

**STRENGTHENING WORKERS’  
INVOLVEMENT IN THE PACKAGING  
AND TISSUE SECTORS IN THE CONTEXT  
OF THE COVID CRISIS**



# INTRODUCTION

Packaging and tissue are cross-cutting sectors that form part of the value chain of countless industries, touching every aspect of human activity.

From tablecloths in a restaurant to sanitary material in a hospital, or hygiene products for menstruation, in the case of tissue. From a bottle of milk to the packaging of a new mobile phone, the supplies needed in the manufacturing industry, the development of e-commerce or the packaging of Covid's vaccines in the case of Packaging. These two sectors provide essential products for industry and people in a number of well-defined market segments.

According to the substrate, it is a heterogeneous sector involving technologies based on fibres, plastics, metal and glass. The packaging and Tissue sectors have been facing technological transformation

as a consequence of the climate emergency and efforts to reduce waste and energy consumption.

Both sectors have experienced growth in some segments during the Covid pandemic as a result of changing habits. While industrial activity has declined as well as activities, such as hospitality, that demand packaging and tissue products, increased household consumption and the rapid growth of e-commerce have boosted demand in these segments.

The war in Ukraine brings a new challenge for these industries. Rising energy prices have an impact on these electro-intensive industries. On the other hand, the energy crisis threatens to slow down industry, while high inflation is leading to a cost-of-living crisis that will have a significant impact on household consumption.



# UNI GRAPHICAL & PACKAGING AND INDUSTRIALL EUROPE JOINT VENTURE.



With support from the European Commission, UNI G&P and its affiliates initiated this Project aimed at strengthening the workers' participation in the Packaging and Tissue industries in response to the Covid pandemic and implementation of key policies for the future of the industries such as the European Green Deal, the Recovery and Resilience Strategy and the Digital Transformation.

It quickly became clear that the analysis of these sectors and the involvement of workers in the big political issues that affect them could not be complete without the participation of industriAll Europe and its affiliated organisations, whose scope of responsibility covers those substrates and market segments outside the scope of UNI G&P. The collaboration between these organisations has enriched the research process and has enabled many more companies to be reached in this effort to improve workers' participation.

The project has consisted of two study phases analysing the economic and social aspects affecting the packaging and tissue sectors and has been analysed in three seminars (two sector-specific on

trends and one joint seminar on social aspects) held between November 2021 and April 2022.

In parallel, we committed to support the establishment of 5 new European Works Councils in the packaging and tissue sectors: Sofidel, Tronchetti, Graphic Packaging, Autajon and VPK. This part of the work plan will continue until the end of the project in February 2023.

The Brussels Packaging and Tissue Conference aims to present the results of the study phase and to discuss, together with employers' organisations and other relevant stakeholders, the challenges facing these sectors and how to address them from an industrial, political and social perspective.

The conference will also be the kick-off of the UNI G&P and industriAll Europe Packaging and Tissue sectoral trade union networks. This is a joint effort that is set to have a permanent effect as a result of this project, improving the exchange of information and best practices among workers in these sectors across Europe and strengthening the workers' participation in the company decision-making process.

# SUMMARY OF THE RESEARCH REPORT ON THE EUROPEAN PACKAGING AND TISSUE SECTORS

The final report resulting from the research conducted by Syndex on the European packaging and tissue sector addresses three major topics:

1. The structural features of the two sectors, including historical developmental trends;
2. The ongoing challenges with which the two sectors are confronted, including the impact of COVID-19, increasing importance of sustainability and the ongoing crisis related to the price and availability of energy and raw material;
3. Social developments, including the impact of COVID-19 on working conditions, the implications of digitalization for skills and the manner in which employers, trade unions and works councils have engaged in information and consultation over the past two years.

While the report focuses on Europe, the main analysis is supplemented by global overviews of both sectors, which briefly present the situation in regions such as Latin America, Africa or Asia, with a special focus on the geographical footprint of key multinational companies and their business strategies. The main findings of the report are presented below:

## 1.1. Structural features of the packaging sector

- The packaging industry is highly diverse in terms of base materials (and, therefore, industrial processes and competencies), end use markets, geographic scope etc.
- In the paper products industry, the decline of graphic paper has been compensated by the rapid rise of corrugated packaging, which has become the main end product for the paper industry. Until recently, no clear shift from plastic to paper packaging and plastic remains a highly significant part of the overall packaging sector.
- Europe is a mature market, with limited growth potential for packaging demand overall. Important shifts can nonetheless occur in terms of base materials and end uses.

- The packaging industry is very different from country to country (some countries are more specialized than others in certain materials and technologies), but proximity to customers is key everywhere.
- There is still plenty of room for industry consolidation in Europe, especially in comparison to North America. Mergers & Acquisitions are a key growth lever for packaging companies.
- At company level, figures relating to investment, cash generation and indebtedness show a highly varied picture, corresponding to the underlying strategic diversity of the industry.

## 1.2. Structural features of the tissue sector

- Tissue production comprises around 10% of the global production of paper products. The industry's growth has been slow and constant, in contrast to packaging (fast and explosive growth) and graphic paper (rapid and constant decline).
- Virgin pulp has consolidated its place as the main raw material for tissue. The tissue industry has a relatively low degree of integration and tends to be spatially dispersed
- The growth of tissue demand is driven by population growth and improved standards of living. North America, Western Europe and Japan are mature, saturated markets, while emerging Asian economies, and especially China, are the main growth markets.
- Companies generally have a national or regional geographical scope, with only two aiming for true global presence – Essity (Sweden) and Kimberly-Clark (US). In North America and Western Europe, the tissue industry is highly concentrated, with a handful of large companies dominating the market. The Asian industry is still fragmented, but rising Indonesian and Chinese giants have already outsized many of the largest companies in the West.



- The industry is forecasted to continue to experience relatively strong growth in the long-term, notably due to the improving living standards in Eastern Europe, where consumption is still relatively low. The global market for tissue is driven by growth in the consumer tissue segment, which comprises over two thirds of the total market.
- Over the past decade, the German tissue industry has grown much faster than the European industry overall. The industry remains highly fragmented in Southern and Eastern Europe, with strong prospects for industry consolidation through M&As. Eastern Europe is a particularly attractive expansion opportunity for Western multinationals, given the high growth perspectives of local markets and unusually high industrial fragmentation.
- The European tissue industry is highly concentrated, with the top 10 companies having almost 80% of total production capacity. With over a quarter of the total tissue production capacity, Essity dwarfs all its competitors in Europe.
- E-commerce has substantially increased the demand for corrugated packaging, leading to record volumes, revenues and profitability for companies in the first half of 2021. For these reasons, future growth will likely require additional capacities.
- Rising input costs, especially for energy and raw material, threaten to limit the benefits arising from sustained demand. Packaging companies have already significantly increased prices and they plan to continue doing so. Packaging companies
- Sustainability is a major driver for change in the industry. A highly consequential transformation, the shift from plastic to paper should accelerate, especially in Europe. This is driven by the poor performance and difficult economics of plastics recycling, with paper emerging as a convenient alternative.
- The paper packaging industry performs very well when it comes to recycling its products
- Regulations concerning scope 1 (purchased electricity, steam, heating, cooling) and notably scope 2 (company facilities) emissions are particularly challenging.

### 2.1. Ongoing challenges for the packaging sector

- In Europe, the packaging industry has fared relatively well during COVID-19, with rapid recovery in 2021, when volumes reached all-time highs. This has been largely confirmed by 2022 developments.
- COVID-19 has accelerated pre-existing trends, especially in relation to e-commerce and overall digitalization.

### 2.2. Ongoing challenges for the tissue sector

- Overall, COVID-19 has had an ambivalent impact on the tissue industry: a short-term combination of surging consumer demand and cost decrease was followed by weak recovery and rapid increases of main input costs.
- Away-from-Home (AfH) market collapsed due to restrictions. The market is expected to recover only in the medium-term. Initial surge in demand for consumer tissue proved temporary and insufficient to compensate for AfH decline beyond the immediate short-term.
- Price surges for pulp and energy have a strong negative impact operating margins of tissue companies. According to interview data, tissue prices might require a 20%–30% increase in 2022 to compensate for price surges in pulp. However, historically, tissue prices have been far less responsive to the increase in the cost of raw material than packaging prices.
- The pandemic has accelerated companies' digitalization plans. Cost reduction and productivity



increases are the main objectives, with limited interest in workforce re/upskilling.

- Within the paper products industry, the tissue sector faces a particularly difficult sustainability challenge due to the relatively high consumption of energy and, consequently, relatively poor emissions performance.
- In terms of raw material, over time the industry has moved away from the use of recycled paper due to both supply- and demand-side constraints.
- Companies are exploring the potential of alternative non-wood fibers for tissue production, but the industrialization of these solutions is costly and is currently available primarily to large companies. More generally, the investment efforts tied to sustainability could further widen the gap between large and small companies.
- Though still relatively limited, some shift of production capacities to Eastern Europe is visible, counting on the still much lower wages in the region and the relative ease with which Western multinationals can enter these markets.
- Results from the survey conducted as part of our research indicate digitalization is having a significant impact on job content, working conditions and skill requirements, but these challenges are not easily addressed in a context of demographic change and difficulties in attracting skilled workers.
- The survey results also point toward potential dysfunctionalities of information and consultation and lack of awareness of structural challenges.
- Significant industrial action has been undertaken at UPM in Finland, DS Smith in France, and Saica in the UK, primarily in response to employers' disregard for collective bargaining and attempts to weaken labour standards.
- Transformations of EWCs at Westrock, Antalis and VPK, responding to shifting company structures resulting from mergers and acquisitions. COVID-19 and Brexit were key in provoking reconsiderations of EWC agreements.

### 3. Social developments in the packaging and tissue sectors

- Approximately 750 thousand people work in the packaging and tissue industries at the level of the EU27. Employment is concentrated in the largest markets, and it has grown significantly over the past decade.

# ROADMAP FOR EUROPEAN PACKAGING AND TISSUE TRADE UNION NETWORKS

## 1. Strengthening of the European Tissue Network and establishment of the Packaging Network

In 2015 UNI Europa Graphical & Packaging developed a project with the support of the European Commission, which had among others the objective of establishing a Trade Union Network in the Tissue sector. At the time, UNI Europa G&P undertook to connect this network with others that may exist in industriAll Europe, whose affiliates represent a substantial part of the Tissue sector.



This network has continued to function to facilitate the exchange of information and good practice between workers in different countries, however, a number of factors have historically made it difficult for these networks of workers' representatives to function autonomously.

The language barrier makes it difficult to exchange information in writing and virtually precludes the possibility of having an exchange by telephone without the financial resources for translation which are in the hands of companies and which they are sometimes unwilling to make available to their workers' representatives.

Meetings with many international participants, besides consuming a lot of resources of trade union organisations, are not the right tool for a smooth and permanent exchange of information, due to time constraints. In addition, a conference, with a

limited number of participants, organised every 2 to 4 years, is an unrealistic way of anticipating change, exchanging information or coordinate a union trade union response to short term challenges.

The Covid pandemic brought a significant amount of suffering to the world and a not inconsiderable number of jobs destroyed. But it also brought unprecedented developments in communication technologies and, much more importantly, in the digital skills of the population as a whole and of trade union organisations and workers' representatives in particular.

The project "Strengthening Workers Participation in the Packaging and Tissue sectors in the Context of the Covid Crisis" has made it possible to establish contact between workers' representatives in both sectors, beyond the European Works Councils, and to build up a picture of the composition of both sectors, with a projection of future trends affecting them.

However, this is a still picture, and to achieve a lasting effect of this project, the members of UNI Europa Graphical & Packaging and industriAll Europe have decided to build a permanent network and to take advantage of the technology and knowledge at their disposal to develop a permanent and systematic exchange of information, enabling workers' representatives and their trade union organisations to anticipate change and continue to strengthen workers' participation in the future, locally and internationally.

UNI Europa Graphical&Packaging, industriAll Europe, and the national trade union federations in the sector will seek to extend this network to include relevant trade union representatives in all European countries.

## 2. Objectives of the Packaging and Tissue trade union networks

During the drafting phase of the project, it was decided to approach the Tissue and Packaging sectors in parallel as they were sectors composed of companies of similar size, with common pre-existing trends and where the initial impact of the covid crisis had a comparable effect. For these reasons, the trade union networks will also develop in parallel, with some of their objectives being common and others sector-specific.

The overall aim of both networks will be to share information on developments in the sector in Europe in order to anticipate change and coordinate trade union solutions to the challenges faced by multinational companies.

These exchanges will mainly concern:

- changes in the activity of the companies concerned as a result of new investments, mergers and acquisitions
- Restructuring measures in companies
- Comparison of working conditions of workers on a country-by-country and company-by-company basis
- Technological and legislative changes affecting the sector
- Professional profiles in demand in the sector
- Solidarity actions, strikes and conflicts in companies.

Network members should also share good practices to continue to promote workers' organisation, improve collective bargaining and protect the jobs and livelihoods of workers in the sector, now and in the future.

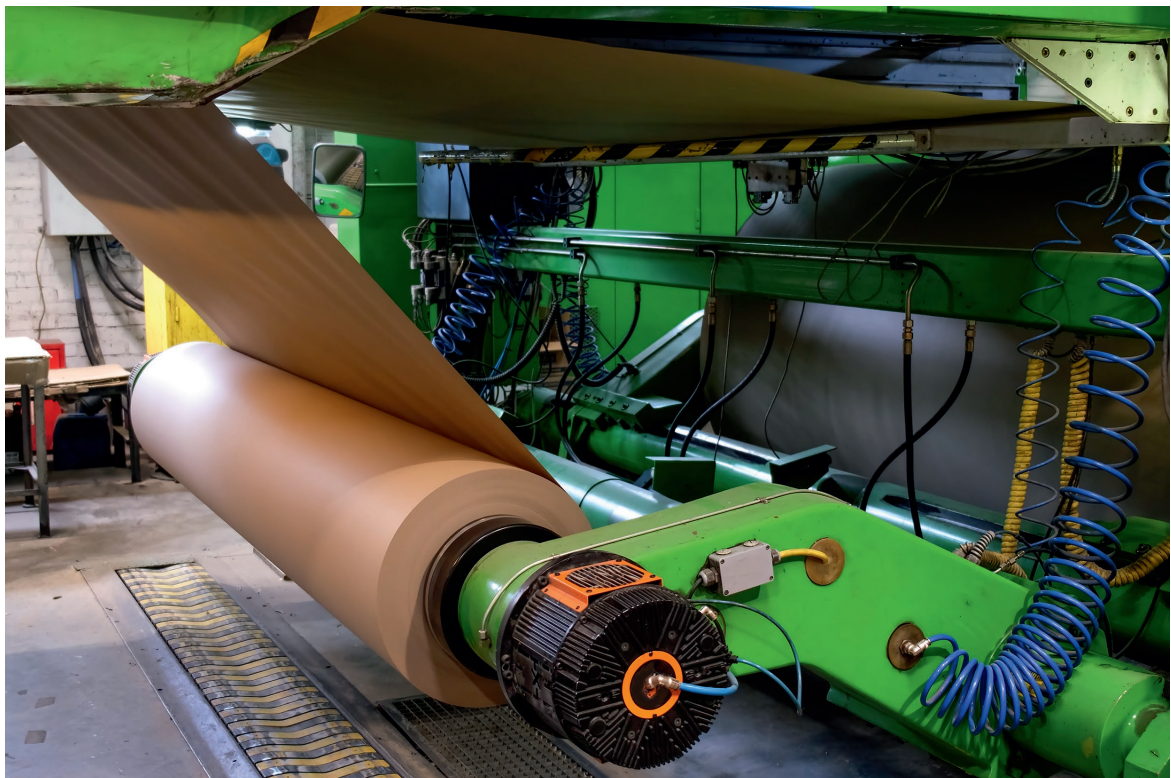
Network members should help expand the Network to include other companies in their sector with the involvement of national trade union organisations.

Network members should coordinate to involve their trade union organisations in lobbying actions at European level on issues affecting the sector in coordination and in line with UNI Europa and industriAll Europe's work on the policy level. These actions may include, but are not limited to:

- Implementation of the Green Deal,
- Legislative developments in the energy field,
- Legislative developments affecting the use of raw materials involved in the sector, in particular with reference to waste management and recycling of materials,

### **3. Continue to work on the establishment and strengthening of transnational information and consultation bodies.**

The Packaging and Tissue sectors are sectors with a high level of workers' organisation and well connected to their trade union organisations at national level. This has facilitated the establishment of information and consultation bodies in multinational companies.





However, both sectors have in the recent past, and face in the future, mergers and acquisitions that are changing the structure of companies and bringing new companies to Europe. It is necessary to monitor the evolution of this complex industrial fabric to ensure that those companies that can count on a European Works Council in accordance with the European Directive, constitute one.

Likewise, during the development of the project, it has been noted that many companies ignore or limit the effective application of the right to transnational information and consultation of workers, as European trade union organisations have been denouncing for years. In a context as complex as the management of the Covid crisis, some companies have implemented emergency measures affecting the livelihood and health of workers without consulting transnational information and consultation bodies, and in many cases not even national ones. Where such dialogue has been established, the concept of consultation is often interpreted very loosely by the management of multinational companies, so that workers' representatives do not effectively have the possibility to be heard and to influence decisions affecting the employment and lives of workers. Effective measures are needed to oblige companies to respect workers' right to information and consultation at European level and the trade union network can contribute to this by highlighting cases where this right is not respected and involving workers' representatives in the ongoing discussion.

An increasing number of cases have also been identified where private companies try to carve out a niche market for external consultants in the EWC ecosystem, implementing their own agenda far removed from the interests of workers and trade

union organisations. Cases identified in the Packaging and Tissue sectors have led to completely inoperative works councils, which do not promote actions in the interests of the company's workers and which, in extreme cases, have been entangled for years in lawsuits against the company that primarily protect the economic benefit of these consultancies. Sectoral networks can play a role in promoting the unionisation of trade union coordination of transnational workers' representative bodies and in exposing these practices in the Packaging and Tissue sectors.

Companies have also been identified as refusing the establishment of European Works Councils and putting all possible obstacles in the way. A clear example of this is Sofidel, one of the companies targeted in this project, which was condemned in 2020 by an Italian court to establish a European Works Council after years of demands from workers and, at the time of the Packaging and Tissue Conference, had still not implemented the court ruling. Autajon, which has also been addressed during the implementation of the project, has not responded after one year to the request by the workers to establish a European Works Council.

Finally, the project had identified 5 companies with potential to build new EWC: Graphic Packaging, VPK, Tronchetti and the aforementioned Autajon and Sofidel. The Network also has the potential to help identify new companies and facilitate the establishment of new information and consultation bodies, thanks to its dual role as an early warning system and its effect in fostering trade union organisation in the sector.



#### 4. Ensure a just transition in the sector.

The packaging and tissue sectors have a role to play in the transition to net-zero economy. As energy intensive sectors dependant of raw materials, lots of transformation are going to happen in order to meet the EU climate objectives. Workers in the Packaging and Tissue sectors fully support these EU objectives to reach climate neutrality. They also call for a Just Transition of the sectors, this means transforming the economy in a fair and inclusive manner to ensure the maintenance and creation of good quality jobs. The participation of workers and their trade unions in the anticipation and social management of industrial change is a prerequisite: 'Nothing about us without us!'

Europe must be green, but it will not be green without jobs. The Green Pact, without Just Transition, is doomed to failure.

In this respect, the Packaging and Tissue networks have a role to play, sharing good and bad practices, and encouraging the participation of workers in the design and implementation of measures aimed at limiting the environmental impact of industrial activity that are compatible with employment and territorial cohesion.

#### 5. Promote solidarity, democratic values and human rights.

These are complex times. We have not yet emerged from the worst pandemic in decades and an unjust war has already begun on the border of the European Union that threatens to divide the world again into blocs. At the same time, democratic deterioration in Europe is escalating at an unprecedented rate. Numerous extreme right-wing groups have improved their electoral results year by year, whitewashed by a media devoted to the new wave

of authoritarianism, and supported by theoretically democratic conservative parties that have lost their reluctance to make pacts with the extreme right. Meanwhile, a European Union that lacks the instruments to fight this involution is passive while many institutions are colonised by the extreme-right and anti-Europeans.

In this situation, the voice of the workers needs to be heard more than ever. Workers must establish a direct exchange of ideas beyond their national borders that will allow them to overcome media noise and misinformation. In the face of the dehumanisation of the stranger and hate speeches, solidarity between workers must put the emphasis back on the European social pillar.

But the world is much broader than Europe, which remains an island in terms of high social standards, labour rights and wealth distribution, despite the recent deterioration. Europe has still the capacity to export these standards to other regions and make an impact for universal respect of human rights.

During the development of the project we have been able to learn about the situation of the Packaging and Tissue sectors in other regions across the world and the challenges faced by workers in the same companies in Africa, America and Asia. We heard testimonies of violations of important human rights such as the freedom of association and the right to collective bargaining. The trade union network has a moral duty to help expose these violations and to work with trade unions to ensure that companies guarantee decent conditions for all workers throughout the value chain.

#### 6. Implementation and monitoring of the roadmap

A working group composed of the main trade union organisations in the sector and the secretariat of industriAll Europe and UNI Europa Graphical & Packaging will be established to implement and monitor the measures agreed in the roadmap.

##### Coordination Group of the network:

- Each country and trade union affiliated to UNI Europa or industriAll Europe that organises in the sector concerned may propose a member to the Coordination Group.
- English is not essential, but highly recommended. UNI Europa and industriAll Europe will not organise Coordination Group meetings with interpretation.
- The Coordination Group will meet on demand when deemed necessary.



### **Means for coordination of Packaging and Tissue networks**

- Telegram groups of the networks
- UNI Europa and industriAll will create and manage a Telegram group for each group, open to the members of the Coordination Group for the exchange of information.
- Network members can share non-confidential information via Telegram.
- The vehicular language will be English.
- Network members may use computer-assisted translation (CAT) systems to translate their communications in real time to overcome the language barrier. These systems are becoming increasingly common and most computer operating systems and mobile devices are now incorporating reliable CAT systems that can be used in combination with Telegram.

### **Online documentation repository**

- UNI Europa Graphical&Packaging and industriAll will create an online documentation repository for members of both networks.
- Network members are responsible for the information they upload to this repository and must ensure that no documents subject to confidentiality obligations are included.

### **Surveys**

- UNI Europa Graphical&Packaging and industriAll Europe will continue to provide a platform for regular surveys on industry and employment developments.
- The Coordination Group can decide on the periodicity of the survey. As an example, once or twice a year could be a suitable pattern.
- The survey will be distributed via the Telegram group and the results will be published via Telegram and other UNI Europa Graphical & Packaging communication channels on industriAll Europe for communication with member organisations.

### **Bi-annual conference**

- UNI Europa Graphical&Packaging and industriAll Europe will organise an online conference for each sector each 2 years.
- The conference will have a minimum duration of half a day.
- The conference will be interpreted in several languages.

The roadmap may be subject to modification depending of the evolution of communication tools and evaluation of the efficacy of the network.









graphical &  
packaging

