomes and social protection for millions of people.

There are many reasons why the metal, engineering and technology industry is central to Europe's economy:

Jobs - it creates high quality employment opportunities that offer better income prospects than many other sectors. Today, more than 35 million jobs in Europe depend on the metal, engineering and technology-based industry.

Innovation - It creates technology solutions and quality products needed across the globe, and accounts for more than 50% of total R&D spending. Thus, industry plays a key role in driving progress in the EU and around the world.

Trade – the MET industry is responsible for Europe's export successes. Manufacturing is a growing market globally, and therefore continues to offer opportunities for Europe.

Meeting key social challenges – through the goods it produces and the technologies it develops, the MET industry will help create, develop and provide solutions for key challenges including climate and demographic change and meeting energy, infrastructure and security needs.

Turning challenges into opportunities

Macro-level trends such as globalisation, demographic change, technological progress and the resultant knowledge intensification have put pressure on the manufacturing industry, driving development in industrial processes and intensifying competition from emerging markets. In addition, the industry continuously has to face challenges stemming from a crisis-prone global economy, reliable access to cleaner, affordable energy and raw materials and changing consumer demands.

To meet these challenges, companies must be able to quickly and cost-effectively adapt to global trends and seize the opportunities provided by these developments. Manufacturing companies have the potential to both help provide solutions to our major, upcoming global challenges and create value through innovation and global leadership. This requires:

- Innovative and agile global networks and improved value-chain performance,
- Pursuing an ever greater understanding of the environment, of end-customer needs and high value-added products and services,
- A policy environment that supports investment, innovation and growth.

State of play

Manufacturing is growing globally and there are many opportunities to be seized. Currently, however, EU countries are lagging behind in international competitiveness. This directly affects the ability of companies - and Europe - to grow and invest.

At EU level, there is much greater emphasis being put on industrial renaissance and on having a focused European industrial policy that puts competitiveness at the top of the agenda. However, we still see unhelpful regulation and policy making that negatively impacts on the business environment.

Central to competitiveness is the relationship between a company and its workforce. A supportive European industrial policy needs the right employment and social policy conditions for doing business – a social dimension for competitiveness.

Outside of this relationship, **other key competitiveness factors for manufacturing** that currently need to be addressed at EU level are:

- Competitive energy costs, supporting resource efficient green technologies.
- Companies' and in particular SMEs' access to sufficient and affordable finance.
- Targeted, "smarter" investments in research, development and innovation.
- Balanced approach to environmental legislation that targets global, not only EU CO₂ emissions.
- Modernising infrastructure, including energy distribution, transport, e-health and digital interconnectivity.
- Opening world markets for goods and raw materials by EU secured trade deals.

Better industrial governance in all EU institutions is required to ensure that the international competitiveness of industry is a priority and main objective in all policies. **If we are serious about a more coordinated approach to competitiveness, the following actions should be implemented:**

- Designation of a European Commissioner or group of Commissioners who will be responsible for ensuring that all EU policies which impact upon manufacturing competitiveness are fully aligned.
- Significant strengthening of the Competitiveness Council in order to allow it to scrutinise all proposals for their impact on manufacturing competitiveness.
- Ensure that the European Council annually analyses the progress that has been made towards restoring manufacturing competitiveness in Europe.

HOW EUROPE CAN HELP

EU policy-making affects the day to day running of manufacturing companies across Europe. From providing access to the unique Single Market to regulating working time, the EU is responsible for much of the business framework for manufacturers.

The revitalisation of European industry rests on the creation of the right conditions for business, attracting companies to invest and to develop their full potential here, in Europe. We now need urgent action, recognising that tightly regulated labour markets have fared badly during the crisis and that future demographic change will place unparalleled pressure on social protection systems, such as pensions. We are taking this opportunity to outline the MET industries' priorities in three core areas for competitiveness.

The voice of industry needs to be clearly heard.

1. A BETTER APPROACH TO REGULATION

KEY PRIORITIES FOR EU POLICY MAKERS

1. Before any new legislation is introduced, improve the current implementation, simplification and consolidation of the existing EU regulatory framework across all Member States.
2. Introduce a mandatory, rigorous competitiveness test for all new proposals (the initial draft as well as final legislation) to demonstrate that they will boost competitiveness. If test is failed, then the legislation must be reconsidered.
3. Publish provisional impact assessments together with all new proposals that go out for consultation, and before legislation is proposed.
4. Ensure changes made to a Commission legislative proposal by the European Parliament or Council subject to updated impact assessments.
5. Set up an impact assessment unit at the European Council.
6. Create a single independent Impact Assessment Board (IAB) to scrutinise all EU Impact Assessments, which will take evidence from all stakeholders, including business. Proposals which do not receive a positive opinion from the IAB should not proceed and the reasons for the opinion should be made publicly available.
7. Put a greater focus on developing practical guidelines, exchanges of best practice, and provision of information and practical tools to help companies understand and comply with legislation.
8. Update existing Directives where requirements are out of date, e.g. vision testing under the Display Screen Equipment Directive.
9. Withdraw initiatives that have not been completed in 5 years.

Further develop the EU Single Market to enhance growth and mobility

The Single Market is the world's largest market and one of the EU's most powerful achievements. Successful completion of the Single Market is a vital element of a thriving European economy, and if properly implemented, it can offer enormous opportunities for citizens and businesses alike.

However, further action is still needed to facilitate cross-border trade, remove regulatory barriers and enable the mobility of workers.

It is of the utmost importance that companies can fully capitalise upon their freedom to provide services and employ workers from across Europe. Actions taken by EU legislators must promote, and not hinder these freedoms. Above all else, **Single Market rules need to be better and uniformly enforced.**

Improved implementation, simplification and consolidation

A comprehensive employment and social legal framework already exists in the EU. While the development and implementation of social policies remains principally the responsibility of Member States, there are nevertheless around 70 European social legislative acts in place and they are set to increase even further.

Coherent, predictable, relevant and proportionate regulation that genuinely adds value and enables the completion of the Single Market is welcomed by companies. However, a number of current EU-level legislative initiatives risk doing exactly the opposite, reducing competitiveness by increasing administrative costs for companies, discouraging investment in the EU, and pushing it towards our competitors. **Industrial competitiveness and the need to sustain existing and thriving value chains are still too often hindered by EU policy initiatives.**¹

Predictability is crucial in policy-making in today's world where the business cycles are shorter and long term investment needed. Regulatory short termism has a considerable impact on how and where a company is ready to invest. Legal uncertainty and the resultant cost, which is often a consequence of interconnected legislation at EU, national, regional and even on global levels, is damaging for companies.

EU legislation should only be adopted where its aims cannot be achieved by Member States. Over-regulation reduces EU competitiveness and adds to the image of a bureaucratic and distant regulatory machine out of touch with reality.

¹ Institut der deutschen Wirtschaft, *Industry as a growth engine in the global economy, Köln, (2013:18)*

Improved enforcement of Single Market rules

POSTING OF WORKERS

The proper enforcement of the Posting of Workers Directive guaranteeing the rights and working conditions of a posted worker in another Member State is important for both the workers and employers. It is essential in ensuring and promoting freedom of providing cross-border services which is one of the competitive advantages of the European economy.

Information sharing and improved cooperation between national authorities play an important role in guaranteeing the rights and working conditions of a posted worker. Member States must ensure that foreign service providers have easy access to clear information on what terms and conditions must be applied when posting workers to that Member State, so that companies' administrative burden doesn't become excessive. This improves especially SMEs possibilities to operate on European level.

Avoidable costs and bureaucratic burdens

DATA PROTECTION

In order to be well-balanced, data protection in employment relationships should on the one hand serve the employees' legitimate interest in their personal data being protected, while on the other hand leave companies enough room to implement the employment relationship. Data Protection Regulation is needed in order to ensure a high degree of data protection for individuals and overcome barriers to the movement of personal data. However, overly detailed employer obligations will create more administrative burden and compliance costs for companies without a proportionate privacy benefit.



Better guidelines and practical tools

ELECTROMAGNETIC FIELDS (EMF) DIRECTIVE

The EMF Directive (2013/35/EU) includes a number of improvements. Clarification on the provisions regarding employers' obligations is welcome, as well as the allowance for the exposure limit values (threshold values) for sensory effects (central nervous system) to be exceeded subject to suitable controls. European employers and SME's must comply with the requirements of the new Directive by 1 July 2016. It is important that the Commission's non-binding practical guidance provides a simplified, clear and consistent text showcasing steps to meet the directive's requirements. Significantly, guidance will still be required in the area of complex technical limit values set out in the directive's annexes, as well as information on practicality of derogations for specific sectors, working practices and equipment.

Competitiveness check

NANOMATERIALS: A NEW AND EMERGING TECHNOLOGY

The European MET industry is increasingly harnessing the benefits of nanomaterials and nanotechnology to provide 'economic growth' within the EU. Industry needs seamless access to nanotechnology without being disadvantaged by restrictive regulation. If it is hindered, European industry is likely to become non-competitive in a global marketplace. Nanotechnology has been identified as a key enabling technology (KET) that can be found in applications in virtually every sector of industry. The EU has a strong capability to engineer and develop nanotechnologies in a safe and responsible manner. As well as having societal benefits, there is a large employment potential to be gained from increased use by manufacturers of this technology. The approach proposed by the Commission in its second regulatory review is welcomed. It is logical to consider first how existing legislation is suited to address the potential concern related with the use of nanomaterials and adapt it if necessary.

Best practice and guidance imperative for SMEs

Many directives in the social field are (over)technical and complex, making it challenging particularly for SMEs to understand and comply with these requirements e.g. Physical Agents' Directives in the area of health and safety. This problem can be alleviated by putting greater emphasis **on best practice and guidance**. It is important to identify measures and tools to help SME's and companies understand and comply with such legislation. If we improve implementation we will reduce the regulatory burden on SMEs. However, evidence indicates that exchange of good practices on reducing administrative burdens is not occurring².

Strong support for EC's regulatory fitness and performance programme (REFIT)

A pragmatic approach to new, existing and planned EU legislation is welcome as part of the Commission's REFIT programme. In the 2013 REFIT Communication (COM (2013) 685 final), the Commission committed to "a simple, clear, stable and predictable regulatory framework for businesses, workers and citizens." As a result of screening EU legislation, the Commission has identified the topics where it has decided that no action is needed for the time being. This kind of rationalisation of the EU legislative processes is useful and pragmatic.

The Commission's current evaluation of all health and safety (H&S) directives is a well-timed opportunity to acquire tangible evidence and insight of how successfully the current H&S legislative framework has been implemented across Member States. This evaluation should impact future EU-level activity, allowing the Commission to focus on the areas where change is most needed. The EU 2007-2012 H&S strategy evaluation report suggested that actions by the Commission to adapt and simplify the Occupational Safety and Health (OSH) legal framework had been limited. It is important that the Commission now seize the simplification agenda. One important area which MET employers have identified is the need for a universal and simplified European regulatory system for hazardous substances.

² The evaluation report of the 2007-2012 H&S Strategy indicated that: "no evidence has been found during our analysis that exchange of good practices on the specific topic of reduction of administrative burdens has taken place" (2013:69) <http://ec.europa.eu/social/BlobServlet?docId=10016&langId=en>



Regulatory simplification

A UNIVERSAL APPROACH TO HAZARDOUS CHEMICAL SUBSTANCES AT EU LEVEL

There is an imperative to establish a single EU regulatory framework which covers both occupational health and safety and environmental exposure to chemical substances and materials. The existing EU framework is confusing, overlaps and is not coordinated. It is too complex for most employers, especially SME's, to understand.

In the area of worker H&S, employers must currently comply with the following five different pieces of EU chemicals legislation: REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulation, Chemical Agents Directive (CAD), Carcinogens and Mutagens Directive (CMD), the Seveso Directive and the Classification, Labelling and Packaging (CLP) Regulations.

Simplifying and consolidating the existing regulatory framework will have the added value of reducing administrative burdens and compliance costs, thus improving EU competitiveness globally. For example, EU policy makers should simplify and consolidate the overlapping occupational and environmental exposure limit values (threshold levels) present in existing legislation to enable employers to operate within one set of rules dealing with hazardous substances. It is also vital that there is joint policy coordination between the Commission's Directorates-General to create a unified EU hazardous substances framework encompassing all elements of CAD, CMD, CLP, Seveso and REACH, as part of the on-going REFIT programme.

FOCUS: COHERENT AND PRAGMATIC OSH LEGISLATION

KEY PRIORITIES FOR EU POLICY MAKERS:

1. Ensure existing health and safety (H&S) directives are fully effective and fully implemented across all Member States before considering new legislative initiatives. This is necessary to create a level playing field in respect of the H&S regulatory environment.
2. Any future OSH strategy should await the Commission's completion of its evaluation of existing H&S directives in 2015. The EU OSH evaluation exercise should concentrate on simplification, consolidation and revocation of directives including the removal of duplicated requirements on Risk Assessment, Medical Surveillance, Information, Instruction, Supervision and Training.
3. Avoid giving employers responsibility for managing societal, well-being, psychosocial and public health issues through the implementation of worker protection legislation.
4. Create a universal approach to hazardous substances at EU Level

Our companies are committed to improving the management of workplace H&S risks and the protection of workers throughout Europe.³ Not only is it morally the right thing to do, but it also makes good economic business sense.

At European level, we need a smarter approach to occupational safety and health (OSH) regulation as well as simplification and consolidation of existing legislation. This will help employers identify their obligations and to comply with them in the most effective and cost efficient way.

The EU legislative structure established by early H&S legislation (e.g. the Framework Directive (89/391/EEC)) was holistic, well considered and remains largely fit for purpose. The early approach ensured that only significant risks were identified, assessed and prioritised. Unfortunately the holistic approach is being undermined by the introduction of precautionary hazard-specific directives which are not risk and evidence based, such as the Artificial Optical Radiation and Electromagnetic Fields (EMF) Directives.

Further, although employers have the responsibility to provide safe working conditions and protect their employees from harm, employees also have shared responsibilities under the H&S Framework Directive. Efforts should be made to foster the individual responsibility of employees for OSH issues.

³ CEEMET have published a brochure "Our commitment to a proactive role in occupational safety and health", which showcases a collection of examples of practical actions that CEEMET members are taking at national level to promote continuous improvement of occupational safety and health.

Make a healthy work life a shared aim

Europe is expected to see a significant ageing of the population in the next 40 years. Between now and 2050, the number of people in the European Union aged 65 and above relative to those aged 15-64 will rise from 24.5% to 52.8%⁴. This demographic change will have inevitable consequences on the labour market and create challenges for managing such an ageing workforce in respect of workplace health and safety.

Employers support the vision of a sustainable working life centring on facilitating people being in work and remaining in employment longer. However, ensuring a sustainable working life is not only determined by OSH policies, but is also linked to public health issues.

It is important that employers should not be tasked with managing specific societal public health issues in the work place over which they have no control. Occupational health issues can be multifactorial and be influenced by both work-related and non-work related contributory factors. Examples include well-being, workplace mental health and musculoskeletal disorders (MSD). It is important that EU policy makers recognise that the management of well-being, mental health and MSD is not something for which employers are uniquely responsible and can influence.

Clarification is needed at EU level on what is meant by "wellbeing at work", in order to avoid confusion on this issue. It is also necessary to clarify the respective roles and responsibilities of employers, employees and public authorities.

Legislation should only be introduced if it addresses a significant health and safety risk

Precautionary OSH directives impose unnecessary costs, bureaucracy and obligations which are not proportional to the risk and evidence-based.

⁴ DG ECFIN , The 2009 Ageing Report: *Underlying Assumptions and Projection Methodologies*, http://ec.europa.eu/economy_finance/publications/publication13782_en.pdf

Shared responsibility

MENTAL HEALTH AT THE WORKPLACE

Occupational health issues can be multifactorial and be influenced by both work-related and non-work related contributory factors. Workplace mental health is one such example of this.

Many factors outside the workplace affect a person's mental health and wellbeing as do potential psychosocial risk factors arising from a work environment. None are exclusively attributable to determining a person's mental health. In addition each individual may behave and act differently under the same set of circumstances. The 2004 Framework Agreement signed by European social partners on stress recognised this position. It is important that the Commission policy makers recognise that the management of mental well-being is not something for which employers are uniquely responsible and can influence.

WORK RELATED MUSCULOSKELETAL DISORDERS

Musculoskeletal disorders (MSDs) are recognised as one of the leading causes for absence from work. Employers agree that greater action is required to improve control of associated risks. However, we do not believe that the effective prevention and management of MSDs is best achieved through new legislative initiatives. Many EU Member States have mature systems for managing MSD risks and this has been achieved by making substantive improvements to workplace tasks and activities, sector specific guidance and the dissemination of established best practice.

It is important that EU policy makers acknowledge the contribution of non-active physical lifestyles (sedentary) to musculoskeletal symptoms. It is often very difficult to differentiate between MSD's brought about by work activities, and these sedentary lifestyles and physical activities outside work. MSD's often have to be treated as multifactorial in origin. As with mental well-being, policy makers must be mindful of lifestyle factors outside the work environment which may have an impact on an individual's health at the work place and over which employers have little control.

Unnecessary and unrealistic proposals

RESTRUCTURING

Being able to quickly adapt to change and carry out restructuring processes when needed is crucial for companies to stay competitive. There are already comprehensive legal frameworks for regulating the way in which social dialogue within companies and groups of companies should address anticipation of change and restructuring events at both national and EU level. It is essential that these frameworks – and any discussion thereof – reflect business reality and facilitate the swiftness of restructuring procedures, and do not add costs for companies. Company restructuring is based on the strategic and economic decisions of an individual company [or group of companies]. Such decisions depend on a range of different and interrelated factors. Thus, there is no single solution to address the restructuring of undertakings. There are also limits to what can be foreseen in the rapidly changing markets which are a reality for companies today. Companies have strategies to try to anticipate change, but some restructuring measures cannot be integrated into a long-term strategy, as many changes cannot be predicted by companies, e.g. consumer behaviour or collapse of demand. This reality has to be reflected in debates about restructuring at all levels, including the European.

2. DYNAMIC LABOUR MARKETS

KEY PRIORITIES FOR EU POLICY MAKERS

1. Realise the underlying idea of flexicurity at EU level and change from the concept of job protection to employment protection.
2. Commit to reducing additional labour costs (better regulation) so that people in Europe are not priced out of their jobs.
3. Support the implementation of labour market reforms to create modern, effective and employment friendly social protection systems, which establish an efficient link between rights and obligations.

Manufacturers compete in fast-moving global markets, where success is based on the capacity to swiftly provide solutions, exploit niches and respond to a growing and dynamic customer base. And as manufacturers constantly strive to perform better against shifting economic conditions, a dynamic, skilled and mobile workforce is crucial in achieving this. Employers need tools to adapt their organisations to market changes, including both internal and external flexibility in employment. But it is not only companies that need flexibility. There is also a growing request from employees for greater choice regarding working arrangements.

Manufacturers already achieve flexibility through cooperation with their employees. They do this through employee engagement and communications, investing in training and skills, and providing employees with the flexibility they need to balance their work and non-work commitments, and for the most part without the hand of regulation.

Dynamic labour markets pivotal to recovery

Dynamic labour markets that support greater employment flexibility are also pivotal to recovery in order to create new jobs and bring down the too high levels of unemployment - and in particular youth unemployment - in Europe.

Further, a more flexible labour market will also contribute to greater innovation as companies will be able to adapt to shifting conditions whilst retaining skills. In many cases, unnecessary regulation produces unintended consequences, and impedes the ability of employers to provide flexible working for their staff, create jobs and future prosperity. Employment legislation must facilitate flexible work arrangements, both externally and internally, as these increasingly are being sought by both employers and individuals. Simultaneously, positive action needs to be taken to support smooth employment transitions and employability, mitigating the social impact.

Flexible forms of employment - lessons from the economic and financial crisis

While a large majority of employment contracts in the MET industry are open-ended, companies are nevertheless dependent on flexible forms of employment, including fixed-term, part-time and temporary agency work contracts.

Generally, during the crisis, fixed-term contracts were not renewed and temporary agency workers were the first to go in the MET industry. Without this flexibility margin, many companies would not have been able to adapt to the situation with even worse effects on the economy and unemployment.

The importance of the ability of employers and employees to tackle shifting economic conditions was amply demonstrated during the crisis when many employers worked with employees and their representatives to help keep companies afloat, reducing job losses and retaining key skills through, for instance, short-time working.

Overall, the importance of flexible forms of employment for companies is very clear. It is a necessary flexibility margin in managing the labour force. Consequently, countries with strong limitations on external flexibility also fared worse during the crisis.

Source: CEEMET study on Flexible Forms of Employment, 2012

Dynamic labour markets

OCCUPATIONAL PENSIONS

Not introducing more stringent solvency rules to occupational pension funds under IORP Directive is sensible.

The occupational pension schemes concerned are not exposed to risks in the financial markets as this type of “second pillar” pensions were never meant to be traded on the free market and were always limited to companies’ employees.

The planned initiative on IORP (Institutions for Occupational Retirement Provision) within the context of the White Paper on “an agenda for adequate, safe and sustainable pensions” aims to improve the governance and transparency of occupational pension funds.

For the time being, the Commission decided not to introduce new rules around the solvency of such funds, but to propose reforms aimed at improving the governance and transparency of occupational pension funds instead. The solvency of such funds will for the time being remain an open issue since more technical information is needed.

Restoring legal certainty

WORKING TIME DIRECTIVE

The changes in working patterns that have occurred over the past few decades give rise to completely new opportunities for flexible working time organisation for employers and employees. In the recent crisis, the importance of flexibility as a competitive advantage and as a way to secure employment has also been demonstrated. Restoring and maintaining flexibility for collective agreements should therefore be the overriding goal of the revision of the EU Working Time Directive.

A review of the Working Time Directive should aim at restoring legal certainty within the Directive for employers and employees in all sectors. Working time is a cross-sectoral issue and therefore a possible revision of the Directive should not focus on specific sectors but provide a solution for all.



FOCUS: A SKILLED WORKFORCE

KEY PRIORITIES FOR EU POLICY MAKERS

1. Focus on excellence and raising the general level of ambition for vocational education and training (VET) programmes and pupils to give VET parity of esteem with general education.
2. Strengthen efforts promoting exchange of best practice on how to practically open up cooperation between industry and education and training institutions.
3. Habitually consult the major representatives of manufacturing industry on education and training policies, and VET policies in particular to narrow skills gaps and improve employability.
4. Focus on the impact of continuing education and training that can support growth and jobs.
5. Make career guidance a policy priority, promoting the establishment of high-quality, easily accessible guidance for pupils from early years, involving both schools and industry.

A key aspect of competitiveness and flexibility concerns skills and competence. Highly skilled people with expertise fuel the engine of economic growth and are crucial for the EU and EU-based companies in order to be well positioned in a highly competitive global market. A competitive innovation environment and access to rightly skilled people are key factors that will make Europe more attractive to companies in the future.

While education and training policy largely is a national competence, the EC has over the last decade been promoting a number of positive changes in national education and training policy including:

- A more strategic approach in education policy, with a focus on efficiency and quality of education.
- An evidence-based approach of education management including in quality assessment, notably via the generalised use of learning outcomes in qualification description and their assessment processes.

Useful initiatives have also been introduced at EU level. Links between education, R&D, and innovation policy have been made more visible with initiatives such as the University-Business Forum, the European Institute of Technology and its Knowledge and Innovation Communities and the Knowledge Alliances.



Skills

BENEFITS OF DUAL PRINCIPLE ARE REAL – BUT REQUIRES HOLISTIC APPROACH

Good quality vocational education and training which has a strong component of work-based learning increases employment prospects. Industry is pleased that this is finally being recognised at policy level. However, there is danger in touting dual systems as a panacea for youth unemployment around Europe.

The benefits of the dual principle are real, but the implementation thereof requires a number of conditions to be fulfilled, ranging from governance with strong social partner involvement to financing.

Further, creating well-functioning VET that embraces the dual principle is not simply a question of introducing work-based learning into VET – you also need companies with job and training vacancies and the confidence to take on learners. This requires more than reform in education and training, including support for SMEs, a policy environment that makes a country a competitive place for companies to operate and invest in, and often a change in mindset about the purpose of education and training.

Competitiveness gap

STEM SKILLS

In view of the multidimensional and often very complex problems and phenomena for which the technology-based industry companies develop and produce solutions, Science, Technology, Engineering and Math (STEM) skills and knowledge are crucial in education at all levels.

Currently there is a short-term shortage in STEM skills in Europe and this will only be exacerbated in the long-term if not more students choose to study STEM subjects.

Industry is working hard on trying to illustrate the broad importance of STEM-subjects in general education and especially what career pathways can be chosen through various actions across Europe, including going into schools, media campaigns and recruitment initiatives.

To secure an adequate competence pool for STEM skills, better long-term cooperation between school and industry is a necessity.

TIME FOR CONCRETE ACTION ON PERMEABILITY

Permeability is important in enabling excellence in VET and attracting young people to choose this educational pathway. It is clear that still more focus and progress on this issue is required at European level. The Commission has ample opportunity in their 'Agenda on Modernisation of Higher Education' to look at how Member States best could open up pathways between VET, Higher Learning and continuing education, but so far there has been little action on this issue.

We urge the Commission to place permeability between VET and Higher Education and strategic industry university co-operation at centre stage of the Modernization of Higher Education Agenda.

But in spite of these efforts, a number of shortages are frequently exposed in studies and industry feedback on education and training systems around Europe, including a shortage of the right skills, insufficient cooperation between schools and industry, a lack of students choosing vocational education and an absence of a lifelong learning culture. Together with the economic crisis, these problems mean that it is virtually impossible for young people in some countries to find work while at the same time some companies in Europe face acute difficulties finding skilled workers.

In short, the EU is suffering a competitiveness gap in labour qualifications.

To address these problems, we primarily need excellent vocational education that attracts high calibre, motivated students. This must be the focus of any actions or policies pertaining to VET proposed at European level. We need to rebuild and strengthen the links between the labour market and secondary and tertiary education and training systems to ensure that citizens, especially young Europeans, have the skills needed to match companies' needs. In addition, to ensure sustainability in skills and competences, lifelong learning must become a reality for all.

Employers have a vital role to play in this. If the aim is to promote good quality education and training fit for 2020, the European institutions must habitually consult the major representatives of manufacturing industry on education and training policies in general, and vocational education and training policies in particular, to gain their evidence-based input.

Further, with their comprehensive overview of the situation, the Commission is in an advantageous position to analyse the outcomes of recent and on-going policy reforms. Evidence-based incentives can encourage excellence in both VET and higher education and the types of skills, knowledge and competence needed in the future by the manufacturing industry.

Capacity to innovate

Creating a positive climate for innovation in Europe requires a holistic approach. Part of this is investing in schools, educating for the labour market and opening doors for those who want to study further. Links with industry need to be strengthened throughout the entire education system.

The fast changes in the operating environment make it necessary to rethink the principle goal of education and training. In general, what one knows will matter far less than what one can do with that knowledge. To a large extent, focus will lie on the capability to re-engineer and update one's jobs much more often than before. Therefore, helping learners add value to their knowledge should become a primary focus in today's education and training.

Cooperation in education and training promotes excellence

Cooperation between industry and education and training institutions is essential if we want a functioning labour market. While this has been repeatedly said over the past decade, further reform is needed in education to open it up to industrial cooperation.⁵

⁵ Please see CEEMET study *'Strengthening links between industry and initial VET'*
<http://www.ceemet.org/en/Downloads/EF90CCAA38FCB6544E390701594FCCEA.htm>

Successful cooperation is a cornerstone of excellent vocational education and training and higher education. Evidence shows that successful VET involves sectoral industry representatives and local companies. Sectoral and local industry is best able to judge the quality of VET from different perspectives and bring insight into company systems and needs, which policy makers often lack.

It is essential that co-operation between industry and educational institutions becomes an integral part of teaching and learning processes. A learning outcome-based approach in the curricula makes the integration easier. As the EU digital scoreboard clearly shows, the capability to adopt and effectively use new teaching and learning technologies varies a lot between different schools and Member States. Taking into account the increasing importance of e-skills for almost all jobs, the creation of new businesses and as basic skills in a digital society, we strongly welcome the emphasis given by the Commission to scaling up the effective use of ICT in learning and teaching.

The Commission would serve the education and business community well by strengthening efforts on promoting an exchange of best practice, discussing how to reach such openness in practice – the University-Business Forum and the VET-Business Forum are useful platforms for this. Furthermore, initiatives facilitating the links between education, R&D, and innovation policy need to be further strengthened with a particular focus on the participation of small and medium sized industry.

To meet demand, focus on impact of continuing education and training

Attracting more people to good-quality initial vocational education and training is essential, but it is not enough to fill the competence demands of industry. This is why lifelong learning and continuing education and training (CET) today is vital for both companies and employees.⁶ Whilst much of the discussion on CET centres on increasing uptake, we need the debate to focus more on the impact of CET. It is absolutely essential that CET supports growth and jobs, and will only do so if better understood and targeted to the needs of the labour market and learners. Further, it is important to recognise that employees are accountable for their employability. Therefore the debate on continuing education and training also needs to include the responsibility of employees themselves to invest in their lifelong learning.

Do not forget career guidance

Well-planned career guidance is central in ensuring excellence in VET and in guiding people towards an education that will lead to careers. It should be a policy priority at both national and European level to promote the establishment of high-quality, easily accessible guidance for pupils from an early age, involving both schools and industry. This can be done by, for instance, setting up independent career centres, ensuring high quality training (including industry experience) for advisers and teachers, and capitalising on the possibilities offered through web-based resources and social media.

⁶ See CEEMET study *Shaping Talents: 'New business prospects, competitiveness and improved employability through lifelong learning'* <http://www.ceemet.org/en/Downloads/DDC8626584471059A1E6AF30E6624946.htm>

3. CONSTRUCTIVE INDUSTRIAL RELATIONS

KEY PRIORITIES FOR EU POLICY MAKERS

1. EU industrial policy must reflect the needs of industry, as expressed by industry employers.
2. Strengthen dialogue with manufacturing employers on European economic governance.
3. Autonomy of social partners is paramount.
4. Representativeness and mandate of social partners has to be clear.

Well-functioning industrial relations central to a well-functioning economy

Industrial relations can largely be defined as the interaction between employers and employees and are central in ensuring a well-functioning economy. In most EU countries, employers and employees tend to be collectively represented through employers' organisations and trade unions at sectoral, national and European level. Industrial relations systems differ across Europe and a variety of ways exist in which employee representatives and employers can interact. However, one of the most common forms is collective bargaining at predominantly sectoral or company level but also at regional and national level. Collective bargaining is a fundamental component of national industrial relations in most European countries and the most common process for employee and employer representatives – the social partners – to regulate working life, including central issues such as pay and working time. Industrial relations is the core business for sector level employer organisations such as CEEMET and its members.

Over the past decade, there has been a trend towards decentralisation in collective bargaining. There are currently 25 EU Member States where wages are set at either company or sectoral level.⁷ This is important, taking into account recent attempts at European level at re-centralising certain aspects of industrial relations.

It is vital for competitiveness that working life is regulated by or closely together with industry at company or sectoral level as this is the only way to ensure that, for instance, wage setting reflects company realities. This has also been emphasized by the European Commission, stating that Member States with strong social partnerships tend to have a more favourable economic and social situation that is subject to less strain⁸.

⁷ Chart over wage bargaining in Europe on Eurofound website: <http://www.eurofound.europa.eu/eiro/cwb/>

⁸ European Commission, *Industrial Relations in Europe 2012 (2012:5)*
<http://www.ceemet.org/en/Downloads/DDC8626584471059A1E6AF30E6624946.htm>



Industrial relations

EUROPEAN SECTORAL SOCIAL DIALOGUE

Since 2010, CEEMET and industriAll European Trade Union have had a formalised sector social dialogue at European level. The social dialogue is based on solid rules of procedure and a work programme centred on sector-relevant issues. Both organisations are united in their demand for a strong industrial base and manufacturing sector in Europe and are working together to attain this goal. The dialogue has enabled CEEMET and industriAll to issue joint opinions on topical issues such as EU economic governance, pensions and EU education policy while it also contributes to an increased understanding of each social partner's priorities.

Industrial relations: the EU level

There is no collective bargaining at EU level. Instead, industrial relations are usually expressed as European social dialogue and regulated by a European treaty and Commission Decision.⁹ European social dialogue exists both on the interprofessional level as well as at sector level.

There are today over 40 formalised European sectoral social dialogues and the European Commission has encouraged them to play an increasing role in the construction of a European social model. The consultation of management and labour is already a requirement on any matter in the field of European social policy, with an option to negotiate. Greater involvement of social partners is now also being considered in the area of European economic governance and the European Semester. In addition, they are also being increasingly called upon to take part in EU initiatives (sector skills councils (DG EAC), Cars2020 (DG ENTR), LeaderShip2020, Sector Skills Alliances (DG EAC) etc.) Social partner organisations are consequently evolving a role that goes beyond that initially defined. Simultaneously, many Member State governments as well as the European Commission are exerting unwelcome pressure on social partner competences, notably in the area of wage setting and its underlying mechanisms. This will have serious implications for industry if wage setting fails to reflect company realities, denting their competitiveness.

Consultation with industry and social dialogue at European level is an important tool in recovery. The MET industry welcomes the strengthened involvement of (sectoral) social partners at the national and European level in areas where we can make a positive difference that are of relevance to the industry. Understanding business reality and real competitiveness issues will only come from consulting directly with companies and those that represent them. However, it is essential that it does not cause a shift in the societal responsibilities of companies and does not undermine the capacity of social partners to develop business environments that are conducive to competitiveness.

How to ensure successful and sustainable European social dialogue

Social partner autonomy is essential

The autonomy of social partners is a fundamental principle of social dialogue, irrespective of level, and has to be fully respected. This applies to the issues addressed and outcomes of social dialogue. European social dialogue represents part of the infrastructure of a social Europe and must not be treated by the European Commission as its "tool" for social policy making.

The European social dialogue focuses on topics chosen by the social partners after consultation with their members. Thorough consultation of members' priorities is a pre-condition to meet the challenging task of adding value while fully respecting differences in national industrial relations systems.

⁹ Article 152-155 in the Treaty on the Functioning of the European Union (TFEU) regulates EU social dialogue. At sectoral level, the social dialogue underwent an important development in 1998, when the Commission decided on the establishment of sectoral dialogue committees promoting the dialogue between the social partners in the sectors at European level (Commission decision of 20 May 1998 – 98/500/EC). The document lays down fundamental provisions concerning the establishment, representativeness and operation of new sectoral committees, intended as central bodies for consultation, joint initiatives and negotiation.

Autonomy equally applies to the outcomes that social partners chose to reach. Some social partner organisations have decided to play the role of co-legislator that is foreseen in the Treaty (e.g. part-time and fixed-term contracts directives on a horizontal level). It is imperative that all consequences including implementation are envisaged and respected. This applies to agreements reached at interprofessional and sectoral levels.

Social partners can request that European social dialogue agreements be transposed into directives, but there is no obligation to do so. While social dialogue agreements should not be subject to a quality check by the Commission, an assessment should be carried out when social partners ask for the transposition of an agreement into a directive to ensure:

1. Compliance with existing EU laws, and
2. Representativeness and mandate of signatories.

European social dialogue requires clear and sustainable mandates

Ultimately, European social dialogue is a bottom-up process, closely linked to the mandates and activities of the national member organisations. If EU sectoral social partners are not representative or do not have a social mandate then this will undermine social partnership at both European and national level.

European social partners must then have a clear and sustainable mandate from their membership. They must have a clear structure, resources, expertise and experience in social policy in order to avoid compromising the value of the dialogue. European social partners do not need a negotiation mandate per se (*carte blanche*), but have to be in a position to obtain a mandate whenever necessary. In our view, this reflects the criteria the Commission sets out in its 1998 Decision, which must be observed.¹⁰

Diversity, subsidiarity and proportionality

While the increasingly consolidated Single Market also has an impact on industrial relations, employment and social policies largely remain a national competence with many diverging models found across Europe. The principles of subsidiarity and proportionality are particularly important in this context, as industrial relations systems have to adapt to reflect local business needs in the future. We are convinced that supporting the diversity of national industrial relations systems and European social dialogue – fully respecting the principles of subsidiarity and proportionality – will underpin sustainable growth and employment in Europe.

Social dialogue plays an important role in creating a competitive and sustainable environment for European industry. **It is therefore essential that the guiding principles of a well-functioning social dialogue are recognised and implemented whenever the European Parliament or European Commission refer to social dialogue and industrial relations at EU level.**

¹⁰ Commission decision of 20 May 1998 – 98/500/EC



Autonomy of social partners

TRANSNATIONAL COMPANY AGREEMENTS

The Single Market and internationalisation has opened up an area in which new forms of social dialogue at company level have emerged. Transnational Company Agreements and texts are signed by companies particularly in our industries and these agreements/texts are used to address a multitude of issues that individual companies face.

Transnational company agreements are purely voluntary initiatives and there is no common understanding of a transnational company agreement.

This lack of a common understanding is not an unintended consequence. The agreements that have been signed in Europe differ significantly from each other in terms of form and contents as they are adapted to each company's specific situation and needs. This adaptability is regarded as a major advantage and autonomy of social partners is crucial in this context.

Trying to promote a trend which is still evolving by proposing a legal framework for it (as done by the European Parliament in 2013) is counterproductive.

Indeed, if a European legal initiative was adopted, it might compromise the willingness of companies and their co-signatories to conclude such agreements.

TIME FOR EUROPE TO CHOOSE

Europe is at a crossroads. A stronger European economy benefits all, generates quality jobs and supports Europe's long-standing tradition of offering its citizens high standards of living. But, this is only achieved through nurturing and supporting an internationally competitive industrial base.

Generating growth is the primary role of business. In order to succeed, European companies have to go through a permanent and evolutionary process of change. Legislators set the climate and framework conditions which allow this to happen. This is why the European Commission, Council and Parliament need to demonstrate clarity and single-mindedness on economic growth in their decision making.

How to improve EU decision making:

All EU policies impacting upon manufacturing competitiveness should be treated as horizontal issues and therefore fully coordinated irrespective of the policy area. There must be a strong focus on the evaluation of all proposals for their impact on industry. All measures taken should be reviewed annually to assess their effect on competitiveness.

We call on the EU to focus on three factors that are of significant importance to all employers and employees in manufacturing industries:

- **Better regulation**
- **Dynamic labour markets with skilled workers**
- **A better dialogue with industry**

With fully fit-for-purpose and stable framework conditions, European manufacturing will be in a position to invest and deliver solutions for a better world – invented and manufactured in Europe.

Smart regulation and a well-functioning Single Market bring stability

Be smart throughout the entire regulation process. Like all stakeholders, companies look for coherent, stable and predictable regulation. The Commission has to coordinate better internally. It must listen to the experience and expertise of industry and develop a more strategic partnership with employers.

There has to be a reduction of administrative burden and bureaucracy for companies. When introducing new legislation the EU needs to implement the principles of subsidiarity and proportionality, and be sure not to over-regulate. At the same time, the EU should acknowledge that the main responsibility for labour market issues lies with Member States, and often with social partners. The autonomy of social partners has to be respected, and the EU must not interfere in sensitive areas, such as wage bargaining through European economic governance mechanisms.

The Commission should set itself a clear objective – to propose no new regulation adding cost or burden to industry until the EU meets its objective of 20% of EU GDP coming from manufacturing industry.

A considerable part of European social legislation concerns occupational safety and health. Employers are fully committed to workplace health and safety and providing safe working conditions. Because individual lifestyle choices and activities taken outside of the work environment also affect employees' health and safety and their capacity to work, improving occupational health and safety conditions must be a shared aim and responsibility between employers and employees.

Putting better regulation into practice means:

- Adherence to the fundamental principles of subsidiarity and proportionality.
- Coherent implementation of existing EU legislation at national level.
- Needs- and evidence-based decision making.
- The creation of truly independent and transparent impact assessment units within all EU institutions.
- Timely social partner consultations.
- Thorough impact assessments, including competitiveness proofing and cumulative cost assessments.

Dynamic labour markets mean more quality employment

Promote inclusive labour markets and diverse forms of employment. Flexible employment opportunities allow companies and individuals to adapt to a rapidly changing business environment, driven by, for instance, international competition, new consumer needs, evolving technologies and economic fluctuations. Dynamic labour markets also enable individuals to better balance their work and personal life.

Changing consumer demands and global competition go hand in hand with rapidly changing competence needs in the manufacturing industry. Staying on top of this is of mutual interest to both companies and individuals and invariably requires a commitment to life-long learning and keeping skills sets current from both employers and employees.

To ensure dynamic labour markets, the EU needs to:

- Cut excess administrative burdens and costs with respect to mobility of workers and cross-border provision of services.
- Provide support for excellent VET, higher education and continuing education targeted at industry needs.
- Promote lifelong learning and continuing education and training as a shared responsibility.

Consultation with industry and social dialogue is an important tool in recovery

Strengthened consultation with sectoral organisations brings policy making closer to business reality. Only through proper dialogue and consultation with employers can European institutions provide the right framework conditions for an internationally competitive European manufacturing industry.

To ensure better consultation and social dialogue at the EU level, the EU needs to:

- Strengthen the interaction between EU institutions and manufacturing employers on industrial policy as well as European economic governance.
- Adhere to principles of subsidiarity and proportionality in industrial relations.
- Recognise and respect the autonomy of social partners.
- Require clarity on representativeness and mandate of social partners engaged at European level.

CALL FOR ACTION

Now is the time to deliver a coherent policy vision for industrial competitiveness. To do this, EU must focus on better regulation, supporting dynamic labour markets with skilled workers and a better dialogue with industry. This is the future of competitive European industries.

Technology industries – employing Europe!

Members

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