



European Trade Union Confederation (ETUC)  
Confédération européenne des syndicats (CES)

## ETUC response to the Commission's 2012 consultation on industrial policy

### 1. *Where do we want to go? The central importance of technologies, standards, design and innovation*

#### a. *Explain the importance of the issue*

Confronted with a persistent economic crisis and with the limits of a resource- and carbon-constrained world, an in-depth rethinking of industrial policy is needed. Industrial policy should redefine its objectives and adapt its tools to take into account:

- The need to decouple economic growth from resource-use by the promotion of sustainable production and consumption
- The need to relaunch the economy by jump-starting massive investments in the key sectors of sustainable development: renewable energy, energy efficiency in buildings, the creation of a worldwide electricity web (supporting the UN Sustainable Energy for All initiative), clean transport systems
- Tackle the demand-side for industrial policy: development of the markets for sustainable technologies and products (through public procurement rules, standard setting and ecodesign rules, etc.)
- As the recent financial crisis has revealed, *laissez-faire* policies allowed an uncontrolled development of real estate investments at the expense of a more growth-enhancing allocation of capital, greater government economic activism is required to allow a more productive use of scarce resources.

To achieve this we need more innovative enterprises, and new types of entrepreneurship in Europe's industrial and service sectors. Maintaining industrial production in Europe requires more versatile and wide-ranging exploitation of knowledge and research, as well as the creation of stronger links between industrial activity and service provision. Innovation is not an externality to companies but a social process that starts at the workplace. It enables technological and economic innovations to take effect, delivering a productivity and innovation leap for private and public enterprises, as well as higher quality jobs. A lack of investment in Workplace Innovation leads to lost economic opportunities, as demonstrated by an emerging set of research into the impact of intangible investment. Sustainable consumption and production demands dynamic regulation on product design as a key tool in directing and stimulating investment in innovation and opening market opportunities, while joint technology initiatives are essential to develop the necessary breakthrough technologies for long term competitiveness.

#### b. *How can businesses themselves better respond to these issues?*

Private investment in RDI (technological and non-technological) remains too low in the EU, in comparison to other advanced regions and emerging economies. Innovation is crucial to maintaining market share and adapting to market shifts. It is the bedrock of a



European Trade Union Confederation (ETUC)  
Confédération européenne des syndicats (CES)

sustainable corporate industrial strategy. Increasing innovativeness cannot be achieved without making changes to operating models and leadership practices at workplaces. Recognising the importance of investment in lifelong learning and collective experience/know-how is key to industrial leadership and innovation. Businesses should be supported to:

- Boost resource efficiency: through dissemination of best available technologies, improving recycling, development of renewable resources, cooperation with unions in Green Workplace projects/agreements
- Develop sustainable business models with greater emphasis on dematerialization, remanufacturing, durability and upgrading of products, maintenance and service, closing the ecological loop (e.g. Circular Economy examples at Ellen MacArthur Foundation and elsewhere: <http://www.ellenmacarthurfoundation.org/> and <http://blogs.ec.europa.eu/orep/>)
- Introduce environmental management practices
- Develop the concept of 'sustainable factories of the future'

At the company level, trust between labour market actors and worker participation has a central role, in ensuring effective skills and innovation management.

c. *What can policymakers do to address the issues at Member state, local or regional level?*

The development of national and regional innovation policies, supporting innovation cluster building and company networks is crucial, particularly in the context of the economic crisis. Public authorities at national, regional and local level have a crucial role to play in ensuring a supportive infrastructure for industrial and service activities, through the provision of quality public services and networks, notably well-resourced education systems (from basic to higher education), regional development services and business support particularly for SMEs. Actors at these levels should create networks for the exchange of good practice experiences on workplace innovation, supported by the Commission, to build capacity in this area.

d. *What can policymakers do to address the issues at EU level?*

Policymakers should extend the scope of industrial policy in order to integrate the dimension of sustainable development and avoiding the further decline of the manufacturing base of Europe (which was extremely hard hit by the financial crisis). Therefore a broad array of policy tools should be developed:

- Long-and medium-term policy frameworks/roadmaps for the industrial development of the EU alongside the Roadmap 2050
- Development of ambitious and intelligent regulations which trigger sustainable innovation, support the market uptake of new sustainable products and technologies, create competitive advantages and contribute to job creation
- Development of market-based instruments (taxes, subsidies, tax credits, feed-in tariffs)



European Trade Union Confederation (ETUC)  
Confédération européenne des syndicats (CES)

to steer behaviour of consumers and producers in order to develop the markets for sustainable and innovative products and services

- An innovation policy that not only supports R&D but the full innovation chain: product development, demonstration, marketing, standards development, advanced manufacturing, public procurement (indeed, it is often in the transition from laboratory to factory that critical skills for competitive advantage are developed)
- Further development of new tools of industrial policy: green/innovative public procurement, lead markets, joint technology initiatives, integrated product policy, dynamic standards and benchmarks that drive markets
- Sectoral action plans for the development of eco-industries, the modernization of traditional sectors, to support supply chains and company networks, the development and market uptake of key enabling technologies

The EU single market must function in a way that supports an environment in which companies and organisations are motivated to develop innovativeness. EU product design regulation has proved to be a key stimulus for innovation and market entry, e.g. the Ecodesign directive's role in pushing greater energy efficiency, this should be extended to resource efficiency. Competition between companies must be based on the quality of products and services and continuous social and environmental improvement, not just on prices. Public procurement should play an important and guiding role here. EU funding is too often too focused on high-technology product innovation, with workplace innovation inadequately addressed. EU technology instruments (ETPs, PPPs, JTIs, etc) should include worker representatives in their structures to ensure that any social, environmental or health concerns are adequately addressed at the earliest opportunity, and to deliver social acceptance of new technologies.

## 2. ***Skills, restructuring and structural change***

### a. *Explain the importance of the issue*

Europe is in the midst of the worst recession since the end of World War II. The problem is not only one of increased unemployment, but also of net job losses. The difficulties in adapting to change, which were already significant in the face of globalisation, climate change and enlargement of the EU, have increased with the economic crisis. Over recent decades, global competition and company restructuring have led to the loss of employment in manufacturing industries in the EU, particularly amongst the low skilled. While “fiscal consolidation plans” coordinated at EU level are effectively enforcing widespread public sector restructuring. A key element of any industrial policy is having a skilled and well trained workforce to produce quality goods and services. However, EU labour market and employment strategy is focused on labour market reforms leading to greater flexibility and increased precariousness, which directly undermines the focus on up/re-skilling the workforce. In order to ensure social cohesion, a strong social dimension to industrial policy is needed. Structural change should not negatively impact welfare or workers' livelihoods. Therefore the principle of ‘Just Transition’ needs a broad societal acceptance and needs to



European Trade Union Confederation (ETUC)  
Confédération européenne des syndicats (CES)

be integrated in industrial policy. Indeed, accommodation to economic change cannot be left to market forces but must be embedded in the long tradition of social dialogue and solidarity in Europe. Good practices on socially-managed and anticipated economic change have been collated and analysed in successive European social dialogue projects and ETUC's own projects (see here for more examples: <http://resourcecentre.etuc.org/Restructuring-7.html> and <http://www.etuc.org/a/4624>).

b. *How can businesses themselves better respond to these issues?*

Action on the anticipation and management of change is predicated on the respect for fundamental worker rights. Social dialogue, negotiation and participation are the fundamental values and tools which underpin and reconcile the promotion of social cohesion, quality employment and job creation, and increased innovation and competitiveness in European economies. Successful anticipation of change relies also on ensuring that companies' long-term strategic planning take into account employment and skills needs focused in particular on developing on a permanent basis the skills and competences of their workforce. It is important to focus on how skills are utilised and developed at the workplace, not just on the supply of skilled workers. The situation with regard to working and employment conditions and the working environment is equally important.

c. *What can policymakers do to address the issues at Member state, local or regional level?*

Public policy must provide a safety net through active labour market policies, strong social protection and support measures, this demands an adequate level of public investment in these areas which are currently subject to budgetary constraints and deregulation in many member states. Comprehensive lifelong learning strategies are required to ensure the employability of workers. The promotion of dual training systems, quality apprenticeships and training is of central importance at the beginning of a working life, while the development of sectoral training initiatives and funds in conjunction with the social partners ensures that workers regardless of company size are able to access training opportunities and companies are able to share the costs of vocational training. Evidence shows that union-led lifelong learning (e.g. UnionLearn in the UK) encourages workers to engage in vocational training and skills development. Good practices should be identified and shared at all levels.

d. *What can policymakers do to address the issues at EU level?*

If the European Union is to respond successfully to the challenges posed by the economic crisis, imposed austerity, globalisation, climate change, demographic trends, rising inequalities and the swift pace of technological and organizational change affecting society in general and the workplace in particular, it needs to have a far more coherent and ambitious approach to the employment and labour market dimension of industrial policy. Specifically, the EU should take urgent action and develop a strategic and pro-active approach with regard to anticipating and managing restructuring based on a European



legal framework (as elaborated by the ETUC in response to the EU Green Paper in March 2012). For a decade, the ETUC has consistently called for a 2nd stage social partner consultation and EU action. Today's employment and economic crises create an urgent imperative for this action.

**3. *Ensuring the financial framework: access to finance and risk capital***

**a. *Explain the importance of the issue***

Sustainable and progressive macroeconomic policies are the bedrock for public services and private companies operating in Europe alike. The ETUC reiterates our long-standing message that austerity does not and will not work: the policy is self-defeating and has failed. The view that rapid fiscal consolidation could restore confidence and push savings rates down has proven to be a myth again. In fact, fiscal consolidation has been accompanied by falling household confidence and weakened economic activity. An alternative approach is necessary combining financial market regulation and sustainable investments in kick starting Europe's economy. This demands a review of the allocation of risk for investments in financial market rules and fiduciary responsibilities to ensure that long-term sustainable development is rewarded rather than short-term speculation and shareholder value. The weak carbon price must be addressed urgently to stimulate investment in low-carbon technologies.

**b. *How can businesses themselves better respond to these issues?***

One obvious and straightforward policy is for businesses to limit profit distribution in the form of dividend and CEO bonus pay outs, thereby using retained profits to build a capital basis so the company itself has higher financial control.

**c. *What can policymakers do to address the issues at Member state, local or regional level?***

Individual businesses however tend to be caught in a 'market equilibrium' in which competition for capital and managers forces individual companies in engaging in a race of high pay outs, thereby ignoring or underestimating the longer term benefits of keeping financial resources inside the company. Similar to the use of precarious work by individual companies (where companies pushing for more labour force flexibility end up in damaging the incentives and structures to ensure the availability of skilled, motivated and engaged labour), there is a market coordination failure. To overcome this type of coordination failure, systems of representative collective bargaining at higher up levels (sector, region, countrywide) and tax policy measures to discourage excessive dividend or bonus pay outs are necessary.

**d. *What can policymakers do to address the issues at EU level?***

The EU must pursue the objective of a solid and well-regulated financial sector, but the pro cyclical arrangements of current financial regulation should be reviewed. Banking sector deleveraging (and the application of Basel III capital requirements) should target speculation rather than affecting jobs. Access of the banking sector to the ECB at an



European Trade Union Confederation (ETUC)  
Confédération européenne des syndicats (CES)

interest rate of 1% should be conditional on the distribution of adequate credit to the real economy. The practice of paying irresponsible bonuses and dividends must stop. Instead of member states competing on jobs, Europe needs to invest itself out of the crisis: structural investments rather than structural reforms. This Investment Union should transfer the high savings surpluses of one part of the Euro Area into a structural investment policy that is focused on upgrading the economic and industrial structure, in particular, of the 'deficit' Euro area economies, while developing a close synergy with the 'greening' of the European economy. As credit availability is still not back to normal and financial markets remain risk averse, the development of innovative finance mechanisms needs to be supported:

- Further development of venture capital in order to support start-ups, growing firms and R&D
- Micro-credits
- Green investment funds
- Project bonds
- Green loans (with payback in relation to energy savings)
- Support the creation of ESCO's (energy service companies)
- Additional finance from the European Investment Bank and the European Bank for Reconstruction and Development

### **Further comments on the consultation**

Considering the importance of establishing a sustainable growth agenda for European jobs and industries, the ETUC is disappointed that the Commission has undertaken such a superficial consultation during the summer on the mid-term review of the industrial policy flagship initiative and in preparation of the forthcoming Communication.

### ***Attached documents:***

- 2011 ETUC, BusinessEurope, CEEP & UEAPME study on social partner activities: <http://www.etuc.org/IMG/pdf/IP1 - Study - Initiatives involving social partners in Europe on climate change policies and employment.pdf>
- 2009 ETUC study: <http://www.etuc.org/r/881>
- ETUC Resolutions 2012 on:
  - AGS 2012: <http://www.etuc.org/a/9809>
  - Just Transition: <http://www.etuc.org/a/10041>
  - Anticipation and restructuring: <http://www.etuc.org/a/9815>
  - Employment Package: <http://www.etuc.org/a/10047>
- ETUC Green Workplaces 2012 projects: <http://www.etuc.org/r/1834>



European Trade Union Confederation (ETUC)  
Confédération européenne des syndicats (CES)

- 2012 EESC Group II study: [http://www.eesc.europa.eu/resources/docs/etude-carbone-en\\_final\\_2.pdf](http://www.eesc.europa.eu/resources/docs/etude-carbone-en_final_2.pdf)
- EESC opinion 2011 'Innovative workplaces as a source of productivity and quality jobs': <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2011:132:0022:0025:EN:PDF>
- TUC study: <http://www.tuc.org.uk/economy/tuc-20488-fo.cfm>
- CGTP-IN report (attached)