



European Economic and Social Committee
Employers' Group

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New European Commission: NEW HOPES, GROWING CHALLENGES



The new European Commission has sufficient support and a solid basis of trust – both within the European Parliament and among other stakeholders. "Let us get to work", said Ursula von der Leyen in an optimistic, forward-looking, comprehensive and pragmatic speech to MEPs. Expectations are high, while challenges remain serious. I am very glad that the words "economy" and "competitiveness" are back in politicians' vocabularies.

The different approach being taken by the new Commission is undoubtedly the result of the different circumstances they are facing. Jean-Claude Juncker had to focus mainly on mitigating the consequences of the economic crisis, introducing ad-hoc preventive solutions for fragile economies and tackling the migration crisis. Ursula von der Leyen is taking over with the European economy in reasonably good condition, but forecasts suggests that there may be dark clouds on the horizon – mainly due to geopolitical uncertainty (trade wars and Brexit, for example).

In such circumstances, it is time to look ahead and shape the future the way we want. I was pleased to find a forward-looking vision in Ursula von der Leyen's speech in the European Parliament two weeks ago – I heard about a Europe that wants to be a global leader, a Europe that is proud of its values and its achievements, a Europe that is willing to take over initiative and set trends. That is a Europe that European employers want; that is Europe, that can compete with other two super-powers of this world and be the anchor of global peace and stability.

Having listened to President von der Leyen, I am full of hope that European politicians seem to have understood what employers have been repeating for years: there can be no European wellbeing without a prosperous economy. There can be no European social model without successful businesses. And two huge trends that will inevitably change our societies – digitalisation and climate change – can only be addressed through economic strength and innovation of the European Union in which businesses will play a crucial role, because we are providing solutions so much needed nowadays.

There is no doubt that sustainability is one of the leading motifs for the new Commission. Sustainability has already become an integral part of daily operation in European companies. Businesses are a driving force in generating sustainable development. Employers provide people with jobs, goods and services, develop solutions for environmental issues and contribute to public revenue for education, healthcare and social systems as well as internal and external security.

A sound and solid economy is essential to enable sustainable development. This economic dimension is one of the three pillars that constitute sustainable development, without which, social and environmental pillars cannot be developed further. This golden triangle can only bring positive results if we find triple win solutions. It is important that Commission builds its vision on these premises.

The first real test will be New Green Deal, officially presented exactly on the day of publication of this newsletter. The business community will carefully check whether the strategy leads towards ambitious targets while boosting competitiveness, growth and employment. To make it happen, European businesses of all sizes must have the right conditions to innovate, to develop new technologies, and to reach new markets. This requires holistic and courageous industrial policy. We need an economy that is smart, circular and carbon neutral.

Climate is a global issue, and the EU therefore also needs to convince other global players to commit to a similar level of ambition. The EU can also drive global change through its companies, by exporting climate technologies and solutions to other countries. This certainly requires a level playing field for EU industries.



Digitalisation – the second major trend we're facing – has an enormous impact both on the economy and across society. For the EU, becoming the global leader in innovative digital solutions is not only about improving its own competitiveness but also about security and the EU's geopolitical role.

To benefit from digitalisation, the European Union needs significant investment in infrastructure, in R&D and innovation, and in cybersecurity. We also need a business environment – including taxation and regulatory framework – that gives EU entrepreneurs an advantage over foreign competitors.

I particularly welcome the new Commission's declarations underlining that the EU is willing to be a trendsetter in digital solutions that are in line with our core values. Gaining people's trust in digital solutions is also a way to boost competitiveness, which is why we are in favour of trustworthy AI and the free flow of data in ways that respect people's privacy.

The digital revolution requires a digital society. We need to make sure that people have the tools they need to orient themselves in a rapidly changing reality. This means improving education and training to meet the demands of the labour markets of the future, along with lifelong learning, and constant upskilling and reskilling.

The challenges ahead are enormous, and even the best-laid plans will fail without broad societal support and involvement from all stakeholders from the earliest stages. This is where the European Economic and Social Committee and its members – representatives of organized civil society – have an important role to play. We are here to give advice, and to offer concrete solutions based on hands-on experience. We also want to pass on messages from European policymakers to our organisations. We are willing to explain the EU's priorities to society and the views of European citizens to Brussels. This is the only way to reintegrate the public in the democratic process of shaping the future of the EU.

European entrepreneurs feel responsible for and care about people, climate and prosperity. All they ask for are conditions that allow them to deliver. This means a fully completed single market (including free flow of services and a digital single market), it means a completed European Monetary Union (including Banking Union and Capital Markets Union), and it means proper conditions for trade and investment – to name just a few. The Employers' Group is looking forward to good and constructive cooperation with the new Commission in the next five years.



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The future of Europe: CHALLENGES AHEAD

Future challenges related to globalisation, digitalisation, climate change, Brexit and others were the topic of the seminar "Future of Europe – challenges ahead", that took place on 3 December in Malta. The conference was organised by the Employers' Group together with the Malta Chamber of Commerce, Enterprise and Industry.

"Europe can still be a global and political leader. To achieve that we need to focus on global competition", said David Xuereb, President of the Malta Chamber of Commerce, Enterprise and Industry in his opening speech. In his view, the EU must invest heavily in R&D and innovation, strengthen efforts to complete the single market and continue to develop its trade policy.

Jacek Krawczyk, President of the Employers' Group said that in the current complicated global situation, the EU must have the internal strength to turn the new European Commission's plans into reality. In his view, business must ensure that its voice is heard and that policy makers provide employers with the conditions they need to bring about major changes relating to sustainability, digitalisation and other major trends.

Helping Europeans to address globalisation

The participants in the first discussion panel focused on harnessing globalisation and on bringing Europe closer to its citizens.

Cohesion policy has produced enormous results in recent decades, and Malta is an excellent example of the use of programmes funded from the EU budget. In order to continue and to be able to compete globally, the EU needs an ambitious new Multiannual Financial Framework.

While we need to encourage more economic growth, this growth must also be more inclusive. It is important to reduce disparities within society as much as possible. Further increasing productivity in the EU, through R&D, attracting foreign direct investments and investing in human capital, is another way forward.

The internal market remains an important tool for wealth creation. Consumers are aware of the benefits of the single market and are



pushing for further integration, for example for a digital single market. Still, political readiness does not always go hand in hand with economic reality. There are examples of protectionism and poor legislation that create barriers instead of removing them. We need the political will to deepen integration and we need a long-term vision that goes beyond the five years of one institutional cycle.

Trade agreements have also become one of the ways to shape globalisation – to deliver European values and to protect high social and environmental standards. The perception of trade policy has improved significantly in recent years.

Do not hamper innovation!

In his keynote speech, Jacob Appel, Director of Bolt Malta, underlined how digital solutions could save time and money for people dealing with both businesses and public administration. In his view, the EU should provide a proper regulatory framework to allow countries to implement digital solutions as quickly as possible. There are some excellent examples of countries who are already champions – such as Estonia. To flourish, new technologies require more flexibility in regulation.

New technologies and new working methods – a threat or an opportunity?

The participants in the second panel focused on new technologies and working methods and their consequences for society and the economy.

There is visible disparity in the pace of change between businesses who embrace new trends and education systems that are lagging behind. This gap should be narrowed – education systems require urgent action to adjust them to new needs. The pace of change makes it indispensable to reskill and upskill throughout the entire career. Tackling the skills gap is a shared responsibility among policy makers, employers and employees.

Technological revolution often poses a problem for companies – especially smaller ones. While the technology is there, companies do not have the necessary expertise and vision to implement it for the company's benefit.

New Green Deal – a way to boost competitiveness?

"We must make sure that the New Green Deal is implemented and does not end up as just a slogan. It not only protects the environment but creates opportunities for the business sector", said Miriam Dalli, Member of the European Parliament and Vice - President of the S&D Group, in her keynote speech. She underlined that binding targets and a clear way ahead are the conditions for success. Targets give clarity and time for preparation. This is what business needs.

The New Green Deal will require deep changes in the culture and attitudes towards making business. Profitability and environmental protection can go hand in hand when properly balanced. According to Ms Dalli, maintaining the competitiveness of the European industries versus their competitors from Asia and other continents is crucial. Certainly, the transition will require enormous investments from both public and private sources. Funding for research and development should be streamlined towards solutions that – when developed - could be a game changer.



"Business needs to know where this transformation is heading and what is expected. We need to act together and use each opportunity to communicate to policy makers what we need to deliver results", said Stefano Mallia, Vice-President of the Employers' Group, concluding the conference.



The members of the Employers' Group delegation also met with political and business representatives from Malta. They visited Raesch Quarz (Malta) Ltd. (a manufacturer of quartz glass components), and Microtek Medical Malta Ltd. (that specialises in medical equipment).

Afterwards, the delegation met with the Maltese Minister for European Affairs Dr Edward Zammit Lewis. Competitiveness, the MFF and social dialogue were some of the topics discussed. In the afternoon, a part of the delegation met Rene Saliba, CEO of the Malta Development Bank (MDB). Mr Saliba explained the strategy of MDB, which was set up in 2017. He presented current and future projects and elaborated on the role of monetary and fiscal policy, state aid rules and borrowing conditions in Malta.

Sustainability is a business case

Sustainability is of critical importance for business and employers, who play a crucial role as the driving force underpinning development. A sound and solid economy is needed to ensure sustainable development. We need to seek three types of solution: economic, social and environmental. While the various stakeholders have much in common in their views of sustainability, they often differ on how to get there. Here are some of the conclusions of the discussion on "How business can promote sustainability", which took place on 21 November 2019 in Barcelona, Spain.

"Business is not a problem for sustainability, it is a solution", said Jacek Krawczyk, president of the Employers' Group, in his welcoming address. He recalled that business provides and introduces climate and environmental solutions. In order to be able to meet these expectations, business needs a framework that enhances and empowers.



The EU must promote triple-win solutions that are economically, socially and environmentally beneficial at the same time. This is a balanced equation and no part can be left out. As we face a certain level of political destabilisation in the world and a lack of political courage and vision to provide global solutions, the role of other stakeholders is becoming more important than ever.



Sustainability from a Mediterranean perspective

"Mediterranean cooperation on energy was in the past mainly focused on energy security and distribution. Now it is more and more about renewables and energy efficiency. The focus will now shift to these aspects, as energy consumption in the region will grow rapidly", said Houda Ben Jannet Allal, general director of OME (Observatoire Méditerranéen de l'Energie), who delivered a keynote speech at the meeting.

She described the OME's activities throughout its 30 years of existence in detail. In her view, close cooperation between EU and non-EU countries in the Mediterranean region is beneficial for both sides and will be even more important in the future, as energy demand in the region is expected to double in the coming decades. She emphasised that the Southern Mediterranean countries are the most exposed to the negative consequences of climate change.

Views on sustainability: same targets, different ways to get there

The debate between representatives of all three EESC Groups showed that despite diverging views on sustainability from employers, workers and environmentalists, there is significant common ground for cooperation.

"Even though improving energy efficiency and better use of resources became standard in most EU companies, the challenge now is to switch to renewal. This requires more fundamental changes", said Tellervo Kylä-Harakka-Ruonala, vice-president of the EESC's Sustainable Development Observatory and Vice-president of the Employers' Group.

Even though large companies are frontrunners in sustainable solutions – due to available resources and expertise – SMEs also see the importance of sustainable development in their daily operations. It is also clear that market forces are playing a growing role in pushing towards sustainable development.

Peter Schmidt, president of the EESC's Sustainable Development Observatory and member of the Workers' Group, admitted that companies had changed their attitude towards sustainability in recent years. However, the means needed to become fully sustainable differ between stakeholders.

Companies producing sustainably have to invest and pay more, meaning that the price of the product or service is distorted. According to Mr Schmidt, regulatory measures must take into account and provide a level playing field for sustainable companies. Mr Schmidt also raised the issue of reshaping the

current distribution model. In his view, the major disproportions between profits within the value chain run contrary to the principles of sustainability.

Lutz Ribbe from the Diversity Europe Group pointed out that technical improvements and new solutions in existing sectors have given spectacular results – e.g. LED technology in the lighting industry has reduced energy demand by 90%. Still, these improvements are not enough. There is a need for fundamental change, for moving towards renewable energy. In his view, the transition to sustainability will have negative consequences for certain groups and sectors and this has to be addressed. This requires constant dialogue and readiness for compromise.

Mr Ribbe said that politicians fail to identify real needs in terms of sustainability. While they set goals, they are unable to manage the process of getting there. There is a need for an overarching sustainable development strategy.

"Competition is key to sustainable development. Competition requires a good regulatory environment but definitely not more regulation" – underlined Tellervo Kylä-Harakka-Ruonala, summarising the discussion.



The meeting took place as part of MedaWeek – a yearly conference promoting Mediterranean economic integration. The Members of the Employers' Group took part as speakers in the New Africa Business Development Forum, the ECOmeda Sustainability Summit and the Mediterranean Women Entrepreneurs Forum.

During the gala dinner, the president of the Employers' Group, Jacek Krawczyk, received a prize for his contribution to the further development of the Euro-Mediterranean private sector.



Business perspective on the transition to a climate-neutral future by 2050

Businesses will be at the forefront of the transition to a climate-neutral future, but need investment and supportive legislation to stay globally competitive. This was the main conclusion of an event on the "Business perspective on the transition to a climate-neutral future by 2050" that took place in Brussels on 6 November.

"The sustainable agenda is and has to be a win-win agenda for trade unions, civil society and business. Without commitment, and the support and strength of enterprises, we will not be able to switch to climate neutrality", said Luca Jahier, president of the EESC, in his opening speech. Climate action should be the new "business as usual". This will require a reorientation in finance and investment, but can open up many business opportunities.

Jacek Krawczyk, president of the EESC Employers' Group, focused in his speech on the role of business in climate action. He pointed out that businesses had far too often been falsely accused of being an obstacle to climate transformation, while, in fact, there had been far-reaching developments in recent years in the way business was conducted. For example, the circular economy has become an integral part of European business.

Andrzej Malinowski, president of Employers of Poland and a member of the EESC's Employers' Group, stressed that employers were keen to take action now, and highlighted the example of the Ecological Responsibility Charter drawn up by the Entrepreneurs and Employers of Poland.

Innovations, investments and circular economy – drivers and enablers of the climate transition

The first panel of the roundtable discussed what was needed for a successful climate transition, with speakers from politics and business.

Tellervo Kylä-Harakka-Ruonala, vice-president of the EESC's Employers' Group and of the Sustainable Development Observatory, emphasised that, although the substance of environmental discussions had not changed much in recent years, the role of businesses had become crucial and significant.

Jean Eudes Moncomble, chair of the Sustainability Board of CEEP, highlighted that the transition to a climate-neutral future was not only an ecological issue, but affected the whole of society, and the economic and social perspective should therefore not be forgotten in the fight against climate change.



Rafał Antczak, vice-president of the Management Board of PKO Bank Polski, gave an insight into environmental reporting in the banking sector. "Environmental auditors might soon be in high demand for European banks", he explained, describing the situation of GHG reporting in banks.

Climate change as a competitiveness challenge – what the business needs from political leaders?

In the second panel, business representatives from a variety of European industries focused on showcasing challenges for businesses in the transition to a climate-neutral future.

Due to their particular position in the product value chain, said Susanne Czech, director-general of the European Retail Round Table, retailers played a central role in sustainable consumption. She explained that European retailers expected full commitment from all players along the supply chain.

One key question, according to Mirosław Kowalik, Chair of the Management Board of the Enea Group, is how we can finance the transformation of the energy sector to climate-neutral technology and still stay competitive for the next generation. Mr Kowalik argued that the EU Emissions Trading System (ETS) needed to be re-discussed at European level.

"The energy intensive industries do not consider themselves as enemies of the climate, but as part of the solution", stated Michał Pintér, coordinator of the Employers' Category and CCMI delegate at the EESC. The EU must develop a comprehensive policy framework, preserving the competitiveness of its industrial base and securing a level playing field with international competition. Secondly, public funding is needed for the transformation of infrastructure, as well as for research and development.

"The transformation to climate neutrality will be a civilisational shift, and equal burden sharing must be at the heart of it", said Michał Kurtyka, secretary of state and government plenipotentiary for the presidency of the COP 24 Summit, summarising the discussion. He said that Europe needed to be prepared for large investments and that it was important to create a climate-neutral model that rebuilt Europe's competitiveness and was exportable.

The event was organised by the Employers' Group together with the Employers of Poland, who currently hold the presidency of the "Marrakech Business Action for Climate" (MBA4Climate) network.

Individuals, businesses and regions - everyone will have to contribute to the circular economy

The environmentally-friendly circular economy and the new opportunities it offers were discussed at the international conference on the Circular Economy For Competitive Regions held in Šiauliai, Lithuania. The conference was organised by Šiauliai Chamber of Commerce, Industry and Crafts and other partners, including the Employers' Group.

It is now clear that we need to adapt to environmental change, and this must go hand in hand with a change in political decisions and patterns of behaviour. Economic, industrial and household activities will increasingly have to allow for pollution and reduced availability of resources. In the future, only those who adapt will flourish.

"The circular economy collects waste and returns it to the economy. The European New Green Deal will be one of the major drivers of change in the new European Commission. We are striving to become the first climate-neutral continent," said Arnoldas Pranckevičius, Head of the European Commission Representation in Lithuania, who presented the new guidelines for the future of the EU at the conference.

The new EU funding cycle will focus more specifically on environmental issues, but it is clear that money alone is not enough - all actors in the consumption chain need to get involved to bring about the desired change.

About 4 million people in the EU are already involved in the circular economy and the sector itself generates an additional EUR 147 billion. The sector is growing, but in Lithuania the circular economy has an "indicator" of only 4.5%.

EESC Employers' Group member Bernd Dittmann noted that circular economy practices have been used in the world for centuries, but only because of the attention of the EU institutions has this become an environmental project.

Mr Dittmann pointed out that "The circular economy is functioning at several levels - within the company, between businesses, between businesses and consumers, and between consumers. It is also crucial to involve the public sector. Digitalisation, automation and the Internet of Things will make this concept more attractive".



Tellervo Kylä-Haracka-Ruonala, Vice-President of the EESC Sustainable Development Observatory, noted that the circular economy is not only about recovering, reusing, recycling and remanufacturing. It is primarily about planning processes and products – and their whole life cycle – with a view to facilitating the efficient use of resources, prolonging the use of products and materials and maximising the overall value of the product. It calls for "ecosystem thinking", which becomes a reality when businesses of different sizes, from different sectors and from different parts of value chains cooperate.

It's not about the future, it's about today and it is in our hands.

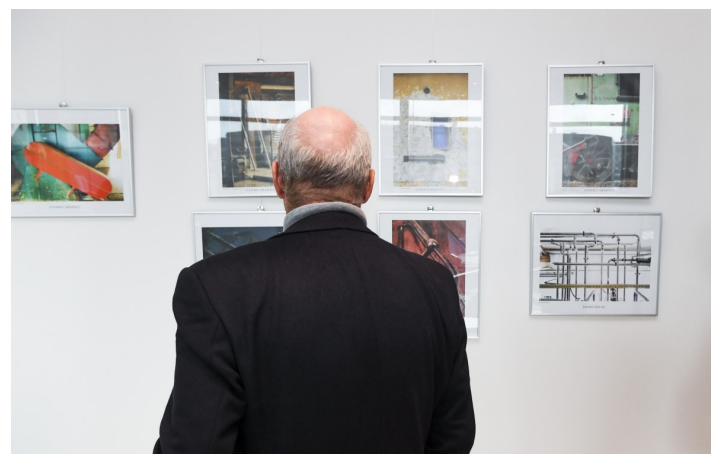
The fact that businesses can make a variety of green decisions in the production chain was demonstrated by practical examples cited by speakers during the second part of the conference. Participants stressed that even a small change in the process can give substantial results if the production volume is high. Greener solutions are not only a nice, albeit costly, step towards environmental protection; they help companies to save natural resources, and therefore money.

Brendan Burns, member of the Employers' Group, spoke to the audience about the use of forest resources and urged Lithuanians to be more concerned about and use their forests. "If this region - I am talking about the Baltic states - wants to supply timber, it is necessary to invest in the process, to create added value, to grow trees for this particular use.", he said.

Croatian industrial heritage captured in photos

"Industrial heritage of the city of Sisak - past and present" – this is the title of the photo exhibition that recently opened at the EESC headquarters in Brussels. The photos will be on display until 20 December 2019.

The exhibition was created in cooperation with The City Museum of Sisak and Photo Club "Siscia Obscura" from Sisak. The idea behind the exhibition was to present in one place the past and present of the city's industrial heritage through old photographs and accompanying texts and with photographs by famous Croatian photographers. "On the one hand, it is a historical story of the rise of Sisak's industry and, on the other, the process of deindustrialisation and its current state", said Violeta Jelic, Vice-President of the Employers' Group at the opening ceremony.



What is the future of small retail in city centres? - new EESC study

The study by Jacqueline Snijders and Amber van der Graaf of Panteia provides practical insights on revitalising small retailers in urban and rural areas by identifying the main trends, challenges and opportunities for small retailers and outlines good practices that have been put in place to support them in city centres in rural and in urban areas. The study was conducted for the EESC, upon the request of the Employers' Group.

Retail is one of the biggest sectors in Europe in terms of the number of active enterprises and employed individuals. There are nearly 5.5 million enterprises active in the retail and wholesale sectors, which constitutes 23% of all non-financial businesses in the EU.

In line with the European Commission, this study understands small retailers as traditional, small and independent shops. The trends and challenges faced by small retailers differ from large retailers and require specific attention. Small retailers tend to have fewer financial resources when compared to larger retailers, have on average less access to human capital and skills, and have more informal management and administrative structures. This makes it comparatively more difficult for small retailers to identify, understand, implement and comply with regulations, but also to respond and adapt to new trends, opportunities and challenges. The contextual environment in which a small retailer is situated plays an important role. To attract visitors to smaller towns and villages, there is a role for tourism, urban planning and mobility policies. Having an attractive commercial centre with thriving shops increases the likelihood of people visiting a town or village. In urban areas, high rental costs, limited space and competition from larger stores outside of the centre are pressing challenges, while in rural areas smaller customer bases, seasonality, fewer mobility options, less digital infrastructure and competition from larger stores outside of the local area are all specific challenges.

The study presents five good practices illustrating how small retailers can deal with the specific trends and challenges they face. Tropa Verde in Spain and Areskee in Cyprus, for example, address the changing consumer preferences and lack of digital know-how amongst some small retailers by setting up central digital platforms for citizens and retailers. The French case Action Coeur



de Ville illustrates how local authorities can initiate projects to help revitalise their city, town or village centres.

Finally, the authors present recommendations for a European policy agenda on small retailers. These include several points for attention. National and European stakeholders should create a good environment and framework conditions to reduce the complexity of regulations and design regulations to actively support small retailers. The importance of public-private partnerships between local authorities, retailers and civil society should be highlighted more and their establishment should be promoted to help village, town and city centres thrive. Accessible and concise digital learning tools should be made available to small retailers, including support in setting up shared digital sales platforms. Finally, small retailers have to celebrate their strengths and realise their potential. Small retailers are, in many ways, well positioned to capitalise on changing consumer preferences such as the desire for private labels, local products, sustainable or socially conscious products and services and unique products. Providing guidance, good examples and testimonials from retailers could be useful and educational. This information can be shared throughout the sector through a database or digital platform for small retailers and stakeholders working in areas related to small retailers, including policy makers, local authorities, urban planners, etc. Organisations such as the EESC are well placed to support and facilitate the coming together of local businesses and other relevant stakeholders.

The study is available at the EESC website:

<https://europa.eu/UW49Dt>

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