



Resolution on Industrial policies and worker participation

Adopted at the Executive Committee on 28 April 2011

The global economic crisis has hit European industry very hard, exacerbating the most negative features of globalisation under financial governance. The new European economic governance approved by the European Council reaffirms the dogma of the stability and growth pact and breaks away from the principle of social negotiation, opting instead for a European-level wage policy. It is in danger of plunging the Union's economy into a long period of low domestic demand and triggering relocations to other parts of the world where the prospects are rosier. We are already seeing a spectacular increase in inequalities and the proliferation of insecure jobs in our societies, with the foundations of the social state and social protection systems being rocked.

The European Union must fit its crisis exit strategies into a long-term vision based around three strategic imperatives: to curb and control the effects of climate change, stave off the consequences of its globally unfavourable demographic evolution, and organise the transition towards an industry geared to mobilisation of knowledge and better use of materials and energy resources. Transforming these constraints into opportunities is the major objective of an industrial policy allowing industry's capacity to bounce back to be combined with the sustainable promotion of employment upon which the prospects for human development depend.

These issues must be met by means of various European Commission projects, including the recent roadmap for a low-carbon economy by 2050, whose observations and analyses support our arguments for a European industrial policy. Another example is the recent white paper on transport that does not even go into these fundamental industrial issues.

Avoiding a short-sighted approach to competitiveness

The intensification of globalisation and the rising power of the emerging economic players have led to a restructuring of the value chain on the basis of technologies favouring globalised organisation of communications and transport logistics, enabling businesses to carry out their activities within a complex web of connected services and supply chains¹.

A short-sighted analysis might lead to the search for competitiveness via wage austerity, greater flexibility, pared-down social spending and vocational training confined to the adaptability of workers. The 'competitiveness pact' is rushing headlong down this regressive path. Yet pressure on wages or an aggressive cut in the quality of work will never be an 'answer' to the question of competitiveness compared to the emerging countries. Plus, many

¹ 'What future for European industrial workers? New industrial policies, worker participation and structural change'.

industrial businesses have opted instead to invest in innovation to get themselves established and guarantee their position on the global markets by valuing the quality of their products and the associated services. This corresponds to another view of competitiveness, linked to investments in manpower, R&D and high-quality infrastructures required by the demand for much more economical and effective management of energy resources and materials. There is still a long way to go before this choice is irreversibly confirmed.

Transferring skills to maintain them and updating them to bounce back

In the private sector in the European Union, one job in four is in the manufacturing industry, and at least one other job in four is in the services directly dependent upon industry, as suppliers or as customers. Between 1995 and 2007, labour productivity in manufacturing industry rose by 46 % (compared to 20 % across the economy as a whole). Part of this progress is due to innovation; a second part to outsourcing activities and intensifying labour; a third to certain services, particularly public services, intended to promote, develop and safeguard the common goods of health, education and social cohesion. It makes no sense to oppose industrial and service activities – everything must be done to maintain their effectiveness and the coherence of the combination at the heart of European economic and social development.

Many of the skilled staff employed in critical jobs – i.e. requesting a know how resulting more from the individual and collective experience than from training - in European industry will be stopping work in the coming 10 years. Unless we want to resign ourselves to the planned extinction of many European industries, we urgently need to set in place the transfers of skills and knowledge, both individual and collective, between generations of workers that are essential for the maintenance of competitiveness. The shocks triggered by the financial crises are dangerous. The bursting of the bubbles, because of excess liquidity and its unproductive allocation, leads to industrial disinvestment, which is often the harbinger of the planned death of the productive apparatus. The answer to crisis situations which are acute but cyclical and occur on a one-off basis must combine the retention of collective skills through stability of working teams and the maintenance of the productive apparatus. Periods of inactivity along 'partial unemployment' lines must be exploited for actions to train the labour pool and improve the competitiveness of sites in preparation for the recovery.

Alongside the risk of undermining precious skills is that of falling further behind in acquiring and implementing new technologies and skills, making industrial jobs less attractive and reducing social visibility of their potential to bounce back. Manufacturing industry is actually more vital now than ever, because of both its contribution to economic prosperity and the solutions that it can provide to the new societal problems and demands:

- A redirection towards reasonable and well-thought-out management of natural resources, common social and environmental goods;
- Hitching collective examples of solidarity to individual achievement;
- Taking account of the ageing of the population

This requires educational and vocational training policies that ensure acquisition of fundamental skills as well as access to new knowledge, and contribute to filling the gaps in skills that are already beginning to be felt and could delay putting in place promising, sustainable technologies.

So an industrial policy, that is so crucial to Europe, could:

- ✓ decouple economic growth from environmental degradation;
- ✓ commit industry through horizontal and sectoral measures integrated into a process of learning and implementing 'sustainable' activities reconciling the social, economic and environmental objectives;
- ✓ promote a new development model (consumption, production and distribution) reducing the 'ecological footprint' of supply chains and encouraging closed-loop production²;
- ✓ anticipate industrial transitions in the highly energy-intensive industries;
- ✓ develop decent, quality jobs³ (stable work contracts, secure working conditions, vocational development and lifelong training);
- ✓ promote industrial innovation bringing together new technologies and regulations (angling the fiscal pressure towards the protection of the environment and not towards labour) in a virtuous circle leading to an economy with low CO₂ emissions.

Industrial policy and the initiatives in the Europe 2020 strategy

All of the Commission's political proposals in the framework of the five key initiatives defining the Europe 2020 strategy focus on the objective of an industrial policy, but dodge the main issue for the European Union, which is to think again about the complementarity between industrial policy/ies and competition policy. The challenge facing a rethink of industrial policies is no longer so much to select sectors on the basis of their productivity or their strategic role, or to change the global environment, it is to identify the organisational methods which will create added value, to facilitate and render viable the instances of cooperation allowing free movement, via multiple professional or territorial networks of technological, organisational and cultural innovation factors, and the pooling of economic and sociological information allowing the preservation and redeployment of collective skills⁴.

It is not sufficient just to invoke the role of SMEs in job creation, because this ignores the complex reality of industrial ties and provides no operational lever to develop employment. European industry needs a differentiated and solid industrial fabric made up of innovative SMEs and global champions alike. Cooperation is the decisive element: only concerted industrial strategies, broken down in sectoral and territorial terms, can give it a solid framework. It is crucial to avoid a situation where an emerging technology is trapped inside a structure which is incapable of promoting its development and a controlled technology is trapped in a small number of productive sectors, or the prisoner of an oligopoly or a hierarchical network. The categories 'high-tech' and 'low-tech' are simplistic. Many businesses with no R&D departments are innovative and manufacture products with a high added value. In addition, most workers are employed in low-tech sectors, which is why innovation policy needs to focus primarily on:

- The establishment of a close reciprocal relationship between the high-tech and low-tech sectors, and between the new industries and the traditional industries;

² The concept of an ecological footprint starts with the assumption that the Earth's ability to regenerate itself might be the limiting factor for the human economy if mankind continues to overexploit what the biosphere is able to renew. Closed-loop production is a model for planning production resources according to which products discarded are reused in the supply chain.

³ Several studies have specifically identified a major potential for job creation in the new sectors of the sustainable economy (see the report by SYNDEX, WWF and the ILO report on the subject).

⁴ These factors are actually indispensable to the emergence and consolidation of multiple, evolving niche strategies, realising the integration of huge technological and organisational mastery, covering the entire cycle from design to sale, at the cost of a close, service-rich relationship with the customer targets adopted.

- The extension of the narrow technical definition of innovation to its social, organisational and structural aspects;
- Widespread recourse to the participation of workers and workers' representatives.

Industry needs a strong social Europe

The struggle against inflation through wage moderation cannot form the basis for European integration. Macroeconomic policies need to be tied to industrial policies so as to support the creation and maintenance of high-quality industrial jobs. Europe's political decision-makers and the central banks need to be encouraging monetary, fiscal and budgetary policies geared to growth.

A European wide coordination of tax policy on the most mobile factors of production (business profits and income from capital) also needs to be encouraged as a tool to help avoid fiscal dumping within the EU, along the lines of the actions against tax havens and tax evasion.

At European level, restructuring operations have been going on for too long in a virtual social vacuum. While social Europe is ailing, we are witnessing the liberalisation of the labour markets, the gradual introduction of precarious and 'flexible' jobs, and reforms which are entrenching the inequities – in particular in terms of unemployment and pensions. Wages have been under attack and this has weakened purchasing power and demand. During this time, skills shortages have been increasing, investment has plummeted and global industrial performances have been questioned. A social dimension to industrial policies, necessary for the sake of social cohesion which is being undermined by the crisis, needs to be integrated into the European agenda, specifically via the promotion of new rights, so as to ensure socially responsible management and anticipation of change, lifelong learning, and active labour market policies giving security for professional transitions, regardless of the categories and contracts. Many workers, either because of the proliferation of small businesses or the inadequacy of their trade union and social rights, have no access to European works councils or other equivalent European networks. We need to guarantee effective and regular information and consultation for workers notably in order to facilitate the upgrading of salaries, which are important means of struggle against inequalities. The social dialogue also needs to be promoted through the introduction of new models of information and consultation all along the value chains. and by the implementation of new rights for workers, in order for technological developments aiming at meeting environmental requirements to also achieve social objectives, including the creation of quality jobs.

Ambition versus austerity: investment lies at the heart of the discussion

We need to see a fresh regulation of the financial markets so as to redirect the banks towards their fundamental role, which lies in putting forward capital for productive activities, not lining their own pockets by making the real economy pay the price. A tax on financial transactions needs to be put in place in the framework of this new regulation. Public-private partnerships for R&D and innovation should enable the private sector to achieve the objective of 3 % of GDP devoted to spending on R&D, while social and environmental criteria for public contracts should be adopted for the sake of ensuring demand in terms of new products: access to these partnerships and these contracts needs to be opened up to SMEs, favouring the mutualisation of risks and cooperation. The market mechanisms and the allocation of the risks need to be rearranged to guarantee that investment policies geared to the long term are more advantageous than those which concentrate on short-term dividends for shareholders. The

existing European regional and structural funds need to be redirected to allow the creation of jobs and to achieve the industrial policy objectives. Public markets should be recognized and supported as driving forces for competitiveness and for investments of quality.

A panoply of instruments serving a sustainable industrial policy

An industrial policy combining technological and organisational innovation, capable of supporting a new model of growth based upon production using little energy and few resources and satisfying new societal needs must:

1. Enable every enterprise to seize an opportunity for innovation or breakthrough thanks to the fact that it has access⁵ to the appropriate financial and human material resources to transform a conclusive test into a long phase of success.
2. Encourage cooperation both between the 'complementary parties' and the 'competitors', promote the pooling of knowledge, community projects, networks of players, territorial cooperation, and social networks.
3. Choose to exploit joint pools of added value and productivity linked to the industrialisation of 'made-to-measure', closely incorporating products and services, by preserving and passing on collective knowledge, capitalising on it and regenerating it through lifelong learning.

The locations for innovation, like the poles for competitiveness, need to be called upon to identify what tomorrow's new promising trades will be, at the various levels of qualifications (technicians as well as engineers). By investing politically and financially in competitiveness poles and innovation networks (enterprises, universities and research centres) and using different channels and institutions to foster synergies between enterprises, the regional bodies help to reinforce European industry and play a decisive role in investment decision. To support this effort and help to put in place the conditions to make it effective, it would be advisable for the ERDF to set this objective among its top priorities.

A coherent energy and climate policy

Sustainable development of European industry requires an **energy policy** guaranteeing security of supply at a reasonable price for industry⁶ and households. After a critical analysis of the deadlock in the strategy for the liberalisation of energy markets, a European Energy Agency will have to shoulder the increased role of the European and national public authorities to promote major energy production projects ensuring the long-term electricity supply and investment in leading-edge energy technologies.

⁵ In particular, ensuring access for SMEs via development mechanisms taking into account the additional difficulties facing them in taking part in technological platforms. In many cases, it is the SMEs within the industrial supply chains that are carrying the heaviest burden in terms of R&D and innovation (e.g. over 70 % of R&D spending in the value chain for the automobile industry).

⁶ A hefty increase in the price of energy in Europe might seriously weaken competitiveness and have further negative consequences on employment, as stressed in the ETUC's resolution in December 2010 on energy policy, which also advocates the development of a smart grid for the production and transport of electricity and gas.

The new industrial policies need to simultaneously include a defensive side through the fight against carbon leakage⁷ and an offensive side through the development and dissemination of clean, low-carbon technologies. After several years of operation in the steel sector (plus the similar initiative recently taken in coal technologies), we need to press on with evaluating the method known as ‘precompetitive cooperation at European level’, before increasing the number of public-private partnerships giving industry a basis from which to embark on the first stages of the low-carbon technological transitions required. The main thrusts of the policy of transition towards a low-carbon economy will make a decisive contribution to the framing of industrial policies by stimulating the definition of major sectors around energy-saving projects or projects to increase the yield from social equipment and production processes. The restructuring operations linked to the necessary transition towards a low-carbon society will affect certain major sectors of European industry. They need to be addressed in the same spirit⁸ and with methods similar to those which will need to prevail for the institution of the new regime of growth inherent in sustainable development. Binding European standards in terms of energy efficiency and performance bonuses must be combined to breathe life into a programme of transformation. This programme must support businesses which, to conserve their competitiveness:

- Are implementing other solutions involving low CO₂ emissions;
- Are reducing their energy needs;
- Are investing in R&D into sustainable technologies;
- Are investing in training workers so as to adapt their skills to technological evolution;
- Are creating new, quality jobs and services which are contributing towards sustainable development.

Strengthening investments in education and training

A sustainable industrial policy requires strong investments in human capital, thus in education and training. The excellence and reactivity of the industrial workforce lies for a significant part on the quality of education systems from Early Childhood Education to Higher Education. Highly attractive Vocational Education and Training (VET) systems both within mandatory education and lifelong learning are essential elements to provide the industrial labour markets with adequate skills. Public education is and will remain a national

⁷ The search for international sectoral agreements is the major solution for the sake of avoiding the negative effects of ‘carbon leakage’ on growth and employment in Europe, and carbon traceability is a technical condition for their introduction and represents a powerful incentive for their implementation.

⁸ Before pressing ahead with the closure of businesses threatened by the challenges of the transition to an economy with low CO₂ emissions, it is appropriate to conduct a three-pronged analysis tackling the social, energy, technological and environmental aspects. Bridges designed to help workers in shrinking sectors to find quality jobs in expanding sectors need to be set in place. The European structural funds should get more involved in the restructuring processes so as to promote intensification in R&D in terms of conversion. Appeals should be made to the point of view and skills of workers and their organisations to debate the soundness of the industrial restructuring operations and propose alternatives, in the framework of consultation procedures going well beyond the minimum requirements in the current information/consultation directives.

competence. Europe has to reinforce its coordinating dynamic to secure the appropriate investments in education and training.

Raw materials: saving, reclaiming, recycling and regulating

A global strategy for raw materials needs to be devised to link the promotion of leaner production processes to a shift to a higher gear in the recycling of industrial waste, and more muscular research into substitutes for rare materials or those posing a threat to health and safety. In that context, there is a need for an inventory of the raw materials available within the European Union, fair trade agreements and strategic partnerships with the producing countries. The need for a coherent way of dealing with environmental interdependences can be the source of new industrial architectures⁹. Europe is poor in competitive mineral and energy raw materials, since the intensive reclamation of recycling constitutes its main supply¹⁰ of raw (secondary) materials. This is an area where there is complementarity between defending the competitiveness of Europe's transformation industries and curbing their ecological footprint. In financial terms, the running of the futures market for raw materials needs to be reorganised to focus on their prime useful vocation, to cover the risks linked to variations in prices for the industries producing and consuming.

A robust industrial policy that creates jobs with strong participation by workers at all levels

The combination of an increasingly modular industrial fabric and a market-led mode of governance thanks to the sophistication of financial engineering and the worship of shareholder value has demonstrated its limits and given a brutal glimpse of its dangers. These need to be replaced by the capacities for initiative, innovation, cooperation, and the framing and transmission of skills that are found in the world of labour and its organisations. As things stand, these capacities are suffering from the individualisation of different types of status, the segmentation of processes and the growing insecurity of career paths. They are above all being denied or swept under the carpet by short-term dictatorship or the contradictory injunctions of a technostructure to which the survival of enterprise and employment no longer seems to be a cardinal value. Workers' participation must be the cornerstone of European industrial policy in the years ahead. Europe needs projects in which workers can get involved and make an individual and collective commitment, because they have a meaning and pursue values that they share. A new industrial policy at European level cannot be effective unless it is closely coordinated¹¹ with the policy of the Member States. Both the Commission and the European Parliament need to understand that the success of such an initiative requires the participation of all the stakeholders, specifically the social partners, and that this participation needs to take concrete shape in the joint oversight and ex ante and ex post evaluation of both the strategies and the actions and programmes in which they fit. It is equally necessary to regulate the joint and several responsibilities of the main suppliers concerning working conditions in their supply chains. The economic and social transition dictated by the new model of growth

⁹ Rehabilitating and remodelling the argument in terms of sectors, for example throughout a product's life cycle, from extraction and manufacture of its initial inputs to its final usages.

¹⁰ In parallel, Europe needs to make sure that it has access to the raw materials that its industry needs by making full use of the guarantees offered to it by the WTO rules with due regard to the fundamental rights of the ILO.

¹¹ The new integrated approach likewise demands close cooperation within the very heart of the Commission making it possible to get round the institutional schisms caused by its current organisation into directorates which engage in little cooperation, each one defending its patch and jealously guarding its own prerogatives.

corresponding to the sustainable development of our societies requires that the European trade unions become aware of the role which they can play and which they must shoulder to exercise a crucial influence over its conception and its management: industrial policies are part of its structure.

Conclusions

It is crucial for the future to develop industrial policies corresponding to the needs and challenges of the future (ageing population, transformations in society, increasingly scarce natural resources and energy...) and new parameters, particularly Europe's future energy mix.

To anticipate and manage industrial transition well, an open vision must be adopted. Tomorrow's innovation will be the one that has adopted this vision, that has managed the risks inherent to new technologies (for example nanotechnologies) and that has anticipated future challenges including the risks of increasingly scarce resources.

ETUC wants, particularly by means of this resolution, to participate in thoughts on European industrial policies that must be developed sustainably.

The next step for ETUC will consist of organizing a conference, in collaboration with its European industrial federations, on how to organize a just transition for raw material- or energy-intensive industries in the context of the European objectives for 2050.