



**EuroISME Annual Conference in Tallinn, Estonia**  
**Keynote speech by Col. Jean-Marc Vesco (ret.) , CEO of C&V Consulting**  
**23 June 2024**

## **“The European defence industry’s response to workforce challenges and generational values”**

### **Introductory remarks**

Before getting to the heart of the matter, I would like to thank the distinguished EUROISME community, first of all, for the chance to be here with you to grow and to progress in our ability to improve our military capabilities, including the defence ecosystem, in accordance with the values and rules that are the foundation of our European society.

And secondly, to give me once again the opportunity to share with you an outlook of the challenges my team and I address in the implementation of ethics compliance and human factors expectations within the European defence ecosystem.

#### *What are the stakes?*

My company’s motto is "Think Further, Act Ethics" and today, perhaps more than ever, this is a huge and ambitious challenge to implement human factors expectations and ethical compliance.

Indeed, if we are considering the crises and conflicts that are today striking our planet, we can observe that the temptation in many Western countries is to consider ethics as a peacetime luxury.

Thus, threatened by dictatorial regimes and attacks via more and more fake virtual social exchanges, Europe today faces a terrible dilemma. What sacrifice are we prepared to accept in order to be consistent with our core values when it comes to defending the EU?

As we know, fighting to protect the victims of war means accepting to be more vulnerable when facing an enemy who does not hesitate to use the weakest human beings as shields.

It's a complex issue, covering many fields of reflection and action, for which there are sometimes only less worst-case options.

The defence ecosystem is one of these fields of reflection and action. As in many ecosystems, the need to take ethical considerations into account is driven mainly by the growing expectations of the younger generation.

At the same time, this huge ethics and sustainability expectations have been already partly addressed by both EU policymakers and EU ecosystem directorate by first adoption of legislation, and new human resources management policies.

However, this EU defence stakeholders' proactive attitude, while positive, brings with it the risks for the competitiveness of European ecosystem and consequently its sustainability and strategic autonomy.



## **The industry workforce in the next decades: A huge disruption**

After more than 30 years of commitment in the French army and after almost ten years of experience in the defence industry, I have reinforced my conviction that a comprehensive understanding of the trends and forces that interfere with human behavior is essential if we want to prevent and mitigate, in compliance with our ethical values, the risks resulting from the malicious use of human factors.

### *EU workforce demographic trends overview*

It is therefore a matter of drawing the right conclusions to give you an overview of recent surveys on the demographics and expectations of the European workforce.

A report published in 2023 by the Aerospace, Security and Defence Industries Association of Europe (ASD) gives a first indication of what is at stake over the next fifteen years.

This report first points to the aging workforce in the aerospace and defence sector.

According to this report 30 to 35 percent of the manufacturing and engineering workforce are 50 years of age or older and are approaching the retirement window. The report names the young generation the “green” employees and the oldest generation the “grey” employees.

The consequence of this demographic context is the critical necessity for the European aerospace and defence sector

- to attract younger or so call “greener” employees to companies
- where the workforce is mainly made up of ageing,
- where the turnover rate for young employees is high,
- and where many of the most valued members of staff are approaching retirement age.

This challenge can be summarised by the following McKinsey statement:

The workforce of the European Defence Companies may “lack some of the most essential skills” urging:

- the need to attract young talent
- to gradually replace departing staff.

### *General changing values and priorities of younger generations*

The question now is how to convince these young generation to join European defence industry?

In that purpose and after having laid out the demographic context, I think it's time to focus on the features of the next generation of workforce.

A [survey](#) conducted in 2022 shows that the European young people consider that:

- Energy transition and protecting the environment is number one priority
- The number two and three are public health and healthcare
- And in the end, despite the conflicts on Europe's borders, only 19% of them consider improving security and defence as a priority, among a list of 13 possible answers offered to them.

At this stage, we can say that there has been a major and general change in the values and priorities of the younger generation in Europe, leading some human resources experts to call this generation the “green” generation.



**EuroISME Annual Conference in Tallinn, Estonia**  
**Keynote speech by Col. Jean-Marc Vesco (ret.) , CEO of C&V Consulting**  
**23 June 2024**

This trend has been confirmed by a [survey](#) published by Deloitte in 2023. This survey reveals that more than 50% interviewees examine companies' environmental impact and corporate policies before accepting a job.

Last but not least, there is also a huge [changing in the expectations](#) of European younger generations in their working lives. The European “green” work force tends to have a different conception of the employee / employer relationship than older employees, the “grey” group.

European younger workers grew up in a world where the internet made goods and services readily available and allowed them to conduct much of their social lives online. This ultra-connected lifestyle has driven the working environment expectations of many young European employees, and the survey shows that six factors are particularly important for them:

- An easy application process with clear communication and short hiring deadlines
- A rapid career progression and clear performance feedback
- The possibility of working in a hybrid workplace with face-to-face interaction only when clearly necessary
- The ambition to explore several employers, or even several careers
- A strong focus on diversity, inclusion and sustainability values, including a workplace that allows self-expression and sanctions non-inclusive behaviour
- Some convincing and attractive communications during the entire hiring process and for the entire duration of employment.

These factors mirror a new generation of workforce where the employer's ethical and societal value proposition of the company is stronger than the employee's link to the company and therefore the development of this company.

*A war on EU territory is possible for younger generation*

In order to give a more complete and balanced picture of young Europeans, it is worth noting that young Europeans are also concerned about conflicts on Europe's borders, and some of them believe that an attack on the territory of the European Union is possible.

Indeed, a recent [survey](#) raised growing concerns and interest of European young generation about defence and security issues:

- 58% of the interviewees say that they are concerned about likelihood of war in Europe in the next 5 years
- 55% are afraid that war will come to their countries (mainly British, Polish, French citizens)
- 64% think that EU countries should spend more on their military capacities
- 47% think that we should have a single EU army

A recent [paper](#) published by the French Ministry of Defence shows that:

- 57% of young French people would join the army in the event of war,
- and 63% would fight as civilians if France were attacked.

These figures suggest that, in the event of a major conflict, the European nations will be able to count on the resilience of the younger generations.

This is a very positive perspective, and it confirms that in every nation the resilience of the population is always alive even it remains weak face to fake virtual social exchanges.

Nevertheless, if the European defence ecosystem fails to understand the ethical values and societal priorities of young European employees, it will fail to recruit the talent needed to meet the challenge of protecting Europe's borders and democratic values.



## **European defence ecosystem's actions to meet ethics compliance**

As we have now a better view of the expectations of European workforce in terms of ethics and sustainability, let's focus on how both political decision-makers and defence industry directorates deals with this huge and quick momentum. And in particular the potential impact of many decisions in terms of ethics and sustainability compliance that have already been taken and implemented.

### *The need to comply with environmental, social and governance criteria*

Some surveys show the growing importance of environmental, social and governance factors in all industries, including the defence sector.

Recently a European defence cluster named ASD, has [mentioned](#) that the ethical implications of defence activities are coming under increasing scrutiny, raising concerns about their alignment with ESG criteria.

Another [report](#) from Armement Industry European Research Group (ARES) shows how ESG considerations lead investors to exclude defence ecosystem companies because there is risk for their reputations. This report reveals the subjective nature of the interpretation of ethics and sustainability, which is generally subject to public opinion, which mainly believes that defence is inherently incompatible with ethics and sustainability.

Finally, we can observe that defence companies have been more and more denounced as unethical and therefore incompatible with ESG.

Defence companies must therefore comply with ethical and sustainability criteria to prevent damaging their reputation and affecting their ability to attract young talent and financial support.

## **The need to involve investors in defence to get financing leverage**

As I said earlier, the need to engage investors is critical for most companies. Having said that, the challenge for defence companies is this:

- First, investors are looking to make a profit while limiting risks
- Secondly, defence companies are exposed to ethics lawsuits and reputational risks that can lead to huge financial losses.
- Finally, to mitigate reputational risks, investors rely on European ESG indexes or certificates, poorly awarded to defence companies.

The situation is therefore as follows:

- 70% of European ESG equity funds still have no participation to defence and aerospace according to a Financial Times [report](#)
- Companies that have more than 5% of their revenues from defence activities are excluded from the benefits of labeled funds.

To mitigate these weaknesses, policy efforts are underway to encourage investment in defence.



**EuroISME Annual Conference in Tallinn, Estonia**  
**Keynote speech by Col. Jean-Marc Vesco (ret.) , CEO of C&V Consulting**  
**23 June 2024**

For example, the new European Defence Industrial Strategy clearly states

- That "no EU rule, or planned EU rule, hinders private investment in the defence industry (...)
- Or that "the defence industry enhances sustainability through its contribution to resilience, security and peace".

Another key game changer was the [decision](#) by the European Investment Bank two weeks ago to break with its long-standing policy of not investing in military products, by removing restrictions on investment in support of dual-use systems.

However, in addition to the expectation of their workforce, the European defence companies need to consider ESG compliance as the only way to get financing from the investors such as banks and investment funds.

## **Evolution of industry practices towards greater ethical considerations**

Aware of ethical trends among European employees and investors, European defence companies have aligned their recruitment strategies and corporate practices with ESG values.

As an illustration, I would like to mention that leading players such as Leonardo, Airbus defence and Space, BAE Systems, MBDA, QinetiQ and Thales were signatories to the UK Defence ESG Charter. The aim of this charter is to demonstrate their commitment to the climate transition, clean technologies, societal impact, governance and ethics. Indeed, most of large European companies in the defence sector have already adopted two sets of actions to align themselves with ESG criteria.

The first set is dedicated to recruitment showing greater ethical consideration and includes the adoption of ethical charters, environmental commitments and well-being programmes. A second set focuses on increasing defence companies' attractiveness to the investors and financial market demands. This second set of actions includes the integration of ESG key performance indicators (KPIs) into their annual report frameworks.

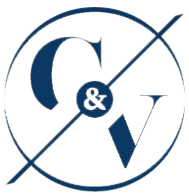
However, ethics and sustainability compliance come at a cost, and making European defence companies' solutions and services much more expensive than those from outside Europe.

In other words, without a European regulation supporting the procurement of European weapon systems there is a huge risk of an European defence ecosystem collapse.

## **EU Regulatory Framework**

Among these regulations, I would like to raise four new regulations that will lead to the development of future European defence systems and, consequently, to the implementation of ethical rules by European armed forces.

- The Artificial Intelligence Act with consequences on all defence decision making support systems and unmanned systems.
- The EU Digital Service Act which will have also strong consequences, given the importance of operational communication in modern warfare.
- And the European Defence Fund and the European Defence Industry Programs, which will have among others the objective to ensure ethics compliance within the EU defence market.



CONSULTING

**EuroISME Annual Conference in Tallinn, Estonia**  
**Keynote speech by Col. Jean-Marc Vesco (ret.) , CEO of C&V Consulting**  
**23 June 2024**

Finally, regarding regulation, I would like to mention that the European Union Member States have also push for more environment regulation with regards to the armed forces capacities because they consider that EU defence, energy and climate change are interlinked.

In June 2023, a [High-level Joint Defence and Energy meeting in Stockholm](#) reinforced the commitment of EU Defence Ministries to promote energy efficiency, energy conservation, energy and climate security, climate neutrality, climate adaptation and climate mitigation.

To conclude, we can observe that Europe has provided a set of regulations and standard to meet the European citizen expectation for ethics and sustainability compliance.

## **What makes European defence industry ethics distinctive ?**

To wrap up this overview of the ethical challenges of the defence ecosystem, I would like to share with you three convictions with you.

The first is that our ability to protect Europe's borders and democratic values will depend on the ability of the European defence ecosystem to convince the younger generations to commit themselves to a strong and deterrent European defence capability.

Secondly, the only way to go is that European defence ecosystem reinforce is ability to remain in the framework of ethics and sustainable compliance.

The third conviction is that the ethics approach of the European citizen is distinctive. I think that this specificity is based on more than 70 years of willing to built up the European Union on common values linking EU nations despite their differences and their former armed conflicts.

That means that the ethics of the European defence industry can only be distinctive, and for the same reasons I think that the European military ethics is distinctive too.