industriAll
EUROPEAN TRADE UNION

Position Paper 157/2024

A European investment plan for good industrial jobs

Document adopted by the 30th industriAll Europe Executive Committee
Porto, 28-29 November 2024 | 2024/157

In a context where millions of industrial workers fear for their jobs and the future of their communities, Europe needs to massively invest to transform and prepare its industry to be fit for the new era we are entering in. IndustriAll Europe has long argued for a proactive industrial policy with strong social conditionalities on all public support to industry, leveraging public money and contracts to lock in private investment in Europe. The aim of this document is to sketch the investment plan European industrial workers want to keep a strong industrial base and good industrial jobs in Europe.

1. Unprecedented investment needs

Europe's industry is struggling with a unique combination of interrelated challenges: economical, social, environmental, geopolitical, demographic. It must shift towards a net-zero and digital model whereas struggling with multiple dependencies in a volatile geopolitical context. The twin shift requires quick and massive modernization of the entire production system starting with energy and transport infrastructures. Boosting R&D will also be of existential importance if Europe does not want to be lagging behind in the global digital and green economy. When it comes to the social and labour dimensions, Europe needs to massively train and retrain its workforce whereas public services and care sectors have an important role to play to keep social cohesion and cope with the challenges of an ageing society.

Delivering gigantic investment is the key condition for Europe to successfully cope with these exceptional circumstances without undermining its core values. In the report "The future of competitiveness", these investment needs are estimated to be equivalent of approximately 27% of EU GDP (vs. 22% today) and require a minimum annual additional investment of EUR 750 to EUR 800 billion. This yearly additional effort represents 4.4 to 4.7% of the EU GDP whereas the Marshall Plan designed to rebuild a devastated Europe after World War II amounted to 1-2% of GDP.

Annual additional investment needs (2025-2030)
In EUR billion

Investment category		2025-2030
Achieving the energy transition	Energy (including the deployment of clean technologies)	300
	Transport (including charging infrastructure)	150
	Total	450
Becoming a leader in digital technologies		150
Strengthening defence and security capabilities		50
Boosting productivity through breakthrough innovation		100;150
Total annual additional investment needs		**750;800**
ECB estimate		*771*

Source: Own calculations based on Commission estimates

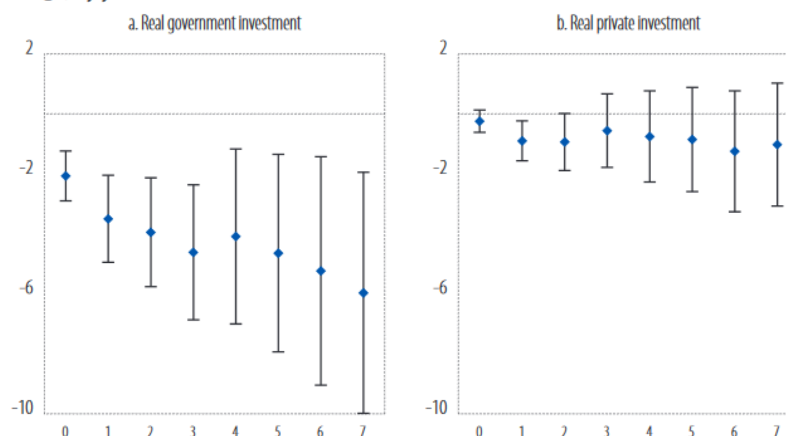
According to the same report, the investment challenge looks even steeper when we consider the downwards productive investment trends most European countries have experienced in the recent past. First, gross capital formation went down from 25-30% of GDP in the 1970's to 15-25% of GDP between 1990 and 2020. Moreover, since the financial crisis a significant gap has opened between private productive investment in the EU and in the US, not being compensated for by public investments that dopped and remained lower in the EU compared to the US.

Moreover, it is important to also consider the effects of austerity policies on the decrease in investments during periods of crisis and recovery. The post 2008-09 financial crisis is the perfect example as shown in the graph below[1]. Especially when looking at the more recent financial crisis, mis-guided austerity approach created a self-inflicted recession across countries, resulting in dramatic contraction of both public and private investment. With European governments' hands tied by the Stability and Growth Pact, public authorities in many Member States were prevented from supporting private investments through public incentives.

[1] EIB 2023/24 Investment report "Transforming for competitiveness"

Figure 10

The effect of fiscal consolidation equivalent to 1% of GDP on real public and private investment (% change, by years after the announcement), **based on data from 16 OECD countries**

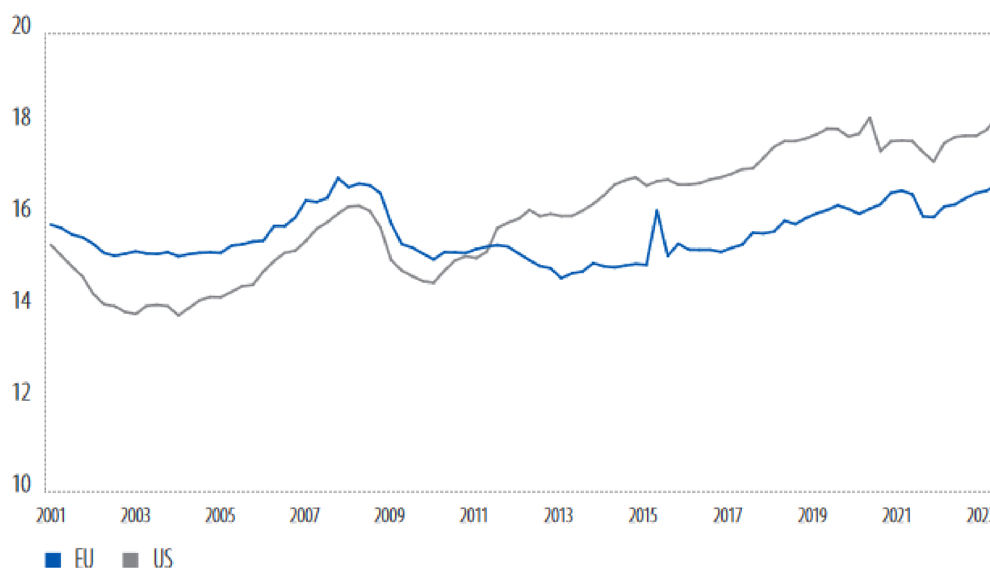


Source: *Kolev and Schanz (2024).*
Note: *The black lines represent 95% confidence intervals.*

Meanwhile, demand dropped substantially especially in those countries most affected by the crisis, as a result of wage freezes or wage cuts which forced workers to pay for a crisis that they did not create (but that was created by irresponsible corporate strategies of big banks, which was enabled by deregulation). The US has never adopted frugal economic governance rules (like the EU Stability and Growth Pact), betting instead on investments to overcome economic crises. And this clearly works much better than austerity given the persistent gap between the US and the EU in terms of productive investment and the risk it entails for EU's competitiveness[2].

Figure 3

Productive investment (real gross fixed capital formation excluding residential investment, % of real GDP)

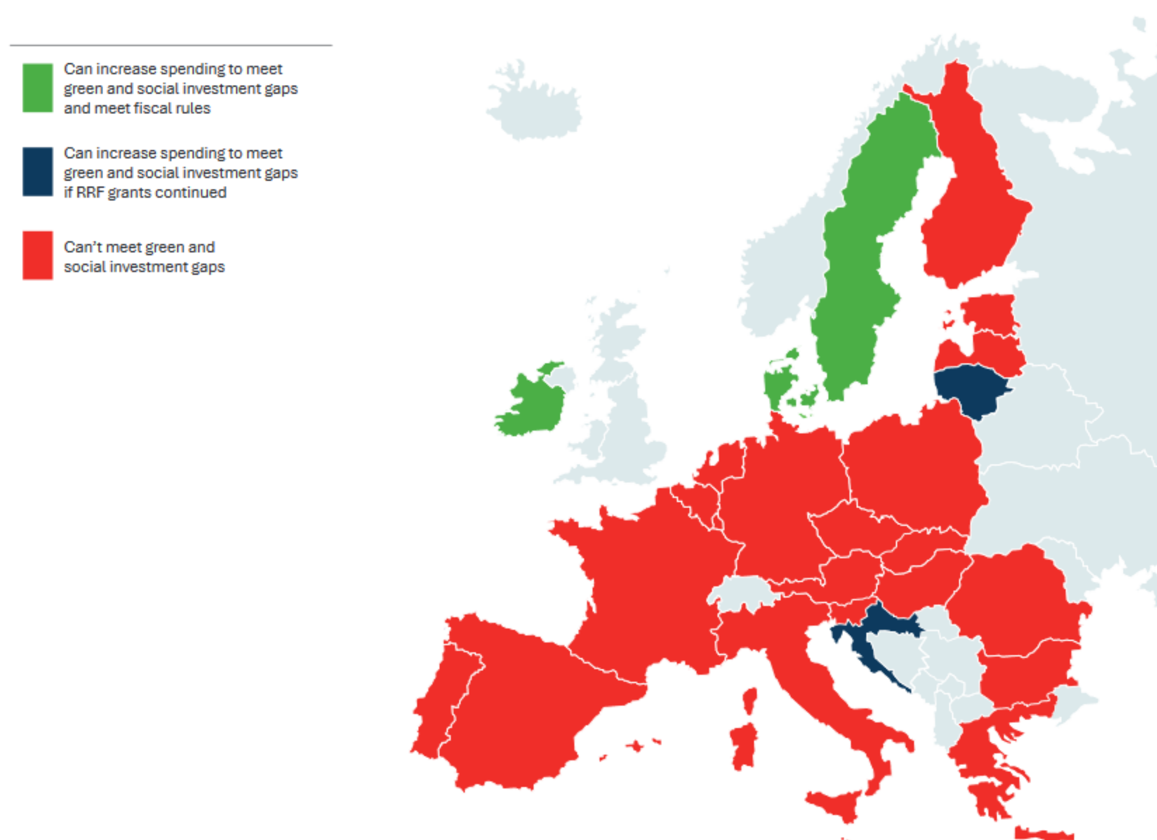


Source: *Eurostat and Organisation for Economic Co-operation and Development (OECD) national accounts.*
Note: *European Union excluding Ireland. Productive investment includes all investment outside of residential investment.*

[2] Idem.

Trade unions were hoping that the EU has finally understood this with the positive response to the COVID-19 crisis that led to unprecedented support through programs like Next Generation EU or SURE. But unfortunately, this risks becoming a good one-off memory with the reformed economic governance rules coming soon into force. The new rules will be severely eroding public investments in most Member States, as acknowledged by the European Investment Bank: “the reinstatement of fiscal rules is likely to result in fiscal consolidation, which tends to affect public investment disproportionately. […] the deactivation of the general escape clause of the Stability and Growth Pact in 2024 is likely to lead to further fiscal consolidation. Historical data for 16 OECD countries show that such fiscal retrenchment usually has a disproportionate and long-lasting effect on public investment”[3]. With 8 Member States being exposed to an excessive deficit procedure, the impact of EU fiscal rules on government spendings will soon materialise. This might severely undermine a series of Eu key political objectives since research shows that the new rules allow only three Member States to make the necessary social and green investments to reach their climate targets[4].

FIGURE 6. Map of social and green investment gaps compared to fiscal rules and continuation of RRF grants



Investment needs must also be considered in a global perspective with major economies competing to lead the industry twin transformation. Whereas the EU is about to reinstate austerity measures, the US continues to follow the successful recipe of encouraging private investments through public support with social conditionality. The flagship initiatives to support investments in clean tech manufacturing are the Inflation Reduction Act (USD 391bn) as well as the Science and Chips Act (USD 280 bn), whereas the

[3] Idem p. 7.
[4] “Examining the impact of EU Fiscal rule on social and green investments”

Bipartisan Infrastructure Law has triggered a once-in-a-generation investment in US infrastructure since it authorizes $1.2 trillion for transportation and infrastructure spending with $550 billion of that figure going toward "new" investments and programs. Even though other factors intervene here, the employment in US Manufacturing has grown by 7.6% during the last decade[5]. In the same way, real manufacturing construction spending has doubled in the US since the end of 2021 (see graph below)[6].

The sectoral impact of those policies in the US is also starting to materialize. A recent report published in June 2024 by the Transport & Environment NGO showed that the North America – which is a smaller car producer than Europe- is the biggest destination for EV related investments, securing 37% of announced investments compared to Europe's 26%[7].

China is also building its industrial strategy on gigantic public investment. In 2023, China has invested 2.5% of its GDP in energy projects, whereas the EU and the US dedicated respectively 1.7% and 1.9% of their GDP to energy investments. China has a 33% share of global clean energy investment whereas EU's share amounts to 20%.[8] As far as R&D expenditures for energy are concerned, China has exceeded the objective of its 14th "Five years plans for 2021-2025", i.e. 7% per year increase in energy R&D spending whereas in Europe, public budgets for energy R&D are stagnating[9]. China also concentrates 65.4% of the high-impact research publications in electric batteries and 26.9% of global patents in the field of electric propulsion. This dominance is notably the result of USD 230 billion of subsidies provided from 2009 to 2023[10]. This sample of investment statistics shows that Europe is losing ground when it comes to investment in strategic sectors putting at risk the future of its industry and the related jobs.
Despite the importance of considering the investment issue in a global perspective, neither the USA nor China has societal models that we want to strive for in Europe. State support on the scale of China is not

[5] US Federal Bureau of Labour Statistics, Employment by Major Industry Sector
[6] https://home.treasury.gov/news/featured-stories/unpacking-the-boom-in-us-construction-of-manufacturing-facilities
[7] Car maker's EV investments – is Europe falling behind?
[8] IEA World Energy Investment outlook 2024
[9] In 2022 and 2023, Europe's public energy RD&D budget amounted to USD 13.5 billion https://www.iea.org/data-and-statistics/data-tools/energy-technology-rdd-budgets-data-explorer
[10] Stephen EZELL, "How innovative is China in the Electric Vehicle and battery Industries?", ITIF – Hamilton Center on Industrial Strategy, July 2024

something we should copy, and the social conditionalities in the IRA are also there to compensate for the many shortcomings of the US social model, keeping in mind that the USA have a really poor performance on social indicators. The European approach should be built on the European social model with welfare states, strong and free unions, social dialogue, good working conditions and opportunities for workers. This has to be combined with a progressive industrial policy, that creates good jobs and competitive industries in the green and digital transition and fit for the new geopolitical environment.

2. Mobilising private finance to serve societal interests

According to the Report on the "Future of the Single Market" of Enrico Letta, EU is home of EUR 33 trillion of private savings, mainly held in accounts. Channeling savings to the real economy in Europe has the potential to help bridge the investment gap. Creating the legal framework to mobilise ordinary citizens savings into the financing of the real economy should be a priority of the EU during this legislature. In the same way, reforming European banking and financial systems to better mobilise private investment (CMU) at the benefit of productive investment must be on top of the EU policy agenda for the years to come. However, this must take into account that savings are unevenly shared across society, especially in a context of cost of living crisis where real wages do not follow inflation. Therefore, it must be reminded that progressive income taxation and wealth taxation can also be a very efficient means of socializing savings through public investment and well-funded public services. In the same way, the ambition to better mobilise citizens money must not be seen as a way to promote a shift from pay as you go pensions to funded pensions that expose pensioners income to market volatility. While respecting national competences, Europe needs "more inclusive and adequate pension systems that guarantee appropriate income replacement rates and a decent living standard beyond poverty protection"[11].

The current lack of productive investment is also rooted in the excessive financialisation of the economy. This leads to the payoff of excessive dividends and buyback share programs that have too often deprived the real economy of the investment desperately needed[12]. In the same way, Europe must put an end to corporate greed and its golden packages for top managers. The EU should create the legal framework to restrike the pay-out balance at the advantage of the real economy to keep and create good industrial jobs in Europe. It's time to establishing rules that restore the basic functions of the financial sector: collecting savings and turning them into productive investments in the real economy. Additional regulation has to avoid a new surge of shadow banking, speculative short trading and to address the negative impact of activist shareholders on long-term company strategies. Social conditionalities, trade union participation and collective bargaining, or corporate taxations are all means that the EU must mobilise to ensure that private finance serves the societal interests and does not fatten up a wealthy minority.

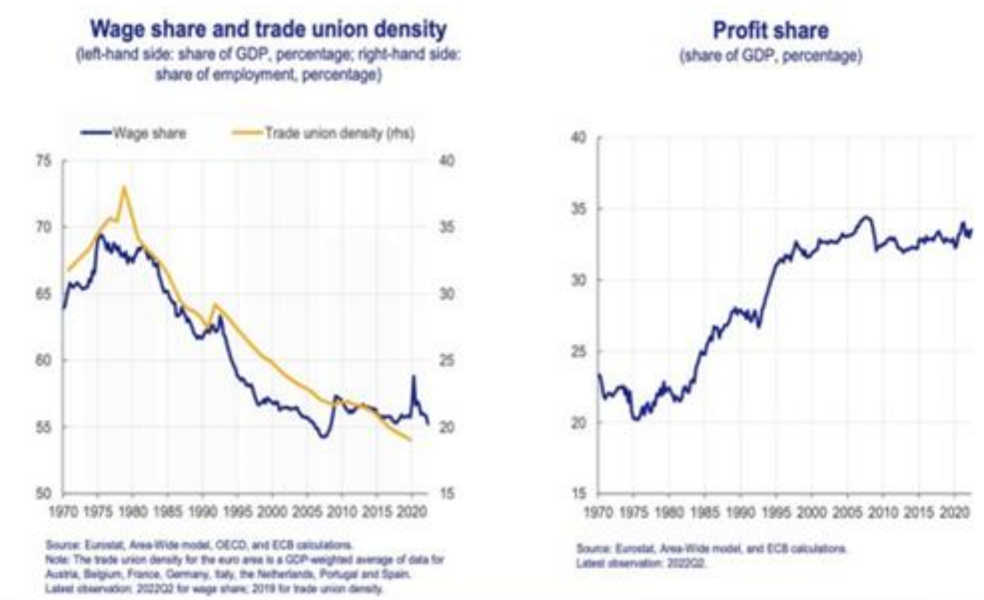
Social conditionality to ensure higher productive investments becomes particularly relevant, when one takes a closer look at how the record profits of the past years have been distributed, or rather not distributed. Companies in the energy, automotive, steel and pharmaceutical sectors have reported record profits in the post-COVID years matched with record dividend payouts and share buy-backs, while investments in sites and R&D have flatlined and real-wage growth stalled.

In the automotive sector, dividends increased by almost 25% last year, bringing them to a record 46 billion euros. European companies have been the leaders in dividend distribution which accounted for 40% of the overall increase last year, alongside Japan. Today, these same companies are announcing massive cost-cutting strategies that will hasten Europe's deindustrialisation in part because they cannot reach or exceed these record profits.

[11] See ETUC position "For fair and inclusive pension policy in the EU"
[12] See S&P Global Market Intelligence and Allianz Global Investors Dividend Study

It's time to call out corporate strategies based purely on profit maximisation. Europe's strategic autonomy should trump pure shareholder value. At this time of massive transformation, we need a European industrial plan that ensures that we are making investments in the right direction to meet our social and climate needs, while protecting workers and strategic industrial capacity where needed.We can't transform an industry that we have already lost but structural transformation can't be stopped and public money should not be spent to save out of date and unprofitable industrial activities that are not strategic.

According to ECB data, the key impediment to industrial activities in Europe is a lack of demand. Wages and salaries must also be seen as a crucial means to strengthen private investment in Europe, keeping in mind that wages and salaries represent 37.5% of the EU GDP[13]. If purchasing power and real wages continue to stagnant – in many European countries, real wages are still below 2019 levels – the situation will deteriorate further. Support collective bargaining and making of the Minimum wage directive a reality must be seen as a priority to boost private investment from households.



When looking at the developments since the 1970s, one needs to consider the effects of the liberalisation policies implemented in many Western European countries. These policies implied attacks against centralised (particularly sectoral) collective bargaining and limitations of trade union rights that affected workers' capacity to organise and to strike. Collective bargaining is a fundamental instrument to reach fairer redistribution, because workers represented by their union can ensure during negotiations that a fair part of the wealth created is allocated also to investments and wages. Collective bargaining as such can be seen as a checks-and-balances instrument in today's shareholders capitalism that makes sure that not all ends up into shareholders pockets. The weakening of centralised collective bargaining structures and the limitation of trade union rights intensified the power imbalance between labour and capital, opening the way to the increase in inequality that we have been observing over the past five decades. This resulted in a steep decline in the labour-share of income and a decrease in productive investments, contrasted to a sharp increase in the profit-share of income. This part of historical analysis is starkly missing from the Draghi report but can be read in Piketty's Capital and Ideology.

[13] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Annual_national_accounts_-_evolution_of_the_income_components_of_GDP#Shares_of_income_components_to_GDP_in_2023

Monetary policy is also impacting investment and IndustriAll welcomes the recent ECB decision to lower its interest rates. This cut is step in the right direction to overcome the cost of capital which is one of the major barriers to investment in Europe[14] but of course controlling inflation and paying attention to the cost of energy imports remain important for industry and industrial workers.

3. Smashing austerity to bring the state back in

Mobilising private investment cannot be the whole story. First, public authorities must be able to keep control of strategic sectors and assets where necessary. Secondly, good public services are instrumental to social cohesion and prosperity. They therefore deserve to be properly funded. Finally, a series of existential projects – for defense, adaptation to climate change or humanitarian crisis – require massive public expenditure even though they do not entail a financial return. Only public finance can bridge these resources gap that do not interest private investors.

According to the report on the "Future of Europe's competitiveness", between 20 and 50 % of Europe's investment needs must come from the public sector. In its 2024 report "Europe's coming investment crisis", *Finance Watch* estimates that two third of Europe's needs must be provided by public finance since private capital is likely to cover only a third of the amount needed to avoid an investment crisis[15].

However, despite the absolute evidence that the many challenges the EU is struggling with require unprecedented investment, the EU has decided to undermine Member states investment capacity with unprecedented fiscal consolidation requirements. IndustriAll Europe, in line with the ETUC, has strongly opposed the reform of the EU macroeconomic governance adopted in March 2024. IndustriAll Europe notably supports the need for an investment golden rule that would exclude from the deficit criterion all the projects that support the achievement of Europe's strategic agenda.

To reverse the drying up of investment in Europe, it's also urgent to build a tax justice agenda to better capture and socialise private profits for the benefit of common good and general interest. In its Annual Tax Report 2024, the European Commission highlighted that "Revenue losses due to corporate profit shifting are estimated to be worth up to 20% of all corporate income tax revenues collected in 2022 in the EU which would amount to about EUR 100 billion in nominal terms"[16]. A coordinated approach to fight tax fraud but also tax avoidance such as aggressive tax planning, tax heavens or fiscal rulings is desperately needed. On the other hand, unregulated tax competition where governments cut corporate tax to remain competitive, will inevitably lead to a race to the bottom, with tax revenues on big corporate profits nearing zero, leaving most of the tax burden on citizens shoulders. Europe needs to better harmonise fiscal rules to stop tax abuse by multinational compagnies.

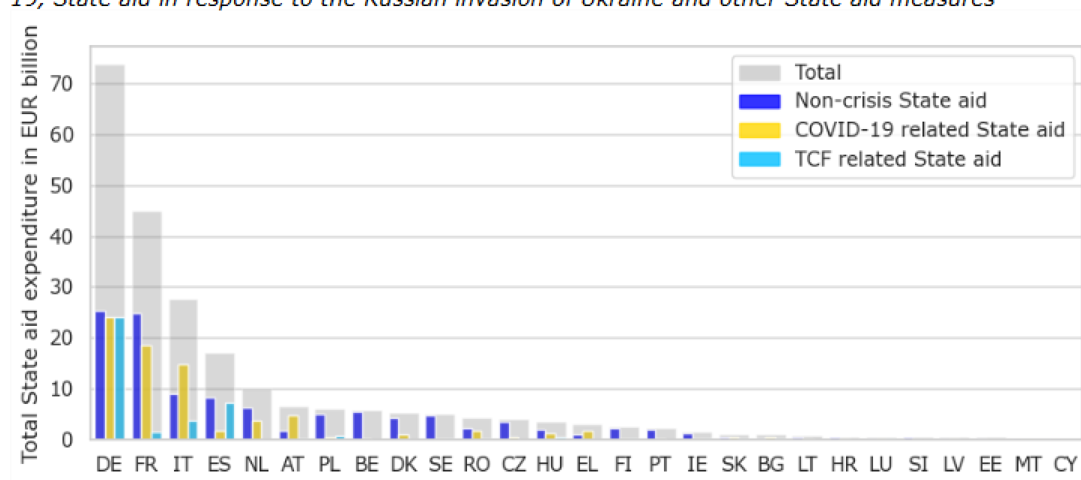
4. Strengthening the European investments

The poly-crisis context also calls for a strengthened European budget. First, compared to the US, the strategic investments made in Europe look too fragmented. For instance, whereas the total amount of R&D public expenditures is higher in EU than in the US with 0,74 vs 0,65 % of respective GDPs, the US Federal budget provides 131 bn EUR where the EU budget only 7 bn EUR, the bulk of its financing coming from member states budget. Secondly, the weakness of the EU budget increases the risk of deepening domestic regional inequalities. 80 % of the state aid provided in the EU come from 5 member states and

[14] EIB, "Investment barriers in the European union – 2023"
[15] https://www.finance-watch.org/wp-content/uploads/2024/07/Europes-coming-investment-crisis.pdf
[16] https://op.europa.eu/en/publication-detail/-/publication/154705e0-38ef-11ef-b441-01aa75ed71a1/language-en (pp.97-99)

Germany alone represents a third of the all the state aid provided[17]. When keeping in mind the fact that among the member states relying the most on industry, there are many countries with limited fiscal capacity, it becomes clear that addition EU funding is necessary to successfully implement the EU Clean industry act without undermining the cohesion objectives.

Figure 3: Total State aid expenditure by Member State, in EUR billion breakdown between COVID-19, State aid in response to the Russian invasion of Ukraine and other State aid measures



Finally, as we are nearing the end of the spending period of Resilience and Recovery Facility, it must be stressed that RRF has distributed up to 338 bn EUR in grants and 385.8 bn in loans to Member States to top up the EU ordinary Budget (MFF). More than a third of these resources were earmarked for climate-related expenditures whereas 16.6 bn were used to fund Repower EU adopted to react to the energy consequences in Europe of the war in Ukraine. More specifically, it also provided 50% of the resources of the Just Transition Fund. However, substantial concerns have been raised by the European Court of Auditors about the functioning of the RRF, the danger of double spending on priorities and inadequate control and monitoring[18]. The lack of civil society scrutiny of the framework is a major concern for trade unions.

Without a successor for the Next Generation EU, the coming years (2026-2027) will entail an "EU climate funding cliff" for a significant number of strategic activities, including climate-related expenditures and Just Transition[19]. This trend will be exacerbated by the newly adopted fiscal rules that will severely constrain member states budget as well as by the start of the repayment of the common debt issued to finance NGEU.

Transforming European industries to cope with the twin transition will require long-term investment with quite uncertain financial return, especially for energy-intensive sectors that are also capital-intensive with long-term investment cycles. De-risking those investments will be crucial to mobilise private capital in transforming industrial sectors. Europe must do more to de-risk the roll-out of the breakthrough technologies that are instrumental to make our industry climate and future-proof such as clean hydrogen or Carbon capture and storage or use (CCUS). Of course, socializing the risk must come together with ways to also socialize profits and avoid the confiscation of public money's benefits by a handful of wealthy

[17] EU State Aid scoreboard 2023
[18] https://www.eca.europa.eu/en/news/NEWS-SR-2024-22
[19] Agora energiewende, Investing in the Green Deal

investors. De-risking instruments must therefore be tied with strong social, environmental and fiscal conditionalities.

To avoid that scenario, industriAll Europe urges the EU to:

- Launch a **Next Generation 2.0** with sufficient financing to safeguard a futureproof EU industry with quality jobs at its core.
- Accelerate and complete negotiations to adopt **New Own Resources package** for the EU Budget, including a wealth tax, a financial transaction tax, a Digital services tax as well as a Single market levy[20] or a" State aid contribution mechanism requiring Member states to allocate a portion of their national funding to financing pan-European initiatives and investments" as proposed in the Letta report[21]. In the long term, building an impactful European industrial strategy fit for purpose will require to overcome the political fragmentation preventing progress on political integration, including on a possible EU fiscal capacity.
- Set up an EU "**Green Deal Fund**" that should amount to at least 1,6% of the EU GDP/year which amount to 260 bn EUR (i.e. the additional climate-related investment).
    - The fund must focus its spending for strategic industrial projects on decarbonized energy, energy and transport infrastructure, manufacturing (including Innovation and R&D) but should also support the creation of lead markets for clean products such as zero emission vehicles or clean domestic heating systems.
- Secure continuity and adequate funding for the **Just Transition Fund** beyond 2026.
- Strengthen "**Invest EU**" to support the development of manufacturing activities identified as strategic under the Net Zero Industry Act
- Establish a **European Agency for Project Financing**, involving social partners in its governance, ensuring that all EU funded projects are in line with strong social and environmental conditionalities.
- Workers also need measures to be protected in case of restructuring. SURE, the EU fund that supported national short-term work schemes during the pandemic, must be extended. The European Commission should help industry and the workforce through this crisis by creating a **SURE 2.0 scheme**, including social conditionality through provisions on the retraining and upskilling of the workforce. It should be self-evident that companies receiving public aid must avoid redundancies and deterioration of working conditions. It is also morally indefensible that public support is channeled to dividend payments.

[20] See The Justification, design and revenues of a single market levy

[21] See " Much More than a Market"