

## The Future of Industry in Europe

### Challenges and Instruments for Local and Regional Authorities

2 May 2017

#### Key Messages<sup>1</sup>

*Industry continues to be economically important but is changing dynamically and industrial policy must respond to new challenges and opportunities*

Despite its general decline as a share of the economy, industry is still a key source of direct and indirect employment and is the main originator of exports and the biggest contributor to R&D investment. A strong industrial/manufacturing base can therefore support an innovative and diversified economy which provides high-skilled jobs.

Industry is changing rapidly. The inter-linked processes of globalisation, automation and digitalisation are driving manufacturing sectors to re-order their production activities and optimise their value chains, servitisation is increasingly blurring boundaries between and within sectors, and climate change, environmental pressures and resource challenges are generating pressures and opportunities for industrial modernisation.

European industry is well positioned to profit from globalisation but policy needs to ensure that the opportunities and benefits are spread more evenly across society and regions.

*It is essential to invest in innovation and raise industry's productivity as a precondition for international competitiveness and to provide the high-skilled, high-paid jobs that are a prerequisite for raising living standards*

Investment in innovation, R&D, technology and skills is essential for ensuring the global competitiveness of European industry. Higher productivity is the basis of the well-paid jobs that are needed to raise living standards and sustain high-quality public services.

Traditional industrial regions need strategies for industrial modernisation which prioritise investment in research, innovation and human capital and which are also aimed at diversifying their industrial economies and developing SMEs. Traditional industries such as steel also require particular framework conditions at EU level, including protective instruments and measures that guarantee a level-playing field.

*A place-based approach to European industrial policy – the centrality of regions and regional ecosystems for industrial modernisation*

Regions and their business and innovation ecosystems have a central role in driving industrial modernisation and developing strategies for innovation and competitiveness. This requires well-functioning cooperation networks and clusters involving the key partners within regions. Inter-regional

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These messages reflect key points of the discussion in the workshop. They are not intended to represent the political position of the CoR.

cooperation of these networks and clusters is also crucial for developing synergies, exchange of experiences, peer learning and reaching critical mass.

Regions, with support from the EU, should invest in strengthening their regional eco-systems and clusters. The smart specialisation approach provides them with an effective instrument for developing strategies for industrial modernisation that are adapted to their particularities while also ensuring that they have tools and opportunities to interact effectively across borders for collaboration and scaling industrial projects in areas such as advanced manufacturing, 3D printing, and nano-enabled products and technologies.

### *Investment in skills, talent and human capital will be a main determinant of Europe's industrial competitiveness*

Skills and skills policy are crucial. The right investment in human capital – in both the educational and vocational training sectors and also within companies – will be the key determinant of future competitiveness of European industry.

The skills of the industrial workforce will need to adapt continually in response to the changing economy. Generic skills, including creativity and adaptability skills, systems integration skills and digital skills, should be emphasised.

Better communication between the business and education and training sectors is needed as is more flexibility in the education system in order to overcome mobility barriers and provide better bridges between mainstream education and apprenticeship pathways. A more place-based approach to skills policy needs to be developed.

For both social and economic reasons, policy needs to focus more on providing life-long learning opportunities for low-skilled workers.

### *There is no "one-size-fits-all" approach to industrial policy*

Industrial policy's role is to provide an enabling framework that allows industry, particularly manufacturing, to invest and develop, combining a mixture of horizontal and sectoral approaches. It should take account of key thematic challenges, such as those related to digitalisation and Industry 4.0, and also the overarching societal challenges arising from demographic ageing, immigration, climate change and environmental pressures.

A coordinated European approach must ensure that European industry is fit to handle global competition, by focusing on improving the consistency of regulatory frameworks and standards, tackling excessive regulatory and administrative burdens, ensuring competitive energy costs and providing suitable trade defence instruments in traditional sectors such as steel and textiles.

Skills, territories and technologies are the three pillars of industrial modernisation strategies. The priority focus should be on the needs and potential of SMEs, start-ups and scale-ups. Promoting innovation, including non-technological innovation, at company level and ensuring that research is turned into marketable goods and services, is the crucial industrial modernisation challenge for regions.