

Tech and Industry employer's views on the Annual Sustainable Growth Strategy 2021

The MET industries have experienced an unprecedented crisis in recent months. Ceemet estimates that 6 million of the over 17 million directly employed workers in our sector were in short term unemployment due to the economic lockdowns in the EU Member States, these figures are considerably higher than during the 2008/2009 crisis. Furthermore, we estimate that in the 18 months from June 2020 to December 2021, 1 million jobs are in danger of being lost due to the current crisis and its economic effects.

Current situation for the MET industries

The COVID-19 Pandemic and its consequences on our economies and societies will be with us for an unpredictable period of time. Even though the MET sector has experienced strong growth in recent years, our industries have been particularly badly hit by the lockdowns which characterise the current crisis. However, despite the looming pronounced economic slowdown and major uncertainties, within the right framework conditions, MET employers are optimistic for the future.

There is consensus amongst MET economists that we are unlikely to see the V-shaped recovery scenario which happened in the 2008/2009 crisis. We are more likely to see a 'Nike swoosh'-shaped recovery with a steep drop for a period of around 3 months followed by a gradually slowing recovery. We may end up with barriers to growth due to certain secondary effects e.g. ongoing liquidity problems, which could result in slower growth and subsequently a longer recovery period. However a different recovery is possible if we have the right fiscal and support measures in place.

MET employers see the possibility that production in our sector may only return to 90% of pre-pandemic production levels. It could take our industries as long as 18 months to get back on the path that we left in March 2020. Furthermore, a possible no agreement on the EU-UK Future Relationship remains an economic threat to our sector with inevitable production and trade losses.

The essentially important functioning of supply chains in the MET industries has been one of the major challenges affecting production processes during the pandemic. In general these problems have subsided as the general lockdowns lifted. However, coordinated European action is needed in order to safeguard supply chains and ensure their continued functionality. As has been seen during the current crisis, when supply chains breakdown, the production process breaks down.

Economic Data and Social Indicators

1. Employment rate/Unemployment rate

Between 2014 and 2017, employment creation in the MET sector has been both durable and high speed. Over that period our sector has created 1.25 million new and quality jobs.

The share of MET employment in relation to total manufacturing employment continues to rise and in 2019 arrived at 53.2%, with an overall figure of over 17.4 million persons employed.

This positive picture unfortunately will change in 2020 because of the COVID-19 Pandemic. The number of employees affected by short-time work in the MET industries has soared in recent months, eclipsing the figures achieved during the 2008/2009 crisis. Private sector employment also fell dramatically, with many labour markets still characterised by much higher numbers of short-time workers, some of which could turn into unemployment, depending on the depth and length of the economic shock.

Manufacturing of fabricated metal products, mechanical engineering and the automotive industry are the heavy weights of the MET industries in Europe, representing nearly 61.7% of all employment in our sector.

2. Investment & Productivity

Investment within our sector has been buoyant since a sharp drop between 2008 and 2010. Our industries had relatively high levels of investment before this two year period, followed by a five year period where we saw a large investment gap. Our industries have gradually recovered however we are not yet back at the same level which we left in 2008. This gap could be seen as one of the reasons why we don't see the full use of the opportunities of digitalisation of industry within our sector.

In 2018 gross investment in tangible goods in our industries stood at nearly €128 billion. Furthermore, in 2017 the investment rate of enterprise R&D expenditure of our sector as a percentage of gross added value was 11.4%, still below its 2009 peak of 11.9%.

Productivity growth has been eroded and the productivity gap within our industries remains a huge issue for companies. Even with the massive investments made in digital skills over the past years, the gap remains. We can now see a drop in industrial productivity which began in 2017 and has continued in the figures for 2019, standing at -1.8%.

Higher productivity in relation to our international competitors is essential for the competitiveness of the MET industries. In order to enhance productivity growth, governmental and private investments in the EU must be increased.

As has been outlined above we see too weak productivity development in our sector, this is a worrying development as it can in some instances lead to companies having to lay off personnel. Furthermore, if labour costs increase too rapidly compared to productivity, this can be a dangerous development and difficult to reverse quickly.

3. Export market share - % of world exports

Exports within the MET sector have been strong and account for about 70% of our sales, representing around 46% of the total exports of goods in the EU. This underlines the importance of EU competitiveness vis-à-vis other industrial regions of the world and also the fact that any new protectionist trade measures would be very disadvantageous for our industries.

Exports outside the EU have become relatively more important over the last 16 years, they have more than doubled during that period. For more recent figures, in 2002, 32.3% of our exports went outside the EU, in 2019 it was almost 36.4%.

This positive picture unfortunately will change in 2020 as exports have declined dramatically, and in some countries the trends shown are strikingly similar to the 2008/2009 crisis. Furthermore, demand for manufactured products, in Europe, and globally, will not return to pre-crisis levels for the foreseeable future.

4. Production

Production in the MET industries continues its upward trajectory since 2013, however in recent years at a much slower pace, with a value of annual production arriving at close to €3.7 trillion in our preliminary 2019 figures. Due to the current crisis, member countries of Ceemet will suffer a sharp decline in real production in 2020 and currently there are no signs that the situation will improve in the near future.

5. Individual's level of Digital skills

Digital skills within our industries are of paramount importance, and demand is only increasing, furthermore the half-time of knowledge is only exacerbating the already existing digital skills gap. This is shown by the too high vacancy rate within our sector: the shortage of skilled workers is, according to 2018 figures, 2% of the workforce and 25% of these were digital experts. This indicates a digital skills job vacancy rate of above 5% in our sector. In that same year, our sector was spending 10% of its training hours on digital training. However, the mismatch between the skills required by manufacturers and the skills available on the labour market continues to be a problem; this is also a major cause of reduced competitiveness for MET companies.

Conclusion

As has been outlined in this paper, our industries are particularly sensitive to the current economic challenges brought on by the COVID-19 Pandemic. The lockdowns across Europe and beyond have, to varying degrees, left a lasting impact on our economies and industries.

We must see the correct stimulus and fiscal measures put in place in order to avoid barriers to growth which could lead to a longer recovery period. It is imperative that we return to previous production operations after this crisis, we cannot see a return to only 90% of pre-crisis output. A concerted European effort is required to ensure MET supply chains remain in place in the face of such crises.

Although the conclusions of this analysis cause concern about the future, a coordinated and determined relaunch of Europe's economy after COVID-19 holds the potential to put Europe's MET industries in a leading position in the world both socially and economically.

About Ceemet

- Ceemet represents the metal, engineering and technology-based industry employers in Europe.
- Member organisations represent 200,000 companies in Europe, providing over 17 million direct and 35 million indirect jobs.
- Ceemet is a recognised European social partner at the industrial sector level, promoting global competitiveness for European industry through consultation and social dialogue.