

## **"EU 2020" Strategy: the European Metalworkers' Federation's perspective**

1. For many the Lisbon strategy has totally failed to deliver, with many of its objectives missed and promises abandoned. Ten years on, the EMF's assessment of the Lisbon strategy is more balanced:
  - Launched in 2000 at the height of the economic cycle and the Lisbon strategy's goals were too optimistic to be achievable (e.g. 'full employment by 2010').
  - During the last decade, the EU has managed to both establish economic and monetary union (which has proved to be an important asset in tackling the current financial and economic crisis) and to successfully accomplish its largest enlargement to date, ending the physical division of Europe between democratic and totalitarian regimes.
  - Since the launch of the Lisbon strategy, Europe has been confronted by two fierce economic crises: the burst of the internet-bubble in 2001 and the financial crisis of 2007-2008. Both crises were externally induced. It would therefore be wrong to blame the Lisbon strategy for these economic setbacks.
  - The strategy was plagued by a lack of proper governance, implementation mechanisms, political and financial commitment from the member states at national and regional levels, and poor public ownership making it impossible to turn the objectives into concrete results.
2. The EU's inability to reach its goals as regards economic growth and employment as a result of economic crises stemming from the other side of the Atlantic, demonstrates again starker than ever that highly deregulated markets, privatisation, precarious work and a lack of social protection are not the pre-conditions for an economy to thrive. The EMF regrets that in recent years the Lisbon strategy was overly based on neo-liberal assumptions that jobs and better social conditions result automatically from economic growth. This has been shown to be not the case. On the contrary, the financial crisis shows that Europe's social protection mechanisms have contributed to a large extent to cushioning the social and economic impact of the crisis. A high level of social protection is not a brake on economic growth but is fundamental for sustainable economic development.
3. In the absence of a unified EU economic government, there is more than ever a need for a single EU strategic programme for strong coordination of economic and employment policies to ensure social and economic cohesion and development in the EU.
4. In general the EMF welcomes the ideas expressed in the paper and is especially pleased with the fact that the EU 2020 strategy will be focused on the creation of a **"new sustainable social market economy"**. This shows a clear commitment undertaken by the Commission to pursue economic growth **and** social cohesion **and** sustainable development at the same time. The EMF is convinced that the exit to the

financial crisis also requires the exit from unsustainable growth strategies based on a neo-liberal agenda of deregulation, labour market flexibility without security and supply-side measures. What the EU needs now is 'better regulation' of the financial markets, support to internal demand and promotion of investments in sustainable production providing high-quality jobs. Therefore, the EU 2020 agenda should promote a low-carbon economy as a driver for economic growth and jobs. This should create the necessary conditions to enhance social Europe as well. Nevertheless, the EMF is disappointed by the fact that we will have to wait for the Communication on the new strategy to have insight into the concrete objectives that will underpin EU 2020.

5. The EMF also supports the key priorities of the EU 2020 strategy:
- ✓ **Creating value by developing the knowledge economy:** as a precondition for the development of sustainable solutions and technologies, which should enable European industry to thrive and create new (green) jobs.
  - ✓ **Inclusive societies:** the key element of an effectively functioning social market economy
  - ✓ **A competitive, connected and greener economy:**
    - The transition to a low-carbon economy will give a boost to Europe's industry, provided that an international sectoral level playing field is created to avoid carbon leakage;
    - The development of all kinds of networks (transport, smart grids, digital) is of utmost importance to address a number of societal and economic challenges. At the same time they contain a huge job potential.

Indeed it's not by cutting wages, increasing flexibility or competing on deteriorating working conditions that the EU will be able to sustain growth and jobs in the long run.

6. To the EMF the new EU 2020 strategy cannot be separated from a wider vision on economy and society. The EU 2020 strategy should show a strong commitment to developing **a new growth model** which decouples economic growth from environmental degradation and is based on innovation, eco-efficiency, biodegradable materials, sustainable technologies, carbon-lean production and the internalization of ecological costs. This requires a strong political commitment to lever ecological production- and consumption-models. Otherwise we will not be able to combat climate change and reduce our ecological footprint, which will finally block economic development altogether. This new growth model should contribute to a more inclusive society with full employment, a fair distribution of wealth, decent social security systems and universal access to social services of high quality.
7. As regards macro-economic policy, the EMF wants to stress that **it's too early for a general exit from growth-supporting monetary and fiscal policies**. First of all a full recovery from the economic and financial crisis should be ensured. The withdrawal of stimulus should await a more clear-cut and sustained recovery in private demand (consumption and investment) as well as a clear return to stability in the financial sector. Only then can plans for fiscal consolidation be implemented. Furthermore, the current absence of generalised inflationary pressure means that monetary policy can remain accommodative for some time. Finally, the creation/extension of public (-private) investment funds and new financing

instruments such as a European-wide financial transaction tax or Eurobonds could contribute significantly in relaunching the economy.

8. Although jobs are the best tool to fight against social exclusion, the EMF wants to stress that the social dimension of the EU 2020 strategy should also tackle the **growing inequality** in Europe. To the EMF, reinforcing an inclusive society in Europe calls for the defence and promotion of social and labour rights, workers' participation, and the promotion of social and economic security, the development of life-long learning schemes, work-life balance and corporate social responsibility. Therefore, the commitment to an inclusive society will necessitate the introduction of very clear objectives to correct social imbalances: eradication of poverty, social minimum standards, active labour market policies including the less favoured groups (migrants, women, young workers), right to training, limits on precarious work, an equitable income distribution and more fiscal coordination (to tackle tax competition and tax evasion, to install a minimum profit tax and to develop a consistent strategy on green taxation,... ).

9. **The EMF is deeply concerned that the economic recovery will lead to the creation of mainly precarious jobs.** Precarious work stands to total contradiction to the core principles of the EU 2020 strategy. Indeed, developing a knowledge economy in Europe requires highly-skilled, dedicated and committed workers, which will not be reconciled with low-paid, temporary, highly flexible jobs lacking all security. 'Empowering people in inclusive societies' will remain an illusion if a major part of the labour force belongs to the 'working poor' and is left behind in precarious jobs with highly reduced possibilities to participate in society, to start a family or to invest in a home.

Therefore the EMF recently launched a Europe-wide common demand for more secure employment and less precarious work (in Madrid: November 2009). The EMF rejects precarious forms of employment and any forms of working which are unilaterally imposed on workers and which do not guarantee decent pay and conditions of employment. The EMF unequivocally rejects the current trend to create jobs:

- ✓ with little or no job security
- ✓ with low and unsecured wages
- ✓ without social security (concerning pension, health insurance, unemployment payment)
- ✓ without protection against dismissals
- ✓ without vocational training
- ✓ with little or no health and safety at work
- ✓ with no trade union representation

The unfortunate consequence for the EMF and its affiliates is that precarious forms of employment and the allocation of tasks to sub-contractors frequently undermine collective bargaining, social democracy and the European Social Model by weakening the trade unions. The EMF believes that the European Social Model is an integral part of the European Economic Model, which promotes the creation of decent work and must therefore be protected. Furthermore, the introduction of minimum employment rules and standards protecting all workers must be introduced in order to halt the

“race to the bottom” and to ensure that the social goals of the EU 2020 strategy are achieved.

Fundamentally, the EMF’s concept of decent work is based on **the notion of basic security for all**: in society, in the workplace and for the individual worker. In order to create a society, which welcomes rather than resists change, employment and social protection have crucial roles. The EMF insists that the implementation and the maintenance of high levels of employment and social protection underpin the aims and objectives of the EU 2020 strategy. Furthermore the EMF believes that greater job insecurity is a direct threat to the European social model and social cohesion.

The EMF therefore hopes that the EU 2020 strategy will fight precarious forms of work, halt further de-regulation of labour markets throughout the EU and guarantee equal rights from day one for atypical labour contracts.

10. A sustainable social market economy also implies a **socially sustainable transition** aiming at preventing collective redundancies, promoting smooth industrial conversion programmes and guaranteeing social security rights for all workers regardless their contract and the preservation/strengthening of purchasing power, income and high-quality working conditions. The transition towards a more energy- and resource-efficient economic model must be managed within a framework of interlocking employment and social policies, involving and negotiated by trade unions and employers at all levels. Without a clear social and employment policy, climate change mitigation policies are doomed to face social and political conflict. In the long term this would be to the detriment of industrial employment, society and the environment. Therefore, the EMF supports the inclusion of a **“just transition”** objective into the EU 2020 strategy, offering a framework for social and employment measures to promote low-carbon industrial plans and social development globally. In this regard, the EMF regrets that the EU flexicurity agenda thus far has only meant greater flexibility without the accompanying security. Targeted investment in the social transition must be made available, prioritizing and supporting the strengthening of social protection systems and coverage for all workers, and education and training systems to anticipate and respond to changes in future skills needs in all the metal sectors and support workers impacted by structural change.

11. The EMF is pleased with the attention paid to **the need for an effective industrial policy**. As industries have globalised, the importance of the EU level in addressing industrial challenges has dramatically increased. However, the EMF does not only view industrial policy as a tool to tackle structural excess capacities and to facilitate restructuring. For the EMF, the role of industrial policy is much broader than restructuring ailing sectors. **The EU should have a more positive approach to industrial policy**. The EU’s industrial policy must guard the ambition to maintain and develop high quality industrial activities. Industry remains vitally important for a successful European economy to create jobs, to boost productivity, to fuel innovation and to raise social standards. There is no doubt that an active industrial policy, able to tackle the radical transformation industry is undergoing and to develop a low-carbon economy, will contribute to maintaining and developing world class industrial activities within Europe and to deliver on both its social and environmental objectives. Therefore, the EMF hopes that the renewed attention given to industrial policy since 2001 will be picked up in the EU 2020 strategy through greater focus on:

- ✓ The development of new industrial strategies and visions;
- ✓ The development of sustainable production and consumption models;
- ✓ The maintenance and sustainable upgrading of Europe's industrial infrastructure, especially the development of smart grids;
- ✓ Sectoral action plans and systematic and regular sectoral screening;
- ✓ Sustainable, affordable and secure energy as a basic pillar of any proactive industrial policy for European manufacturing. The competitiveness of companies is increasingly dependent on the way their capacity to adopt energy and resource efficient technologies and strategies.
- ✓ Further development of an integrated approach bringing together all policies which have an impact on industry, including: environmental, regional, social, education, external and internal trade, competition and innovation policies.
- ✓ Further development and implementation of the new tools for industrial policy such as knowledge clusters, green public procurement, technology platforms, lead markets, etc.

The EU's industrial policy must reflect a proactive view of European industry's position in a globalised world. Since comparative advantages are not static, the EU's industrial policy should be used as a tool to seek and create comparative advantages addressing all factors influencing the location of production chains, which are increasingly fragmented internationally, including: human resources, R&D, innovation, logistics, marketing, infrastructure, and new ways of company- and production-organisation. Industrial policy has to be more than just helping companies to adapt to market laws and global competition or supporting sectors in reducing overcapacities. It must be used to find solutions to the structural challenges facing industry. This means promoting sustainable development, reflecting the speed of technological development (e.g. the rapid diffusion of information technologies), and supporting the evolution towards a knowledge society (as innovation and research have taken over from physical capital and manual work as the driving force for growth and competitiveness).

Moreover, industrial policy has to respond to the new international division of labour, characterized by European enlargement and the entry of new, large and open economies, such as China, India, Brazil and Russia, into the world markets.

EU industrial policy must respond to the blurring borders between industry and services and the emergence of global company networks. Furthermore, industrial policy must contribute to the development of new production paradigms to replace the traditional concept of mass production, e.g. mass customization, embedding new services into products, new logistic concepts, sophisticated supply chain management etc.

Finally, EU industrial policy must anticipate and manage change in a socially responsible way with a clear stakeholder approach by taking the social partners on board and providing them with the appropriate tools to be proactive partners in this respect.

For the EMF, these elements should form the basis of the EU 2020 industrial policy agenda.

12. Faced with the worldwide meltdown of the banking system a firm policy response is needed. The excesses of the financial crisis are the result of deregulation of the

financial markets, accompanied by inadequate levels of supervision. This has led to the creation of highly questionable financial instruments and enabled financial institutions to sidestep existing regulations. Firm and efficient policy action is needed to change the rules of the game in favour of strict regulation and public influence on financial markets. The credit squeeze has destroyed the idea that unregulated financial markets always efficiently channel savings to the most promising investment projects, undermining existing laissez-faire financial regulation. Self-regulation of financial markets does not work. The financial crisis has shaken the foundations of the Anglo-Saxon (dis)order of capitalism. **The deregulation and laissez-faire approach of the financial markets has proved to be detrimental** not only for the sector itself but also for manufacturing and its workers. The case for global rules and multilateral governance could not have been made more forcefully than by the present crisis. To stop the domination of the financial system over the real economy, the playing-field of global financial capitalism must be reduced back to its essence: turning savings of citizens into investments that promote economic growth, create jobs and live up to the needs of these citizens. **Re-regulation and proper supervision** are urgently needed to ensure that financial markets promote rather than endanger the growth of the real economy. Finally, financial institutions and their managers should no longer be allowed to privately enjoy the gains of risky behaviour while threatening stability and socialising their losses.

13. Today's economic progress relies heavily on the creation of knowledge and its transformation into new products, services and processes. As Europe is not able to compete on the basis of natural resources, and does not intend to compete on the basis of cheap labour or at the expense of the environment, the EU must respond by investing in knowledge in order to raise productivity, create new jobs and new products and services of high value added. **The only way for the EU to foster economic growth, to maintain its industrial base, while ensuring social progress and promoting environmental sustainability, is through technological and social innovation.** Innovation is the primary driver of a successful and sustainable industrial policy. While much has been done to date, far more effort is needed to implement the EU's innovation objectives. For the current decade, the EU's innovation policy should focus on:

- ✓ avoiding the relocation of manufacturing activities and related services (e.g. R&D, ICT activities) and support the permanent upgrading of Europe's industrial sectors;
- ✓ achieving and strengthening the Barcelona objective of investing 3% of GDP (including 1% public R&D) in research and development, through more qualitative objectives (e.g. more efficient use of financial resources, a more effective European research system, creation of sufficient critical mass, closer links with society and better use of public-private partnerships to promote technology and innovation);
- ✓ renewing efforts to create a Community patent, and strengthening the framework for and enforcement of industrial property rights alongside ongoing work on standardisation;
- ✓ developing a new, broader understanding of innovation that does not equate innovative ability with excellence in R&D alone, by promoting new/improved

processes, products and services by applying existing scientific knowledge in new ways and raising awareness of innovation policies such as:

- the development of innovative clusters
- creation of effective systems of knowledge diffusion
- strengthening the absorption capacity for innovation in firms
- developing the non-technological aspects of innovation
- better coordination between the innovation system, the industrial fabric and labour markets
- better recognition of the strategic importance of the institutional framework (e.g. standards) to bring new products to the market

For the EMF a better common understanding of and a much more coordinated European approach to non-technological innovation is needed, including new concepts for logistics or marketing, organisational innovation, workplace development, business model innovation, product design and product quality

- ✓ avoiding an imbalanced focus of efforts on the development of high-tech activities, many 'traditional' sectors have shown a high capacity to innovate (e.g. in the steel, non-ferrous metals, automotive and shipbuilding sectors) and/or have comparative advantages which should be fully exploited.
- ✓ developing and strengthening the capacity of the recently created European Institute for Innovation and Technology (as well as other European Centres of Excellence) as a flagship for industrial research.

14. The ICT sector is strategic for the rest of industry and the **uptake of ICT is an important determinant of overall competitiveness** as it contributes to capital deepening and the increase of productivity. Therefore for the EMF:

- new digital services should be further developed;
- the uptake of ICT in traditional industries should be promoted;
- new technological breakthroughs (e.g. nanotechnologies) need to be supported;
- A comprehensive strategy covering e-skills in the European ICT industry be developed and implemented in Europe. The strategy should have a long-term focus. The EMF calls also for the development of Europe-wide criteria and reference tools for mutual recognition and benchmarking of ICT skills and competences in the European industry.
- the digital divide should be reduced;
- the potential of ICT's to support sustainable development should be fully tapped. Today, government and industry initiatives concentrate on greening ICTs rather than tackling global warming and environmental problems by using ICT applications. That is to say, reducing direct environmental impacts of ICT should take second place to tackling global warming and environmental problems by using ICT applications as enablers. ICT-related applications such as environmental information systems, smart transport and smart buildings are among the most used ICT applications.

15. The implementation of the Lisbon strategy was hindered by lack of visibility, a low-profile at the national level and by lack of support among civil society which considered the strategy both too business-driven and bureaucratic. **The new strategy must be better embedded in society.** Only then can its implementation

be successful. Therefore the EMF insists on greater public transparency and stronger political coordination in connection with the EU 2020 strategy. Improved governance requires also more peer pressure, binding targets and concrete methods for enforcement. To enable broader social commitment to the strategy, a structured involvement of national parliaments and social partners in the conception and implementation of the new EU 2020 strategy is needed. Only actively involved and strongly committed stakeholders will make the strategy successful. Therefore, the EMF demands a full consultation on the Commission's proposals before their adoption.

16. Beyond these comments on the contents of the Commission's consultation document, the EMF believes that a number of issues and points are missing from the Commission's analysis, notably:

- ✓ It is unclear why the EU Climate and Energy Package or the European Social Agenda have not integrated into the thinking on the EU 2020 strategy. This would promote a single strategic agenda for the EU and promote consistency.
- ✓ The new EU 2020 strategy should also have a specific focus on the implementation of the European social acquis in the new Member States, which urgently needs to be improved.
- ✓ To guarantee any level of success, a far stronger link with European and national budgets, as well as the Multiannual Financial Framework, is needed.
- ✓ The EMF demands that a social partner consultation be organised on the forthcoming Communication outlining the concrete objectives of the EU 2020 strategy.

17. Finally, the EU 2020 strategy must create a single strategic EU framework for the next decade focused on defining Europe's place in the new world order, reflecting the political and economic emergence of newly industrialized countries. For the EMF, in broad terms, the EU 2020 strategy should concentrate on:

- a. Strengthening European welfare systems in order to fight precarious work, poverty, working poor and income inequality, while at the same time strengthening the external dimension of the European social model;
- b. Promoting economic growth and investments in order to exit the crisis, create jobs and support macro-economic balance;
- c. Defining a new growth model based on sustainable consumption and production;
- d. Developing a sustainable industrial policy capable of creating new jobs and transforming existing jobs in a low-carbon economy, based on a socially just transition;
- e. Building a new role for the financial sector serving the real economy and not vice versa, by tackling the ethically unacceptable and economically counterproductive situation in which dealing with financial assets is more lucrative than managing a production plant;
- f. Developing the knowledge-based economy based on a strengthened European Knowledge Area, strong innovation systems and skilled, dedicated and respected workers in democratically organised companies;
- g. Tackling climate change, the promotion of renewable energy production and resource and energy efficiency.