

RECOVERY PLAN FOR A COMPETITIVE INDUSTRY IN A RESILIENT EUROPE

— Shaping a new normal



INTRODUCTION

KEY POINTS:

Ceemet recommends a 2-step approach for a sustainable recovery of industry in a resilient Europe.

Urgent **first step** actions are:

- Stimulate demand.
- Apply high standards of sanitary and occupational health and safety (OSH) measures and promoting structured exchanges of smart and practicable OSH protocols.

For the **second step** Ceemet identified 12 concrete actions within three key areas:

- I. Restore the European single market and transform it into a seamless secure digital single market.
- II. Be big on the big things - Finance the future of the European project and agree on the 2021-2027 MFF on top of the recovery and resilience initiative with industry at its heart.
- III. Support national processes to establish agile labour markets linked with boosting innovative approaches of blended permanent up-and right-skilling.

The consequences of COVID-19 on people and health care systems, societies and the economy are here to stay for an unpredictable period of time. In this mixed situation, the Commission's 2020 spring economic forecast anticipates a record contraction of euro zone economy by 7.75% in 2020 and an uncertain recovery of 6.15% in 2021, with considerable variations between countries. Sectors, such as metal, engineering and technology-based industries are heavily affected by uncoordinated lock-downs to control the symmetric shock of the pandemic. Many companies suffer from plummeting orders and broken supply chains and a standstill of production. This has led to vital liquidity shortfalls in companies which have, and will continue to, develop into bankruptcies and be exacerbated by dropping consumer demand. With tens of millions of workers being in short-time-work or similar schemes, the potential for large scale unemployment across Europe becomes obvious. As consequence the **common focus must now be on a swift smart and responsible rebooting of the economy.**

Whereas COVID-19 required containment policies to protect people and healthcare systems, these were too often uncoordinated and sometimes disproportionate and in contrast to the notion of a European single market. Many of these measures curtailed freedoms within the single market, such as transborder mobility of workers, even if they were needed for carrying out services for instance installing or repairing machines, including in hospitals, and unnecessary disruptions in supply-chains. Programmes such as the European green-lanes initiative and guidance on mobility have helped, however, the implementation in member states was partly insufficient. **Learning from the current crisis is essential.** Recognising that it is not yet over, uneven measures have to be and can be avoided as we return to the "new normal" and offer lessons for any subsequent crisis. In this paper we set out a number of concrete proposals.

To be clear, Ceemet appreciates the tremendous efforts undertaken at national level, as well as, as the measures the European Union finally took by adopting the €540bn safety nets (ESM credit line, EIB guarantee fund or the temporary SURE programme). In addition the activation of the escape clause from the European Stability and Growth pact and adaptations of state aid rules should also be warmly praised.

The joint European 'Exit' Roadmap (8 April 2020) rightly highlights that there is no one-size-fits-all approach to the necessary gradual lifting of containment measures to avoid a disastrous second wave. Nonetheless, after weeks and months of lock-downs that have led to better control the spread of COVID-19, society and economy have to slowly return back to a normal that for many months and possibly years will come with social distancing and wearing of personal protective equipment (PPE). In the exit phase testing, app-based monitoring and tracking has to be substantially increased to ensure peoples' safety and try to control the spread of the virus. It is obvious that the exiting and recovery measures should be better coordinated between the EU, member states and near neighbours. If well managed this would show the added value of and increase confidence in the EU. Ceemet believes that this symmetric shock can be better solved together in a joint European effort.

Companies are suffering and economic growth and the risk of unemployment are not set to improve in the short term. With very low orders, companies will need continued and coordinated support to avoid an economic crash and an erosion of Europe's industrial infrastructure.

In view of considerably rising public and private debt it is essential to restart social and economic activities in a well-balanced, yet targeted and effective manner. **The EU should coordinate a joint recovery that brings companies back on track and people back to work.**



IMMEDIATE ACTIONS NECESSARY ARE :

- First and foremost: **Stimulate demand.** In addition to continuing to provide **liquidity and cash** in this extraordinary situation, the EU as well as member states should stimulate demand, by strategic public investments in important infrastructures, whether for smart transport and buildings or smart grids and 5G. Other measures could comprise different types of comprehensive or sector specific incentives. The automotive industry has been acutely affected by the crisis, in some cases with the risk of bankruptcy, and has suggested a number of incentive programmes which would be supported by the wider industry. This is because the sector is a key industry in Europe supporting its own complex supply chain as well as many other sectors. In addition, support should be considered for the machine building sector which will help to modernise factories for a greener, smarter future. Keeping a leading and innovative role in smart mobility with a reduced carbon footprint is and will continue to be a major strategic issue around the globe. Therefore, it is essential that **the safety nets adopted at the 23 April EU Council become operational on the agreed date of 1 June 2020.**
- During the recovery phase utmost attention has to be paid to the observation of high standards of sanitary and occupational health and safety measures, predominantly for the protection of workers. This can be fostered by the EU such as by the recent EU guidance for a safe return to the workplace.
- The EU should continue promoting structured exchanges of good national examples, e.g. of smart and practicable OSH protocols or of European/international match-making tools connecting demand and supply for medical devices or PPE.

In line with [Ceemet's 10 Point Plan](#) for a competitive industry sustaining social Europe, we emphasize a core message from the **joint EU Roadmap for Recovery** (21 April 2020) that *“Europe must ensure the strategic autonomy of the EU through a dynamic industrial policy, support for small and medium-sized enterprises (SMEs) and start-ups, and an effective screening of foreign direct investment”*. A restored single market is the precondition for the industry to cope with the parallel challenge of reducing carbon footprint and digital transformation.



THREE KEY AREAS FOR A SWIFT, COORDINATED RECOVERY AND A STRATEGIC REVIEW TO STRENGTHEN THE EUROPEAN PROJECT, SUPPORTED BY A COMPETITIVE AND SUSTAINABLE INDUSTRY

I Restoring the European single market & transforming it into a seamless secure digital single market is the basis for a future that benefits all

1. The EU has to swiftly **restore its single market** and **pursue its digital transformation**, which actually has been pushed by the current pandemic. The single market enforcement plan will help accomplishing this task. Massive drops in orders and weakening demand have to be offset by boosting public investments in strategic infrastructures, ranging from transport (road, rail or air) to investments in digital structures, such as smart grids or 5G. The Commission's New European Industrial Strategy (10 March 2020) is instrumental for a strategic evolution of the industrial ecosystem in Europe and, in line with Ceemet's 10 Point Plan, should be adapted to the current situation and implemented with the close involvement of industry.



2. The upside of the double challenge of **reducing carbon footprint** and **digital industrial transformation** are big opportunities for an internationally competitive industry and quality employment in Europe.

Mitigating climate change through decarbonisation is on top of the political priority lists. While the principle of the ambitious targets set by the « Green Deal » should not be put into question, the current situation requires an objective evaluation of the intermediate steps and whether they can still be realistically achieved. Especially in times when many governments are trying to get back on track and many companies are focused on survival.

The COVID-19 crisis also shows the potential digitalisation has to monitor and manage risks during a pandemic. With this in mind, Horizon Europe and the Digital Europe Programme have to be approved swiftly, making Europe a front-runner in exploiting the full potential of a trust based and human centric AI, robotics and big data revolution, pushed by world class R&D and innovation. Finally, a smart digital transition of industry facilitates achieving the goals of a circular, resource efficient economy.

3. The **EU has to learn harness its influence on a global scale and speak with one voice.** This is the voice of the biggest single market in the world in order to maintain **rules based free trade and open economies**, while maintaining a competitive industrial ecosystem in Europe, that might be accompanied by a smart

European screening of foreign investment that upholds open economies and the long-term interests of Europe. The unique social acquis is another asset of the EU and maintaining it will require major efforts to preserve and strengthen the international competitiveness of the European economy.

4. Brokering an agreement on the **future relationship with the United Kingdom**, even under the increased time pressure due to COVID-19 will be highly challenging. As Ceemet repeats to emphasize since the very beginning of that process, the negotiations must lead to an intelligent agreement ensuring tariff and quota free trade between the EU and the UK and striving to reduce barriers to trade and mobility. Considering the interwoven supply-chains on both sides of the channel, sufficient time will be needed to businesses, and authorities, to prepare for the new relationship.

The **same overall goal should be pursued in the negotiations of trade and customs agreements with other important EU partners.** These include the negotiations of a framework agreement with Switzerland with which the EU's industry is highly integrated and its companies are key suppliers to fight COVID-19. It will need more time to conclude these negotiations and both sides should implement the bilateral agreements while refraining from any political pressure.



II Financing the future of the European project – Be big on the big things

5. The €540bn safety nets, including ESM credit-lines, EIB loans for companies and the temporary SURE initiative to sustain extraordinary expenditures due to steep increases in short-time-work, will not be sufficient to successfully get out of the crisis.

The extraordinary fallouts we have seen from COVID-19 so far, are deeper than after the 2009 financial and economic crisis. Taking note of the European Parliament's call for the next EU budget to be ready to use from 1 January 2021 and to be ready to write a new chapter of the EU's success story, the European Council (18 & 19 June 2020) has to reach a robust agreement on the 2021-2027 multiannual financial framework (MFF). This should include an appropriately designed recovery and resilience instrument that has industry at its heart.

6. Access to finance under reasonable conditions supported by a resilient banking system, complemented by Fintechs, and the capital markets union are a precondition for restarting the industry and a vibrant start-up scene to trigger Europe's recovery. The right framework conditions for doing business and for private investment are essential, so that Europe attracts investments in world class R&D and market relevant innovation. The Fit for Future Platform that is to be set up should be instrumental in that regard. This should focus on boosting technological development, a smooth and affordable energy transition and bringing hydrogen power, synthetic fuels or batteries to the world market.

7. To be able to focus on overcoming the COVID-19 crisis, current regulatory initiatives should be prioritised so they do not hinder the economic recovery. The Commission obviously shares this view and postponed (social partner) consultations of planned initiatives, such as on pay transparency. The same should be considered for the implementation of already approved Directives which are close to reaching the date of national transposition, but, due to COVID-19 are not likely to be transposed by member states, which would mean that companies cannot apply them.

8. We notice discussions on state involvement in private enterprises that are considered to be critical. The current exceptional situation might justify such interventions, still, in a market economy, state involvement in private enterprises has to be an exception and must be time limited.

III Labour Markets and skills for the future

9. With a more mid- to long-term perspective, the EU should encourage adaptations of national labour markets. Agile labour markets, as also OECD suggests, facilitate the uptake of digitalisation in companies and thus the creation of quality employment in industry. Agile labour markets, in combination with a well-developed social partnership, have contributed to lower rates of unemployment. Whereas overregulated labour markets tend to have negative effects on employment and the creation of start-ups or the development of SMEs, which are particularly struggling in the current situation. Further, after weeks and months of lock-down, many workers want to return to work, which has to be accompanied by public transport and childcare measures.

Arguably, that experience revealed that a working activity is an important part of a person's life and that there is no principle conflict between work and private life. The somewhat forced increased use of homework might not serve as a blue print, but it can be expected that home work will increase. This phenomenon and other experiences should be considered to ensure labour markets are made fit for purpose.



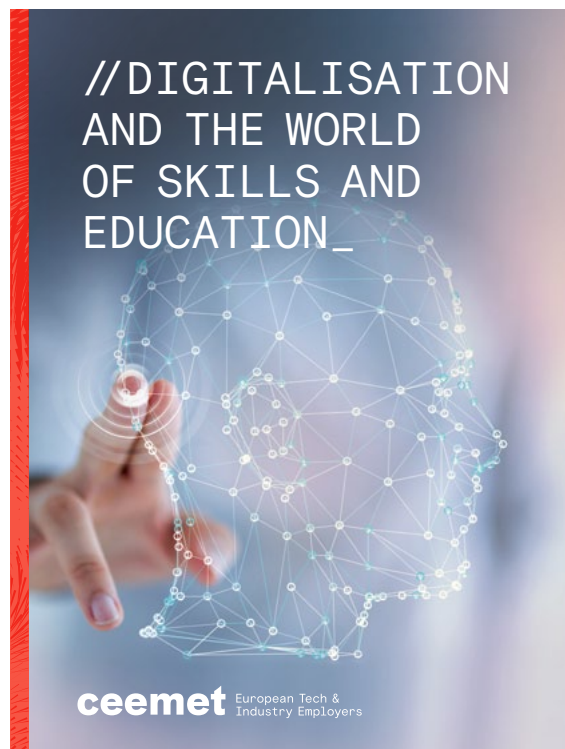
10. Based on the experiences made during the COVID-19 crisis, the EU should **support and coordinate national OSH initiatives**, including the before mentioned exchange of good practices, to better protect workers in the event of a similar crisis. The Commission–OSHA COVID-19 guidance for the workplace occupational health and safety measures of March 2020 is generally welcome, as it went in that direction of a better coordinated European approach without adding new regulation.



11. Free movement of workers is an integral element of the single market and should have been facilitated during the COVID-19 containment and exit phase. For the next such symmetric crisis **a unitary EU Laissez Passer** for the movement of workers should be provided to replace the 27 national uncoordinated sometimes disproportionate national provisions. We consider the role of the **European Labour Authority** to prioritise the facilitation of free movement of workers on the EU's territory. Similar arrangements should be reached with neighbouring countries, such as Switzerland, and other key trading partners. Furthermore, the European Commission should support member states' efforts in making studying abroad easier and more flexible, including for non-EU/EEA students, by e.g. using digital tools.

12. Europe, including member states, citizens, workers and companies -irrespective of their size- has to **understand that permanent up — and right-skilling is not a choice**. Digitally savvy workers feel confident about their future and are essential for the competitiveness of companies. COVID-19 has shown the need for better, more blended and digital and virtual learning at schools, uni-

versities and within companies. Obviously, digital learning requires transition for teachers and needs to be reflected in the different curricula developed in cooperation with industry. For **Ceemet all stakeholders have to act accordingly and contribute a fair share**. With high levels of debt at member states, companies and private household's levels, temptations must be resisted to cut education and training budgets. We should see a next qualitative step in teaching and learning and the EU should provide and facilitate appropriate platforms for the exchange of good practice.



To conclude, industry must be consulted and the role of social dialogue promoted. **Representative and mandated social partners can make a difference**, in particular in times of crisis. Many protocols were reached, at national, regional or company level, on sanitary and occupational safety and health provisions. Just to mention one concrete example from France, where in April 2020 Ceemet member UIMM and three trade unions reached a national collective agreement on the organisation of work to face the Coronavirus outbreak.

A coordinated and determined relaunch of Europe's societies and economy after COVID-19 holds the potential to put Europe in the leading position in the world, whether politically, socially, ethically or economically. We have to seize this crisis as a unique opportunity.

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European Tech &
Industry Employers

Who is Ceemet?

Ceemet represents the **Metal, Engineering and Technology-based industries (MET)**

employers in Europe, covering sectors such as metal goods, mechanical engineering, electronics, ICT, vehicle and transport manufacturing.

Our member organisations represent **200 000 companies** in Europe, providing over **17 million direct jobs and 35 million indirect jobs.**

Ceemet is a recognised **European social partner** at industrial sector level. Our vocation is promoting global competitiveness for European industries through consultation and social dialogue.

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10 Point Plan for a competitive industry sustaining social Europe



Ceemet identified 10 Points that matter for industry employers and workers. If addressed well, they will make the EU future-proof as it clearly links the success of the EU to its internationally competitive industry that provides quality jobs.

A strong Europe can offer visions and solutions that give confidence to citizens, workers and industry. The current challenges imposed by the coronavirus require new ideas, turning them into opportunities that nurture confidence.

Digital transformation can only be successfully managed and turned into opportunities in a genuine European effort and become the new chapter of the EU's success story.

One of the fundamentals of stability is maintaining Europe's unmatched social spending. This largely depends on a European competitive industry that successful transitions to a digitalised economy and society.

Over the past years, Tech & Industry sector has created 1,7 million new, quality jobs. A figure that could increase the coming years with the right-skilled people. This shows that although digitalisation is driven by technological progress the human factor remains at heart of this development



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