

## Position on the New Industrial Strategy for Europe

Adopted at the ETUC Executive Committee of 2 July 2020

### Summary of key messages

The aim of this position paper is to provide ETUC's views on the New Industrial Strategy for Europe proposed by the European Commission in March 2020. This document provides a detailed analysis of the strategy as well as key recommendations from the European Trade Union movement.

ETUC's key messages on the New Industrial Strategy for Europe are the following:

- **ETUC urges the European Commission to revise its proposed industrial strategy to address the new challenges brought by the COVID19 outbreak.** The new Industrial Strategy for Europe should be the blueprint of a future looking roadmap to speed up industrial recovery and avoid irreversible damages to employment and skills.
- **ETUC calls on the European Commission to strengthen and develop the social dimension of its strategy.** The New Industrial Strategy should guarantee adequate support for quality work environment, good working conditions and decent work, especially in the most vulnerable regions. The strategy should also contain measures to ensure social protection for workers in their transition. Finally, it should include more ambitious measures to ensure convergence and solidarity between regions and countries in the EU.
- **ETUC calls on the European Commission to go one step further towards an inclusive governance.** Through effective social dialogue and collective bargaining, the New Industrial Strategy for Europe should ensure workers' information, consultation and participation in the transitions. Such governance should go beyond simple stakeholder consultation and should be implemented at all levels: EU, national, regional, sectoral and company level.
- **ETUC insists on the need for massive investments in infrastructures and breakthrough technologies as well as strong support for public services and education.** Such investments will be key to allow the EU industry to thrive. These investments will be crucial to support Europe's industrial potential in the future.
- **To finance its Industrial Strategy, ETUC calls on the European Institutions to agree on an ambitious EU budget as well as to adopt measures for a fair taxation.** To be properly implemented and to be more than a toothless tiger, the new industrial strategy for Europe will need to rely on sufficient investments and funding. An ambitious EU MFF, as well as fair and effective taxation systems, will be two prerequisites for a successful EU industrial strategy, especially in the context of the COVID19 crisis.
- **ETUC calls for a new social and sustainable Industrial Strategy that strengthens employment and strategic value chains in the EU in a way that helps achieve the European Green Deal objectives.** The new EU Industrial Strategy, together with the Circular Economy Action Plan should be the cornerstone of EU climate action and provide the necessary policy and financial tools for the European industry to go green.
- **ETUC calls for a digitalisation of the EU industry that is fair and benefits equally enterprises and workers.** While COVID 19 has exacerbated the digital transformation of business and work, the Industrial Strategy should address the challenges of digitalisation at work and improve the protection, employability and well-being of workers.

## 1. Introduction and background

The European Industry is currently facing three major challenges: the fight against climate change, managing successfully the transition to a digital economy and recovering from the COVID19 crisis:

- (1) On climate change, the scientific recommendations from the Intergovernmental Panel on Climate Change (IPCC) are clear. To keep global warming below 1,5 to 2°C and avoid irreversible and disastrous consequences for our societies, there is an urgent need to achieve climate neutrality by 2050 at the latest. The scale and speed of that transition is unprecedented and will require profound changes in EU industries. This is especially true for the energy sector and energy intensive industries (such as steel, cement, chemicals, glass, etc.) as well as the automotive industry.
- (2) In parallel to that, the EU industry will be required to make a digital transition that necessitates massive investments in new infrastructures and that deeply modifies the way European industries function and operate. The organisation of work as well as the qualifications and skills required will also dramatically change. This transition will need to be properly managed to ensure that EU industry remains in, and relocates to, Europe; creates quality jobs; and strengthens its global competitiveness.
- (3) Finally, the lockdown and containment measures put in place in most countries to halt the COVID19 outbreak have had a huge adverse impact on different industry sectors and on the EU economy. Indeed, many companies and workers stopped or drastically reduced their activities, and the demand for goods and services has fallen in many sectors. This has led to massive restructuring processes and unprecedented rise of unemployment over the last weeks and months. Precarious workers have been particularly affected by these circumstances.

These three challenges put together make it necessary for the EU to develop a strong and comprehensive strategy to support Europe's industrial potential in the future and ensure that industry sectors and their workers can fully recover from the COVID19 crisis. This strategy should facilitate European industry to contribute in achieving a climate neutral and circular economy while guaranteeing EU's energy independence and affordability of energy. It should be ambitious in its content and followed by strong political action. It should ensure that COVID19 recovery plans, as well as the climate and digital transitions, are socially fair and provide sufficient quality jobs, with a clear guarantee for more equality. Finally, this strategy should put an end to offshoring practices and social dumping in order to create and maintain quality jobs in the EU.

On 10 March 2020, the European Commission released its communication for a New Industrial Strategy for Europe<sup>1</sup>. The stated ambition of the strategy is to help the EU to lead the climate and digital transitions as well as to drive the EU's competitiveness.

This communication consists in a number of action plans, strategies and policy measures that are articulated around nine objectives: (1) achieving a deeper and more digital single market, (2) upholding a global level playing field, (3) supporting industry towards climate neutrality, (4) building a more circular economy, (5) embedding a spirit of industrial innovation, (6) ensuring the skilling and reskilling of the workforce, (7) investing and financing the transition, (8) reinforcing Europe's industrial and strategic autonomy, (9) adopting a partnership approach to governance.

The next sections of this position paper provide ETUC's analysis and recommendations on the various measures proposed in this New Industrial Strategy for Europe. This paper is structured as follow: the first section addresses the new challenges brought about by the COVID19 crisis, the second section provides general comments on the new Industrial Strategy, the third section provides specific comments on the climate dimension, the fourth section provide comments on the digital dimension.

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<sup>1</sup> COM(2020) 102, European Commission, [https://ec.europa.eu/info/sites/info/files/communication-eu-industrial-strategy-march-2020\\_en.pdf](https://ec.europa.eu/info/sites/info/files/communication-eu-industrial-strategy-march-2020_en.pdf)

## 2. The need for a revised industrial strategy to face challenges brought by COVID19

The COVID19 pandemic and its fallout have created an unprecedented economic downturn in Europe. Disruptions in the supply chains due to containment measures combined with a fall in demand have reduced companies' cashflows and financial stability, leading, in many cases, to insolvency and restructuring. Investment capacity of many companies has also been negatively impacted. The social consequences of this crisis are expected to be huge with an unprecedented rise in redundancies and unemployment everywhere in Europe.

To mitigate these social and economic impacts, the European Commission should revise its new Industrial Strategy for Europe to address this new context and additional challenges, including those coming from unfair trade practices. To do so, the European Commission should start by carrying out a detailed impact assessment to map the potential costs and challenges that EU industry and service sectors will be facing in the short term due to COVID19 crisis. Once this is done, the Commission will need to develop measures to support the sectors most affected, including through trade defence instruments and relevant safeguards measures. The main objective of the industrial strategy should be to support workers and maintain employment in these sectors while helping the EU industry to increase its resilience and sustainability in the long-term.

In parallel to its effects on employment, the COVID19 crisis has also deeply modified the working conditions and environment of workers where new health and safety measures were introduced and telework became the norm for many people. The industrial strategy should integrate these aspects, address potential challenges and exploit potential new opportunities.

Finally, the COVID19 crisis has also highlighted the importance of maintaining a strong European industry and to rethink strategic value chains. The lack of availability of supply for protective equipment as well as the shortage of active substances necessary to produce pharmaceutical drugs illustrated the high dependence of Europe on other parts of the world, especially China. These two examples are particularly striking but the same is true for many other products along the value chains. The New Industrial Strategy for Europe should therefore propose strong measures to relocate relevant industry and production in Europe, bringing strategic value chains and related employment back to Europe<sup>2</sup>. The shortening of the supply chain could also help reduce the environmental footprint of some products.

For these reasons, ETUC calls on the European Commission to revise its New Industrial Strategy for Europe proposal and to integrate it to the COVID19 recovery plan. It is important that recovery plans are coordinated between the EU and national level. ETUC would also like to remind that all measures to relaunch the economy after the crisis must be in line with the European Green Deal's main objectives as well as compatible with the Paris agreement and the UN SDGs.

Recovery packages, as well as bailouts for companies, should be designed to support a just transition towards a carbon neutral, circular and digital economy; keeping in mind the need to pay attention to sectorial and regional circumstances. Public services and investments in public infrastructures have a crucial role to play in that regard and should be ensured. In addition, bailout plans must be conditional to financial discipline (no dividend payment, no buyback of shares, no executive bonuses, no tax avoidance neither aggressive tax planning) and social obligations (maintaining employment, quality working conditions and in line with EPSR). Recovery plans and bailouts should be developed through social dialogue, promote workers participation and be closely monitored by public authorities.

## 3. General considerations on the new EU Industrial Strategy for Europe

While the general remarks of previous section should be kept in mind, this section will now focus on the New Industrial Strategy for Europe as proposed by the European Commission on 11 March. To

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<sup>2</sup>This analysis is shared by the European Parliament in its recent Joint Motion for a Resolution on COVID19 pandemic and its consequences, (2020/2616(RSP)): [https://www.europarl.europa.eu/doceo/document/RC-9-2020-0143\\_EN.pdf](https://www.europarl.europa.eu/doceo/document/RC-9-2020-0143_EN.pdf)

begin with, ETUC would like to acknowledge some of the positive elements presented in this document:

- First of all, ETUC appreciates the intention of the Commission to opt for a partnership approach to governance. ETUC especially values the creation of a Just Transition Platform along with the setting up of an Industrial Forum where social partners will be actively involved in the co-creation and co-design of the industrial policy. This should be done in a way that respects the specificity of the social partners and their legitimacy as actors in social dialogue.
- ETUC fully supports the analysis of the Commission that a strong and competitive European industry contributes to the broader goals of protecting key European values in an increasingly multipolar world. An EU-wide industrial strategy is needed to unleash Europe's industrial potential and to create new sustainable jobs in the future.
- The European Trade Union movement is also pleased to find some concrete proposals to establish offensive and defensive trade strategies. We welcome the Commission's intention to swiftly adopt the International Procurement Instrument to protect EU companies from unfair practices and to enforce reciprocity for procurements in external markets<sup>3</sup>. We call on the European Commission to make full use of its diplomacy and negotiation power with its trade partners to enforce strong social and environmental provisions in preferential trade agreements. These agreements should also be used to strengthen social dialogue and collective bargaining.
- ETUC welcomes the envisaged review of competition law and state aid rules. While these rules are fundamental to ensure fair competition in the internal market, it is important to revise them to ensure the full respect of workers' and trade unions rights. It is also crucial that these rules contribute to the creation of quality jobs through greater account of social and environmental considerations. In that regard, ETUC recommends broadening the consumer focus to include employment effects into competition tests. The revision of competition law and state aid rules should allow Member States and the EU institutions to play a more active role in the climate transition. EU competition policy should further support cooperation along integrated value chains and the development of ambitious European industrial projects, with a special attention to sectors or supply chains with strategic public interest or confronted with structural changes. ETUC is convinced that such a review provides an opportunity to move away from neo-liberal economic policies that are solely based on market logic. The use of state aids should be complemented by an increased European investment capacity to avoid deepening the divide among European Member States and ensure fair competition in the internal market.
- When it comes to education and training, ETUC also welcomes the update of the Skills Agenda for Europe as well as the launch of a European Pact for Skills. The skilling and re-skilling of workers will be a crucial element for Europe to succeed in the climate and digital transitions. ETUC therefore believes that an individual's right to training should be introduced and implemented in every Member States through social dialogue within existing collective agreements and national law on effective access to employee training. Skills needs must be anticipated at sectoral and company level through social dialogue, strong relationships of social partners with Vocational Education and Training providers and capacity-building of social partners in every country. Active Labour Market Policies and Public Employment Services also have a key role to play in training, reskilling and upskilling workers. ETUC insists that training costs should be supported by the employers and training activities should take place as much as possible during working hours.

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<sup>3</sup> It has been shown that European companies are often discriminated in external markets due to foreign state aids and subsidies favouring third countries companies. Similarly, third countries often use state supports to access the European market, at the expense of European companies. The development of the photovoltaic sector over the last 20 years is particularly striking (cf. EPSC strategic note, EU industrial policy after Siemens-Alstom, 2019, p.9)

- Finally, the European trade union movement strongly supports the intention from the Commission to implement the EU Gender Strategy adopted in March 2020. In order to avoid the deepening of existing gender inequalities, particularly vivid in industrial sectors, ambitious public policies are needed to ensure convergence in the coming years.

Trade unions' support for these various initiatives will depend on the way they are designed and implemented. In this regard, ETUC will provide more in-depth analysis and comments, when such proposals will be released.

This being said, there are a number of elements that the ETUC deems are missing in the Commission's proposal for a New Industrial Strategy for Europe. Some other elements would need to be significantly improved. The sections below highlight the missing aspects and provide some recommendations for the policy makers.

### **3.1. An ambitious EU budget and a fair taxation: two prerequisites for a successful EU industrial strategy**

To be more than a toothless tiger, the new industrial strategy for Europe will need to rely on sufficient investments and funding. To that end, the Multiannual Financial Framework (MFF) and EU structural funds will be key instruments. ETUC would like to express strong concerns about the level of investment and financing proposed in the current proposal compared to the scale of the challenges at stake.

In that regard, ETUC is particularly concerned by the status of the discussions on the MFF for the period 2021-2027. At a time where significant levels of investments are required to deal with multiple challenges, ETUC urges the EU Council to substantially increase the MFF and to support the European Commission's proposal for a new EU budget proposal to fuel the recovery plan for Europe<sup>4</sup>. ETUC calls on all Member States to take responsibilities in these negotiations.

To reach sufficient funding, ETUC recommends the EU own resources be extended with the adoption of the following measures: a European Financial Transaction Tax, a European Common Consolidated Corporate Tax Base, a common minimum corporate tax rate of 25% and a digital tax<sup>5</sup>.

The use of Emissions Trading System auctioning revenues to catalyse low-carbon innovation in sectors covered by the ETS<sup>6</sup>, as well as a Carbon tax (for sectors not covered by ETS), could also help to secure additional funding. There could also be additional revenues coming from a Carbon Border Adjustment Mechanisms or a national contribution calculated on the amount of non-recycled plastic packaging waste<sup>7</sup>. The Commission, however, should not rely solely on these tools to finance climate action, digital transition and repay future debts. Indeed, ETS revenues and contributions on non-recycled plastics are expected to decrease in the long term once Europe get close to climate neutrality and circular economy. Similarly, to be WTO compliant, the Carbon Border Adjustment Mechanism should not take the form of a protectionist tax. Therefore, the amount of money to be generated from this new tool will most likely be limited.

Finally, ETUC welcomes the European Commission's decision to suspend the Stability and Growth Pact and asks to permanently revoke it for investments related to climate action. We also welcome the ECB €1 350 billion Pandemic Emergency Purchase Programme as well as the European Investment Bank increased lending capacity by 200bn euros to support the EU economy. Such

<sup>4</sup> COM(2020) 442 final, European Commission,

[https://ec.europa.eu/info/sites/info/files/about\\_the\\_european\\_commission/eu\\_budget/1\\_en\\_act\\_part1\\_v9.pdf](https://ec.europa.eu/info/sites/info/files/about_the_european_commission/eu_budget/1_en_act_part1_v9.pdf)

<sup>5</sup> See ETUC Action programme 2019-2023, adopted in May 2019, Vienna, <https://www.etuc.org/sites/default/files/publication/file/2019-08/CES-14e%20Congre%CC%80s-Action%20Programme-UK-02.pdf>

<sup>6</sup> The ETUC supports the transfer of 20% of ETS auctioning revenues to increase EU own resources. However, to avoid to decrease the financial resources available for climate action, the 20% of the ETS revenues that will be taken from Member States to contribute to the EU budget, should be clearly earmarked to catalyse low-carbon innovation in sectors that are covered by the EU Emission Trading Systems (ETS).

<sup>7</sup> For more details, see ETUC position on the European Commission proposal for the budget 2021-2027, 26 June 2018, <https://www.etuc.org/en/document/etuc-position-european-commission-proposal-eu-budget-2021-2027>

measures should be used to support EU industry's recovery and transition to a climate neutral, circular and digital economy.

### **3.2. An inclusive governance with workers and trade unions at its core and a strong social dimension to reduce inequalities**

In parallel to the financial aspects, ETUC would like to stress the need to emphasize much more the social dimension in the New Industrial Strategy for Europe. The document mentions that the European Pillar of Social Rights (EPSR) is the Commission's compass to ensure that the climate and digital transitions are socially fair but the strategy lacks concrete measures to implement it. Trade unions call on EU policy makers and Member States to translate EPSR principles into concrete policies and to guarantee a proper enforcement of workers' rights anchored in the EU Treaty and EU secondary law. The New Industrial Strategy should guarantee quality working conditions and environment as well as provide for proper social protection to support workers in their transition. The prevention of social dumping and the improvement of social welfare should be among the core objectives of the Industrial Strategy. In that regard, ETUC calls the Commission to ban business models based on precarious work such as, zero-hours contracts, bogus self-employment and bogus posting, mini-jobs, etc. These practices worsen working conditions and lower wages. On the contrary, the new Industrial Strategy for Europe should allow for an EU recovery that is based on social progress and that creates direct quality jobs.

Similarly, ETUC regrets that the Commission's proposal does not contain measures to reinforce workers participation, social dialogue and collective bargaining. ETUC insists that workers are part of the solution and that their involvement is crucial. Trade unions are structured, have an on-the-ground perspective, and democratically represent the people most affected. They are key in shaping the different measures to accommodate the needs of the workers and in identifying the key challenges to address. The New Industrial Strategy for Europe should include adequate policies to ensure workers' information, consultation and participation in the transition and restructuring processes. This should ensure effective social dialogue as well as national and sectoral collective bargaining systems which guarantee the autonomy of the social partners.

With regard to the social consequences of the climate and digital transitions, the Commission should reassess the adequacy of the relevant EU labour law acquis (such as EU legislation on collective redundancies, transfers of undertakings, insolvency of the employer, the European globalization adjustment fund) and reinforce them to better support a just transition for workers, one that does not leave anyone behind.

Another criticism of the Commission's proposal is that it does not sufficiently tackle existing inequalities between countries and regions. To ensure a just transition, the new Industrial Strategy for Europe should aim at reducing territorial inequalities and at achieving convergence among Member States. This should be done by putting in place strong solidarity mechanisms notably by significantly increasing cohesion funding within the EU budget. If we do not create such solidarity, there is a high risk that existing inequalities between countries will further deepen: the rich countries and regions, benefitting from a highly skilled workforce, quality infrastructures and strong innovation capacity, will thrive while poor regions with low quality infrastructures, low skilled workforce and low investment capacity will be left behind. In that regard, it is also important that the new Industrial Strategy for Europe gives more consideration to regional specificities and territorial cohesion. It should support vulnerable regions that are most affected by digitalisation and decarbonisation, for example by developing smart specialisation strategies or by massively supporting investments in climate friendly infrastructures. Special attention should also be given to the outermost regions. The creation of such regional clusters could also be boosted by a more formalized coordination with regional and local authorities in the design and implementation phases of the industrial strategy.

In the same vein, ETUC sees the need for more ambitious policies to tackle inequalities between people and sectors in terms of training. On one hand, 70 million low skilled people need upskilling, and on the other hand skilled workers have continuous pressure on skills updating and on continuous

training. All should be adequately supported to gain high quality and sustainable provision of basic skills, key competences and professional skills.

As mentioned above, the fairness of the industrial policy will also depend on the ability of the European Union and Member States to put in place a fair taxation on companies and sectors benefitting the most from the transition. This would ensure that the gains and costs of the transition are distributed in a fair way while providing sufficient public budget to make the necessary investments in infrastructures, trainings, research and innovation.

When it comes to Corporate Social Responsibility and due diligence, ETUC is of the opinion that the new EU Industrial Strategy should rely on legally binding frameworks to ensure workers and trade unions rights. It should also rely on a review of the non-financial reporting on sustainability. Such legal frameworks would significantly contribute to the objectives of the new EU Industrial Strategy and would ensure the proper consideration of social and environmental concerns. In that regard, ETUC strongly welcomes the European Commission commitment to adopt an EU legally binding framework on mandatory human rights due diligence and sustainable business conduct. This new framework should be adopted as soon as possible.

In its New Industrial Strategy for Europe, the European Commission also stresses the need to further deepen the single market and to lift existing barriers and red tape. ETUC believes that a further expansion of the internal market and, consequently of economic freedoms, requires a more in-depth reflection on how to combine that approach with strong social, labour and environmental standards. Sustainable economic development of the EU industry should indeed go hand in hand with upward convergence of living and working conditions and therefore, ETUC would oppose any attempt to remove or reduce existing social protection regulation at European and national level. Besides, ETUC insists that in order to build a green and social economy, Europe needs an active governmental approach based on sound public policies and regulations rather than pure reliance on market forces.

### **3.3. Significant investments in infrastructures and breakthrough technologies as well as strong support for public services and education.**

In parallel to these social considerations, ETUC calls on the European Commission to boost its investments in public infrastructure and to include a strong public sector dimension in its new Industrial Strategy for Europe. Indeed, in order to develop, industry needs efficient and well-funded infrastructures such as railways and road networks, electricity networks, waste and water services, etc. Public services such as education systems ensure a highly qualified workforce while industry innovation often heavily depends on fundamental research that is carried out in public universities and research institutions. In the same vein, public infrastructures for childcare and elderly care provide much needed support to workers and their families. Many of those infrastructures and services depend on local, regional or national authorities and their role should be recognized in the Commission's new Industrial Strategy for Europe. In addition, ETUC underlines the need to invest in quality public administrations like labour inspectorates, environmental protection agencies and tax administrations to implement, accompany and monitor the industrial strategy. Industrial policy should be coordinated with public policies, notably in the areas of health and defence.

Regarding innovation, research and development, the last few decades have shown that the EU does not capitalize enough on the knowledge generated by its public funded research programmes. Very often, technologies developed in Europe are commercialized elsewhere and European companies experience difficulties to exploit and materialize that knowledge. To address this, the new Industrial Strategy for Europe should ensure that enough support is given at the final stages of the innovation process, for example by developing pilot and demonstration facilities for key breakthrough technologies<sup>8</sup>. It should also guarantee that the first industrial application of publicly funded research and development takes place inside the EU, preferably in the most vulnerable regions. Finally, it should create synergies between universities, companies and trade unions to strengthen the link

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<sup>8</sup> This is particularly true for breakthrough technologies with high decarbonisation potential in Energy Intensive Industries such as electrification of heat processes, clean hydrogen, etc.

between research, industry and the workforce and to boost industrial innovation. When doing so, the use of Private Public Partnerships should be done in a coherent and balanced way. Such partnerships should in anyway not replace public services. Several proposals of the new Industrial Strategy for Europe go in that direction, but they should be further strengthened.

ETUC also insists on the role that public procurement should play in steering the market towards higher labour standards as well as climate-friendly products and services. According to the European Commission, “every year public authorities in the EU spend around 14% of GDP on public procurement. This amounts to more than EUR 1.9 trillion”<sup>9</sup>. ETUC calls on the European Commission to use public procurements to speed up the transition towards a climate neutral and circular economy. In parallel to these environmental considerations, ETUC equally insists to strengthen the social criteria to access public procurements and to use them to guarantee decent working conditions as well as strengthen collective bargaining and trade union rights<sup>10</sup>. Public procurements should also be used to prevent tax avoidance and tax fraud. To ensure that, companies winning public contracts should have public country by country reporting on where they pay their taxes.

Finally, ETUC believes that the role of small and medium size companies (SMEs) should be reinforced to bring innovative technologies on the market and to achieve the climate and digital transition. The SME strategy for a sustainable and digital Europe provides several proposals in that sense, e.g. by allowing them to access state aid, to facilitate their participation in public procurement, etc. However, the strategy does not include any measure to ensure workers information, consultation and participation in this process. To achieve a just transition, ETUC calls on the European Commission to ensure that workers from SMEs and their Trade Unions are involved in the discussions related to decarbonisation and digitalization strategies. Workers from SMEs should also be part of the discussions on industrial policies.

In short, massive investments in infrastructure, breakthrough technologies and public services combined with a bigger role for innovative small and medium size companies will be crucial elements to develop and support the EU’s industrial potential in the future. ETUC calls on the European Commission to insist more on these aspects in its New Industrial Strategy for Europe.

#### 4. Specific comments on the climate dimension

With regard to the climate dimension of the EU Industrial Strategy, ETUC welcomes a series of positive elements but would like to link them with a few recommendations:

- First of all, we welcome favourably the high importance given to climate policies in the strategy. As mentioned above, the scale of the challenge is huge and will deeply impact the EU industry and its workers. It is therefore necessary to have strong political guidance to steer climate action and support industry towards decarbonisation. In that regard, ETUC welcomes the Commission’s initiative to establish a Just Transition Fund as well as the recent proposal to increase its budget to €40 billion. In the current context, it should be clear that investments to help the EU industry to recover from the COVID19 crisis should not go against the EU’s commitment to fight climate change and should be conditional to strong requirement with regard to working conditions of workers (cf. supra).
- Whereas the European Green Deal should continue to guide further policy developments to enable the EU to reach climate neutrality by 2050, it is of the utmost importance to ensure that the COVID19 crisis will not lead to weakening European industries. In this perspective, we would like the European Commission to map the possible consequences of the current crisis on industrial value chains in order to identify where some problems might arise for companies to implement or comply with EU legislation. For these limited cases, where strong evidence exists that the COVID crisis makes it impossible for companies to cope with EU

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<sup>9</sup> *European Semester thematic factsheet : public procurement, European Commission, 2017,*

[https://ec.europa.eu/info/sites/info/files/file\\_import/european-semester\\_thematic-factsheet\\_public-procurement\\_en\\_0.pdf](https://ec.europa.eu/info/sites/info/files/file_import/european-semester_thematic-factsheet_public-procurement_en_0.pdf)

<sup>10</sup> *According to a new EC-ruling (C-395/18 Tim) environmental, social and labour laws in public procurement is a «cardinal value» in line with the basic requirements and principles of procurement law.*



legislation, additional measures should be taken to help them comply with environmental standards.

- The approach taken by the commission to look at the industrial value chain rather than the sectors is also interesting. In that regard, we support the development of an EU Strategy on Clean Steel, of a Chemical Strategy for Sustainability, of a Strategy on Offshore Renewable Energy, of a Strategy for Sustainable and Smart Mobility, of a Renovation Wave, of an EU Strategy for Textile, of a Circular Electronics Initiative and of a New Pharmaceutical Strategy. The development of a Clean Hydrogen Alliance, together with the launch of new Important Projects of Common European Interest (IPCEIs) along with those on batteries and microelectronics will also be key to channel public spending, steer innovation and develop a common vision for the European Industry. ETUC would, however, like to stress the fact that, to bring significant changes, these strategies will need to be accompanied by massive investments in new breakthrough technologies and infrastructures, including carbon capture, its use, transport and storage<sup>11</sup>. While we strongly welcome the use of IPCEIs and the review of State Aid Guidelines, we would like to stress again the need to increase the ambition of the European Green Deal investment plan.
- ETUC also welcomes the Commission's proposal for a Circular Economy Action Plan that aims, among others, at introducing a sustainable product policy framework, at creating closed loop business models in key product value chains such as batteries, textiles, transport, packaging, construction, food and electronics and at empowering consumers. The European trade unions movement can only endorse such measures as it will increase sustainability of the EU industry and contribute to job creation while reducing Europe's reliance on critical raw materials. It is important that the Circular Economy Action Plan and the New Industrial Strategy for Europe are intrinsically linked. We also welcome the fact that the skills need of the circular economy will be part of the updated Skills agenda for Europe. ETUC however regrets that no more focus is put on workers and on the role of trade unions in the current Circular Economy Action Plan proposed by the Commission. Indeed, while we strongly support the overall measures detailed in the action plan, we believe that more attention should be given to eradicate any negative impact that such changes could have on workers in terms of health and safety, work organization and working conditions. Health and safety measures should especially be strengthened in the sector of waste management but not only. In parallel, specific attention should be given to guarantee that new jobs created are quality jobs (e.g. prevent social dumping, ban zero-hours contracts, protect self-employed workers, etc.). To make sure that these concerns are addressed, it is crucial that worker representatives and trade unions participate in the shaping of the circular economy. It will also be important that municipalities are supported in this transition since they will play a key role in their tasks, such as the overseeing of recycling and collecting waste.
- With regard to the establishment of a Carbon Border Adjustment Mechanism (CBAM), ETUC believes that such a mechanism should be explored to prevent carbon and investment leakage from happening, as well as unfair international competition. Such a tool, combined with innovation policy and measures to create lead markets for low-carbon industrial goods, will contribute to step up climate action while maintaining and creating quality jobs and innovative industries in the EU. It could also be an effective way to promote more ambitious climate policies on the international stage and reduce the carbon footprint of our imports. However, in order to be effective, CBAM should be carefully designed and respect the principles outlined below. First, the measure should be compatible with the rules of the World Trade Organization, the Paris Agreement and the UN SDGs. It should contribute to climate

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<sup>11</sup> On that point, ETUC does not oppose the use CDR solutions among which CCSU, but at a last resort to complement what renewable energy and energy efficiency can achieve. The CDR solutions deployed must provide certainty regarding the CO2 storage, respect the precautionary principle, and be strictly in line with the highest health, safety and environment standards as well as with the UN SDGs. From that perspective, the ETUC strongly opposes any kind of geo-engineering. CDR have also to be selected in full transparency with democratic participation of affected communities and in full respect of EU and international law and notably the Aarhus Convention. CDR can by no means be used as a lure to postpone the transformative actions that are needed to move to a low-carbon economy.

action and prevent protectionist misuse to avoid trade conflicts. Second, in order to be practically feasible and enforceable, the measure should be limited to strategic sectors that are both carbon intensive and trade intensive (such as steel, cement, aluminium, electricity production...) and should not disproportionately impact other sectors further down the value chains. Third, the measure should respect the Common But Differentiated Responsibilities and Respective Capabilities principle. The European trade union movement has been calling for a CBAM for many years and insists on the need for a measure that will protect EU industries from climate dumping while they are investing in decarbonisation. Design and implementation of a CBAM should not lead to windfall profits and overcompensation for companies. Last but not least, in order to prevent any negative socio-economic impact on workers, it will be crucial that trade unions and workers representatives are involved in the discussions.

- The link between climate ambition and industrial policy should be further developed by the EU through sectorial impact assessments and sectorial decarbonisation roadmaps, notably to prepare the review of EU climate policy instruments and mainly the revision of the EU ETS (EC proposal expected for June 2021). The EU ETS does not make an industrial policy and its revision should be supported by a broad set of instruments that will allow the EU to steer the decarbonisation of its industrial value chains without gambling on what a market driven instrument can deliver.

Please refer to the full ETUC position on the European Green Deal initiatives for more detailed comments and recommendations on the climate and energy policies<sup>12</sup>.

## 5. Specific comments on the digital dimension

The New Industrial Strategy for Europe stresses the need for EU industry to exploit the potential of new technologies and the data economy. This should create new business models, provide workers with new skills and support the decarbonization of the economy. Scalability is identified as a key factor to successfully manage Europe's transition toward a digitalised economy. Investment in research is deemed crucial to allow the deployment of technologies in key areas, such as artificial intelligence, 5G, data and metadata analytics; and to make European industry globally competitive in developing strategic digital infrastructure, to allow European businesses to create, pool and use data to improve products and services and compete internationally.

The European Commission has published a range of communications related to digitalisation at the same time as the new industrial strategy for Europe: amongst the main ones, the communications on Shaping Europe's digital future<sup>13</sup>, a European strategy for data<sup>14</sup> a white paper on artificial intelligence - A European approach to excellence and trust<sup>15</sup>. In doing so, the European Commission clearly shows the strategic importance of digital technologies and of data. Most of the actions taken and foreseen in the digital fields, intend to further deepen the internal market and in particular the Digital Single Market. These actions will impact EU industry, especially the Digital Services Act package, the revision of eIDAS Regulation and the circular electronics initiative.

ETUC welcomes the holistic approach to digitalisation and sees the willingness of providing coherence and consistency between the various initiatives to digitalise Europe, the economy and provide better access to digital tools and infrastructure to business, workers and citizens.

ETUC is strongly convinced, however, that initiatives towards further deepening of the EU internal market should not be based on eradicating obstacles identified by business organisations as

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<sup>12</sup> ETUC resolution on European Green Deal initiatives, 09 June 2020, <https://www.etuc.org/en/document/etuc-resolution-european-green-deal-initiatives-climate-law-eu-sustainable-investment-plan>

<sup>13</sup> [https://ec.europa.eu/info/sites/info/files/communication-shaping-europes-digital-future-feb2020\\_en\\_4.pdf](https://ec.europa.eu/info/sites/info/files/communication-shaping-europes-digital-future-feb2020_en_4.pdf)

<sup>14</sup> [https://ec.europa.eu/info/sites/info/files/communication-european-strategy-data-19feb2020\\_en.pdf](https://ec.europa.eu/info/sites/info/files/communication-european-strategy-data-19feb2020_en.pdf)

<sup>15</sup> [https://ec.europa.eu/info/sites/info/files/commission-white-paper-artificial-intelligence-feb2020\\_en.pdf](https://ec.europa.eu/info/sites/info/files/commission-white-paper-artificial-intelligence-feb2020_en.pdf)

reported by the European Commission<sup>16</sup>. Much more should be done to align market integration with labour rights and environmental standards. ETUC supports digital internal market integration, when conditions are set to mainstream labour and social rights as anchored in the CFREU in European Commission's initiatives, including a strong industrial relation framework. Further digital internal market integration should not lead to deregulation of social, labour and environmental standards for business, including at national level.

The new industrial strategy for Europe gives an overarching view of the European Commission strategy. Therefore, this position deals with the related European Commission communication, with reference where relevant to some of the other communications mentioned. A dedicated ETUC position will tackle the issue of artificial intelligence and the European strategy for data, due to the specific implications for workers in terms of (data) protection.

ETUC is of the opinion that the new industrial strategy for Europe should strengthen the introduction and performance of new digital technologies. Digitalisation of the economy is key to guarantee the economic prospects and wellbeing of society, if developed and used in a sustainable manner, respecting competition and data protection rules. Digital technology and automation have already largely impacted all sectors of the economy as well as taking an increasing part of the daily life of most citizens. Digitalisation impacts the workplace, working environment and working conditions. It is therefore expected that the new industrial strategy for Europe delivers a digital added value not only for business, but for workers in providing avenues to address societal challenges that digitalisation raises at work. Next to climate change, low-carbon industry, circular economy, clean mobility, cybersecurity, digitalisation should equally pave the way to a more connected workplace respectful of data protection and privacy, workers' right to disconnect and workers' well-being. This is especially true as, with COVID19 crisis, the reliance on digital technologies has increased.

The COVID19 crisis has also exacerbated the need for Europe to accelerate its digital leadership and demonstrate its capacity to gain a more prominent marketplace, across sectors, in Europe and globally. Overall, tech companies will emerge much stronger from this crisis. In the same vein, the large dependence on external operators for most advanced technologies has recently led the European Commission to propose large investment on innovation led digitalisation and a relocation or re-shoring of technologies and related expertise in Europe. This will most probably lead to the deepening of digitalisation of most sectors of the economy. Such transformation should, however, be carefully monitored and must entail a socially sustainable transition. The transformative power of digital technologies is considerable and might have adverse effects. Whereas data economy, Internet of Things, cloud computing, artificial intelligence, advanced manufacturing will shape both the future of European industry to deliver for society as a whole, they will trigger profound modification of work and workplaces, the adaptation of the workforce, not only in terms of education and skills but also in terms of work organisation and work environment.

The European Commission stresses the strategic importance of data in its European data strategy. Digitalisation of the economy has led to the fourth industrial revolution. Likewise, data becomes the 'new gold' for growth and innovation, across products and services generating important economic and societal value. Producing, storing, processing, sharing data should be regulated and supported by shared interoperable European data spaces in strategic value chains and domains of public interest. A broader industrial strategy should focus on investment in key-enabling digital technologies and infrastructures.

ETUC believes that the new industrial strategy for Europe should build on an EU data strategy that should provide for a regulation on fair competition in the digital economy. The Big Five (GAFAMs) and the rise of other powerful digital businesses create monopolies that exert a high level of control of data worldwide. This leads to a shift to excessive rent extraction from the real economy and a transfer of value added to the platforms. So far, few pieces of EU legislation specifically aim to

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<sup>16</sup> see EC communication: 'Identifying and addressing barriers to the Single Market' (COM(2020) 93 final) <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0093&from=ES> and 'Business Journey on the Single Market: Practical Obstacles and Barriers' SWD(2020) 54 final [https://ec.europa.eu/info/sites/info/files/eu-single-market-barriers-staff-working-document\\_en.pdf](https://ec.europa.eu/info/sites/info/files/eu-single-market-barriers-staff-working-document_en.pdf)

regulate digital businesses. Either too lax or too complaisant, many Member States prefer to offer competitive advantages to such businesses, circumventing tax regulation, but also trade unions rights and labour law. Such unfair competitive advantages not only distort the market but also bring many Member States and regions under the dependence of a few privately-owned digital giants.

ETUC is of the opinion that sector-specific regulation is urgently needed for market-dominant digital platforms to complement and adapt competition rules, specifically considering how the digital dimension affects relevant markets and user behaviour. ETUC recommends putting in place a licensing regime for non-exclusive rights to access and to process. Regulation is further needed to frame the free flow of data, the protection of data, the way data and algorithms are created and used, and to organise access to industrial data under FRAND (Fair, Reasonable and Non-Discriminatory) conditions. ETUC strongly believes that an EU and national digital competition oversight is needed. Such EU authority should provide an ex-ante supervision and monitor and control digital businesses. These objectives could also be explicitly anchored in the Digital Services Act.

Investments in technologies and infrastructure will also be crucial to manage the digital transition. To ensure convergence and to avoid a two speed Europe, ETUC recommends investment in infrastructure, in particular in EU's less developed regions and rural areas. In addition, investment in lifelong learning will be necessary to achieve a just digital transition.

According to the European Commission strategy, the opportunities for the workforce, following the introduction of new technologies and digitalization, are reduced to the acquisition of new skills. ETUC is of the opinion that this approach is too simplistic and does not picture the reality of work. It neglects the fact that there is a whole transition involved, which can have disruptive effects for those not having such needed skills. The strategy makes no reference to the need for digital technologies to be adapted to workers. Any digital technology should comply with EU and national working conditions and work environments framework. Digital transition should require intensive efforts and investment to anticipate and increase the employability and well-being of workers. The 2020 European social partners' agreement on digitalisation should trigger negotiated solutions where workplace adaptation prevails over redundancies. Digital transition should provide social protection to those workers who are at risk of exclusion in a fast-changing labour market.

In that regard, ETUC particularly welcomes the Commission initiative to improve the working conditions for platform workers. This initiative is crucial to ensure that digitalisation of the economy does not lead to lower labour standards.

The willingness to enhance areas where the EU technologically lags behind, such as on cloud and data applications, and the introduction of new technologies and innovations should be in line with fundamental rights and EU legal acquis such as the GDPR. The Commission fails however to address the (new) risks created by the digital transition. Among the most sensitive aspects, possible breach to privacy and the risk of pervasive monitoring and invasive surveillance or risks related to artificial intelligence and automation processes are key. COVID19 crisis related provisions and in particular the recourse to tracking, have raised a plethora of concerns in terms of compliance of the digital data market development with fundamental (social) rights.

The Commission's proposal should also make sure that workers are protected from such potential risks. Ensuring the effective information and consultation of workers and guaranteeing the 'human in command principle' will be necessary to prevent the rise of health and safety risks, alienating tasks and abuses in management and HR processes.

## **6. Conclusion**

With this position paper, ETUC acknowledges that the Commission's proposal for a New Industrial Strategy for Europe contains encouraging proposals that go in the right direction. We however also highlight some missing elements or measures that could be further improved.

ETUC particularly stresses the need to: revise the industrial strategy to address the new challenges brought by the COVID19 outbreak in a way that supports the climate and digital transition; strengthen and develop the social dimension of the strategy; go one step further towards a more inclusive

governance; invest massively in infrastructures, breakthrough technologies, education and public services; secure adequate funding through a more ambitious EU budget and fair taxation; strengthen employment and strategic value chains in the EU in a way that helps achieve the European Green Deal objectives; and ensure a fair digitalisation that delivers for workers and that guarantee their well-being. Besides these elements, ETUC encourages the European Commission to start a broader reflection on the effects that the COVID19 crisis will have on globalization and on the European Industry as well as on how to achieve a sustainable economic development in this new context.

To allow the EU industry to successfully achieve the climate and digital transitions while ensuring that nobody is left behind, the concept of just transition will need to be central in all policy measures and action plans of the New Industrial Strategy for Europe. For ETUC, a just transition means : (1) the presence of solidarity mechanisms to support most vulnerable and affected sectors and regions, (2) adequate social protection and training programmes to accompany workers in their transition, (3) the development of local economies and the diversification of activities to create alternative job opportunities, (4) rigorous socio-economic impact assessments and detailed long-term strategies to anticipate the changes, (5) an effective social dialogue and a strong participation of workers at all stages of the process, (6) the availability of sufficient financial means. Such elements will become even more important to recover from the COVID19 crisis in a socially fair and future-oriented way.

The effectiveness of the new strategy will depend on the financial and policy means associated to it as well as on the capacity of the European Commission to implement it. In that regard, and to avoid that the new strategy becomes a toothless tiger, ETUC calls the Commission to issue a concrete action plan with clear yearly targets and monitoring procedures, which involves close cooperation with all the relevant stakeholders.