Improving the Efficiency of European Works Councils and Social Dialogue in the European Tissue Paper Sector

UNI Europa Graphical & Packaging Roadmap

UNI europa graphical & packaging global union

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Introduction

The tissue paper sector in Europe is dominated by a handful of large multinational companies, including Kimberly Clark, SCA, Sofidel, WEPA, Tronchetti and Lucart, 6 companies which alone control 70 - 80% of the European market.

The European tissue paper sector came through the economic and financial crisis virtually unscathed. Today, the sector is doing rather well and is expected to continue expanding its market in the coming ten years.

While the sector has strong growth prospects in Central and Eastern Europe, Asia and Latin America, growth in Western Europe is expected to be moderate.

Since the early 2010's, the sector has been through a wave of consolidation and restructuring in Europe, as witnessed by SCA, which in 2011 acquired from Georgia Pacific the latter's tissue paper brands (in 2011) and its European division (in 2012). This acquisition led to restructuring measures being taken, with plants closed in France, England and Spain. Sofidel is a further example. It acquired the UK company, NTG Mill, in 2013 and entered the Hungarian market after acquiring Forest Papir in 2016.

Given that this wave of consolidation and restructuring in the sector can be expected to continue in the coming years, it was considered urgent and important for UNI Europa Graphical&Packaging to call a meeting of key union representatives from the sector to help better understand sector developments, to analyse the consequences thereof – especially with regard to their social impact – and to define European union responses aimed at developing a sustainable and socially responsible European tissue paper sector.

The UNI Europa Graphical&Packaging initiative

With Commission funding, UNI Europa Graphical&Packaging conducted a project in which available information was shared and analysed in 2 meetings of groups of union experts as well as at a final European conference which brought together key union representatives from the sector. Employer representatives were also invited to take part in this conference.

The first expert meeting ended with a better understanding of the sector's economic development, a country-by-country and company-by-company comparison of various working conditions (working time, work organisation, access to vocational training, etc.) and an assessment of the social impact of the restructuring measures.

The second expert meeting focused on issues related to the health and safety of workers in the tissue paper sector, and resulted in a list of the main risks to which workers are exposed. The exchange of information between the experts focused on workers' health and safety, looking at the situation on a country-by-country and company-by-company basis.

The European conference allowed a larger group of workers' representatives to take stock of the findings of the meetings of the two expert groups. It also gave rise to a wider exchange of information with regard to the findings of the expert groups. Employer representatives were also invited to the conference, allowing a first discussion between the social partners at European level.

The conclusions of the European conference are listed in the following roadmap compiled by UNI Europa Graphical&Packaging (see below) and adopted in Lucca on 20 October 2017.

The tissue industry includes capital-intensive production activities and processing activities that are more labour-intensive

The tissue sector includes the production of parent reels, as well as their processing into finished products intended for individuals but also for professional entities (businesses, communities, etc.): toilet paper, wipes, handkerchiefs, paper towels, napkins and industrial wipes. The main companies in the sector are integrated throughout the value chain.

The tissue industry thus comprises two specific activities:

- The activity of production of "material" is a very intensive industry. Given their density, the products are easily transportable, so that the available market for parent reels covers Europe and even the world.
- Processing activities are less capital-intensive and more labour-intensive. While large international groups are present, they also include a significant number of SMEs.

A European market that is enjoying structural growth, including in mature economies

The global demand for tissue is primarily driven by emerging economies, particularly China, thanks to population growth and changes in consumption patterns in these countries. But it is also experiencing structural growth at the European level: while European paper consumption fell by 9% between 2005 and 2016 (owing to the 30% decrease of graphic paper caused by the dematerialisation of information), tissue demand grew by 7% over this period to 7 million tons, thanks to:

- Product innovation proposed by manufacturers, encouraging increased consumption of disposable products
- The poor capacity of other products to replace tissue (for example, the acquisition of the paper towel market share by forced-air hand dryers is insignificant)
- The evolution of lifestyles.

Growth potential is therefore real in Europe, especially as the continent still has per capita consumption levels well below those of North America. Up to 2030, tissue demand is thus expected to grow by 1.5% and 3.2% per year, respectively, in Western Europe and Central and Eastern Europe (excluding Russia).

Given its growth potential and its level of profitability - significantly higher than in other paper ranges - the tissue sector attracts investment. There are numerous projects involving new paper machines: 1,120 kt (thousands of tons) of new capacity is expected in Europe between 2016 and 2020, including 587 kt in Western Europe (mainly in the Iberian Peninsula) and 533 kt in Central and Eastern Europe.

As a result, the utilisation rate of European industry is expected to decrease by 2019, but should start to increase again by 2021. It is expected to hit a high level in Western Europe (91% in 2021[1]) but to be lower in Central and Eastern Europe (87%), considering that the capacity utilisation rate is a major determinant of the profitability of paper mills.

[1] *Based on projects known to date*

An industry that has undergone an in-depth restructuring over the last decade

The European tissue market has become highly concentrated, mainly on the initiative of the SCA group (now Essity[2]) which, with the acquisition of Georgia Pacific Europe in 2012, has emerged as the undisputed leader: Essity is now responsible for 30% of European capacity. This merger was followed by asset divestments - given the competition concerns noted by the European Commission - but also major restructuring and even closure of sites.

Family businesses, mainly Italian, have also shown strong development through the creation of new capacities or acquisitions: Sofidel, ICT, Lucart (Italy), Wepa (Germany), Renova (Portugal). These companies generally based their business model on retail brands with a market share of over 50% in Western Europe (compared to 20% in North America), given the balance of power of the retail sector, which is highly concentrated in Europe, and due to the fact that consumers do not really perceive the added value of brands (except when it comes to handkerchiefs). But these family businesses have gradually entered the brand market (via acquisitions or establishments), which is significantly more profitable than that of the retail brands.

Since the SCA/Georgia Pacific merger, mergers have been on a very limited scale, with acquisitions of small businesses, or only of factories. They have often been initiated by family SMEs or investment funds, attracted by the development and profitability of tissue. We are witnessing the beginning of a deconcentration of the tissue market and a decline in the share of large listed groups, which represent 38% of the top 100 tissue producers in Europe - compared with 40% for family or individual companies and 7% for investment funds.

Given the current balance of power and the risks of distortion of competition, new large mergers are unlikely to occur in Europe. Instead, there should be more mergers between medium-sized players and an entry by players from Asia or the Middle East.

The main European producers have also become internationalised. SCA has established operations in North and South America, and more recently in Asia; Sofidel moved to the United States in 2012. Conversely, the North American groups Georgia Pacific and Procter & Gamble have retreated into their domestic markets. Only Kimberly Clark, ranked 4th in Europe, is still present in this market but is instead in the process of reducing its capabilities.

[2] *Following the separation of forestry activities and pulp and paper production in 2017*

Job and skills needs that should be affected by productivity gains and digitisation

As with the paper industry as a whole, the European tissue industry has made significant gains in labour productivity, given:

- The installation of paper machines with a higher average capacity (the staff assigned to a machine being relatively fixed regardless of the capacity
- The concentration of processing capacities, especially for products where the logistics cost is less discriminatory (flat products such as handkerchiefs, napkins, etc.)
- The improvement in the technical performance of production and processing tools
- Increased automation and robotisation.

Thus, while no information on the workforce of the European tissue industry is published (there are about 38,000 employees in Europe in the 7 largest groups: Essity, Kimberly Clark, Sofidel, ICT, Lucart, Wepa and Metsä Tissue), there is a gap between their development and that of production. In fact, beyond gains in productivity, the two main groups (Essity and Kimberly Clark) have undergone major restructuring and are instead reducing capacities in response to the expansion policy of family groups and new entrants.

The workers in the tissue sector interviewed by Uni Europa thus mention that most of the reorganisations carried out in their companies comply with cost reduction objectives and/or technological changes.

This evolution should continue in light of the digitisation process that is coming to the fore in the paper industry, and particularly the tissue industry. While digital technologies (automation, robotisation, predictive maintenance, big data, etc.) are becoming commonplace, there is enormous room for improvement in the industry and it is now difficult to assess the extent and overall impact.

In this context, the number of people to be mobilised is likely to decrease significantly, and access to certain key skills will be crucial and there should be a more widespread transformation of jobs. But reorganisations and an investment policy focused on gains in productivity have led to job destruction and an aging workforce in the industry. The ability to develop and harness new skills is now also a major issue for the sector.

Although employees in the tissue sector rely on a great deal of experience and technical skills, their level of initial training is generally low in Europe, as is the case for the entire paper industry. In this context, the issue of continuing training is crucial for promoting the adaptation of employees but also for ensuring their internal professional mobility, or even external professional mobility in the case of those whose jobs could not be saved. However, it appears that a third of workers in the sector have been refused a request for training in recent years.

Health and safety: state of play and perspectives

UNI Europe Graphical&Packaging conducted a survey on health and safety issues for workers in the sector. This survey was conducted with six multinationals operating in the European Union, including Kimberly Clark, Sofidel, SCA, Wepa, Tronchetti and Lucart Group. The purpose of the study was not only to assess health and safety risks, but also to identify good practices and make recommendations to reduce those risks.

Considerable progress has been made in the area of health and safety in recent years. Following the adoption of effective safety measures, fatal workplace accidents have become extremely rare.3 These measures include, for example, improving safety around areas of vehicle traffic and in terms of mechanical handling. It also includes an improvement in the risk assessment methods with which union representatives are increasingly associated, especially with respect to evaluation and proposals for improvement following the occurrence of an accident. Many health and safety rules have been adopted concerning the selection and use of equipment or even the risks associated with chemicals and workplace accidents.

However, improvements are still needed. The results of the survey show that noise, exposure to chemicals, dust and changes in temperature were identified by respondents as the main risks related to the work environment. In the case of chemicals, their long-term effects are difficult to identify as these products are very regularly replaced at the point of production, preventing long-term investigations from being undertaken. This is for example the case with chemicals currently used in the manufacture of paper without water.

The respondents also emphasised the stress caused by an organisation of work based on maximising production, leading workers to work 24/7. As a result, workers find it difficult to reconcile work and private life, and night work, frequent job changes and the feeling of working under pressure are identified as major psycho-social risks within the sector.

There are also significant differences between countries and multinational firms in terms of how to categorise and record accidents in the workplace, making it difficult to establish reliable and comparable information at the European level. In addition, certain managerial practices such as the allocation of bonuses in the event of absence of accidents can lead to a considerable phenomenon of underreporting.

[3] See also the examples of good practice cited in Industriall's report entitled "Report of good Health and Safety Practices in the European pulp and paper industry".

Finally, the issue of outsourcing, which is widespread in the field of logistics, cannot be minimised. Subcontracting makes it difficult to control the working conditions of these workers, who also do not always have access to adequate training in health and safety.

In light of these findings, we propose the following recommendations:

At the European level:

- All companies in the sector should establish European Works Councils and health and safety issues should be regularly addressed;
- European framework agreements covering all social standards identified by the International Labour Organisation should be concluded in all European companies to standardise health and safety systems in all Member States and at all sites;
- It would be necessary to adopt an identical risk assessment system in all European Union countries so that comparisons can be made at the sector level.

At the national level:

Working conditions need to be improved:

- Standardised common standards for maximum permitted temperature, air quality and definitions of accidents and incidents should be adopted;
- In order to achieve the "zero accident" objective, specific safety rules concerning vehicle traffic and mechanical handling should be adopted and extended to all sites throughout the European Union.

It is also necessary to improve the organisation of work in order to reduce psycho-social risks:

- Rules to reconcile work and private life should be adopted in order to reduce mental workload and stress;
- Recourse to subcontracting should be reduced;
- Information and communication between health and safety committees and the company should be improved.

UNI Europa Graphical&Packaging roadmap

for the European tissue paper sector

(Adopted in Lucca, 20 October 2017)

1. **Establishment of a European union network for the tissue paper sector**

   The union representatives present at the European conference in Lucca on 19-22 October 2017 have decided to set up amongst them a European union network for the tissue paper sector. This network will allow information to continue to be exchanged between union representatives and, when necessary, joint measures or transnational union solidarity measures to be organised.

   UNI Europa Graphical&Packaging and the national union federations for the sector will seek to expand this network, bringing in the union representatives concerned in all European countries.

   The union network will be coordinated by UNI Europa Graphical&Packaging and the key national union federations for the sector.

   UNI Europa Graphical&Packaging will contact IndustriAll Europe in order to discuss how best the network should be coordinated.

   UNI Europa Graphical&Packaging together with UNI Graphical&Packaging will contact IndustriAll in order to explore the possibilities to connect this network to other existing networks at global level.

2. **Necessity to continue exchanging information on a regular basis**

   The union representatives have undertaken to continue exchanging information on a regular basis within the European union network. This exchange of information will relate mainly to:

   - changes in the range of activities of the companies concerned as a result of new investments, mergers and acquisitions
   - company restructuring measures
   - the comparison of working conditions on a country-by-country and company-by-company basis
   - health and safety conditions for workers in the sector.

If necessary, UNI Europa Graphical&Packaging will, with the help of external consultants, foresee the possibility of conducting further surveys with a view to analysing certain specific issues, for example related to working conditions.

3. **Necessity to install properly coordinated national and European information and consultation bodies**

   All companies in the sector, in conjunction with the union organisations concerned, should install information and consultation bodies at national and European level. Against the background that companies in the sector tend to grow regularly through mergers and acquisitions, it is vital that workers' representatives be correctly informed and consulted before any decisions are taken, allowing them to anticipate the negative impacts of any restructuring measures.

   The workers' representatives with seats on such information and consultation bodies set up by companies at national and European level are responsible for circulating information between the two levels. Only well-linked and well-coordinated information and consultation bodies are able to add European-level information to information received at national level and vice-versa. Such interlinking must also lead to improved consultation, as the opinions given by the workers' representatives at each of the two levels can be better coordinated.

4. **Collective and/or legal actions**

   UNI Europa Graphical&Packaging and its affiliates cannot and will not accept that workers' rights in the sector are trodden on. They undertake to denounce any reported infringement, taking collective and/or legal action at national and/or European level.

   Such rights relate for example to working time, the payment of overtime, the information and consultation of workers at national and European level, the protection of workers' health and safety, etc.

   Against the background of rising racism and discrimination in Europe, all members of the European union network for the tissue paper sector have decided to do everything in their power to eradicate such scourges in all production plants.

5. **Improving workers' access to training**

   As technology develops, the machines used by companies are becoming more important and more sophisticated, meaning that workers should be given better access to training. However, it seems that one in three workers requesting training have had their requests turned down in the past few years.

   UNI Europa Graphical&Packaging and the national union federations will seek to address corporate management bodies and national and European employer organisations with a view to improving social dialogue at all levels, highlighting the need for better worker access to training.

Providing up-to-date and upgraded skills, proper training constitutes an additional guarantee of a worker's employability, opens up career development opportunities and prevents health and safety risks.

6. **Improving workers' health and safety conditions**

   Thanks to exchanges of information, union representatives can look to transferring health and safety schemes/programmes tried and proven in other countries/companies to their own company/country (for instance side bars for forklift trucks).

   UNI Europa Graphical&Packaging considers that additional in-depth studies/surveys should be conducted on health risks for workers, including:
   - The exposure of workers to noise, chemical products, dust, high temperature variations as well as badly-ventilated rooms
   - Risks related to stress, including night work, posted work, high work pressure, and frequent workplace changes.

   The analysis conducted by UNI Europa Graphical&Packaging shows that European works councils should accord greater importance to health and safety issues. Union representatives on European works councils should focus on getting health and safety issues onto meeting agendas and on following up such issues more regularly.

7. **The development of European social dialogue**

   UNI Europa Graphical&Packaging and the national union organisations concerned will start by approaching the corporate management bodies of the main companies in the sector with a view to setting up a joint informal working group tasked with identifying the topics and issues of common interest.

   Once these topics and issues have been identified, joint surveys/studies will be launched.

   Joint European recommendations addressed for example to all social partners in the sector could then be compiled on the basis of the survey/study results.

   UNI Europa Graphical&Packaging will contact industriAll Europe in order to determine how best to further develop cooperation around the European social dialogue.

8. **Implementation and monitoring of this roadmap**

   A working group made up of the sector's key union federations and the UNI Europa Graphical&Packaging secretariat is to be installed, tasked with implementing and monitoring this roadmap. It will assist affiliates in implementing the measures listed in the roadmap, in formulating proposals relating to future activities, and in monitoring the development of the tissue paper sector in Europe.

UNI Europa Graphical&Packaging would like to thank the Université Libre de Bruxelles and Syndex for their contribution to the drafting of this document.

Brussels, November 2017

Design © Tobe**no**tobe Brussels *Benoît Toussaint*

European Commission

With the financial support
of the European Commission.

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