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A Fight for Every Job: Decarbonising Europe's Cars

Article by Bela Galgóczi
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The shift to electric cars is gaining momentum, with huge implications for millions of workers. The priority for trade unions is to secure jobs and workers' rights. But what will a just transition mean for Europe's automotive industry amid growing market competition between the EU, the US, and China?

A timeline for the phase-out of petrol-powered cars produced in Europe has now been set. The transition to electric vehicles is part of the European Union's Fit for 55 package, which aims to reduce the region's net greenhouse gas emissions by at least 55 per cent by 2030 compared to 1990 levels and 100 per cent by 2035 (though with a loophole for synthetic fuels). Decarbonising road transport – a huge contributor to overall greenhouse gas emissions – is key to achieving climate neutrality in the EU by 2050, a commitment that lies at the heart of the European Green Deal. With deadlines looming, Europe's automobile industries are charting the electrification course rapidly. This, of course, is good news. The way the transition is taking place, however, is far from ideal. As one of Europe's largest industries – and biggest sources of employment – shifts into gear for major change, new fault lines are emerging. Its ability to grapple with the inevitable conflicts and successfully weather the transformation will have major implications for millions of Europeans.

What's at stake?

The automotive industry is currently facing a range of challenges. Besides undergoing an internal shift to digitalisation, automation, and total value chain reorganisation, it now needs to fast-track a move towards electric vehicles.

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This transformation is upsetting the long-standing dominance of industry heavy hitters such as Volkswagen and BMW, and allowing newcomers like Tesla to enter the market in a previously unimaginable way. To Germany's shock, the Tesla Model Y outsold the Volkswagen Golf in September 2022. Chinese companies like BYD and SAIC Motor are also gaining new ground, making up 6 per cent of EU electric car sales in 2022. This is likely to reach 20 per cent by 2030. It is increasingly clear that past success offers no guarantee of future competitiveness. The EU's potential diminishing dominance in this global industry is set into sharp relief in this new era of deglobalisation, with pandemic-induced supply chain disruptions and the end of the rules-based post-World War II international order – accelerated by Russia's invasion of Ukraine – raising the geopolitical stakes even higher.

In the European Union, the automotive sector is directly responsible for 2.6 million jobs. With13.8 million direct and indirect jobs as a whole, it accounts for more than 6 per cent of total European employment.

Forecasts on how electrification will affect these jobs depend on their scope and assumptions, but most predict major job losses in the manufacturing segment – between 275,000 and 410,000 by 2040 according to a 2021 study by the European Association of Automotive Suppliers. This may be partly compensated by increasing value added from electronics, autonomous drive systems, and electric charging infrastructure. According to a study published in 2021 by the Boston Consulting Group, up to three million industry jobs will also be fundamentally transformed in terms of the skills required, place of work, contract type, and working conditions.

These forecasts assume that new car sales will remain stable – but this cannot be taken for granted. Ever fewer new cars are sold each year, and stability in sales revenues is only due to them getting larger and more expensive. This assumption also reveals how many industry players see automotive electrification: not as part of a wider decarbonisation of transport that includes fewer cars and better mass transit, but simply as the replacement of the combustion engine with an electric one.

Media concern has focused on possible employment loss due to electrification. The greatest risk, however, is missing the train. Slowing down the mobility transition at this stage would undermine European competitiveness and result in greater job losses in the long term. At this point, focusing on aggregate job gains or losses is therefore less important than helping European companies, regions, and workers navigate the transition.

It is also important to understand that, even if overall automotive employment in Europe remains relatively constant, European manufacturers and regions – from the generalist volume producers in France and Italy to Germany's premium manufacturers and the central and eastern European supply chain – will experience the transition in vastly different ways. While all major regions saw a decrease in the number of new cars sold between 2000 and 2019, Germany only saw a 9 per cent reduction, whereas Italian sales dropped by 51 per cent. In the same period, employment in the sector rose by 3 per cent in Germany but plummeted by 43 per cent in France. The car industry in central and eastern Europe – boosted in past decades by foreign direct investment – is a special case. Its cheap and flexible workforce offers a competitive advantage, but the industry's future here remains uncertain. The region has the oldest, most polluting, and fastest-growing car fleets in Europe and a population largely unable to afford electric vehicles. More problematically, its unions are weaker and often not internationally affiliated. These workers and plants have less bargaining power and are particularly vulnerable to decisions made elsewhere. Also a problem is the industry's continuing "upmarket drift" – the production of heavier, faster, and more expensive battery electric vehicles and plug-in hybrids that, among other issues, need larger batteries – which is putting a strain on critical material use.

The trade union perspective

The primary focus of Europe's automotive trade unions is clearly to secure jobs and workers' rights as the industry navigates the green transition, but individual unions play different roles depending on their scope. Workplace unions within specific plants or companies tend to prioritise the short-term goals of their members. By contrast, higher-level trade unions with a more national or international outlook and at one level removed from the immediate concerns of workers – such as the European Trade Union Confederation (ETUC) – are more likely to situate the interests of their members within long-term societal goals such as the need for environmental policies and political participation.

In the industrial relations literature, trade union responses to the green transformation can be grouped into three categories: opposition, hedging, and support. In contrast to an uncompromising opposition to climate change mitigation, hedging strategies accept the need for emissions reduction policies but seek

to minimise environmental regulation. Support strategies are in favour of climate mitigation and take a proactive stance on decarbonisation.

Over the last decades, trade unions have developed their ability to challenge profit-driven changes imposed by capital. The changes proposed under the green transition are of a different ilk: they are policy driven and serve the public interest. Instead of questioning or impeding the necessary restructuring, trade unions must become drivers of this change while working to manage its consequences. This is a huge challenge, and one exacerbated by the capital-labour conflict. Even if unions agree with the long-term objective of the restructuring process, proposed changes such as reducing jobs and lowering conditions can resemble the profit-maximising efforts that unions usually resist on their members' behalf.

On top of that, precarious jobs with less security make up a large and growing share of posts. Such jobs have historically borne the costs and risks associated with change, making it both harder to protect them and to get these workers on board with restructuring. This asymmetry of power, alongside a growing recognition of the importance of climate and environmental objectives, has led to trade unions becoming the drivers behind the "just transition" concept. In 2018, global manufacturing union IndustriALL and others called for balanced emissions reductions that take employment and social aspects into account and for a just transition fund for industry.

Industry stakeholders can exert considerable power at policy-making level. Employer associations – the owners' and managers' versions of trade unions – have been playing a controversial role in lobbying for lighter regulation on car emission standards. The 2015 Dieselgate scandal – which uncovered that manufacturers such as Volkswagen had installed defeat devices allowing cars to cheat pollution controls – shows how the industry has tried to evade regulation after failing to prevent it.

In the run-up to the European Council's 2018 adoption of a 35 per cent reduction in car CO2 emissions by 2030, both unions and employers' associations supported the German government's push for a lighter 30 per cent target. With the Fit for 55 package, the cut increased to 55 per cent for cars and 50 per cent for vans by 2030, rising to 100 per cent by 2035. In 2021, German automotive association VDA opposed the phasing out of the combustion engine, and IndustriALL has also expressed concerns about fast-track electrification.

But things are changing. Germany's largest trade union, metalworkers' union IG Metall, has revised its previously cautious approach and embarked on a fast-track transition. And in 2022, European-level trade unions launched an urgent appeal calling on policy-makers to support the automotive sector in implementing a just transition. The sector as a whole is not currently included in the EU's Just Transition Mechanism – set up to "ensure that the transition towards a climate-neutral economy happens in a fair way" – as the latter is limited to carbon-intensive regions, while the prospective Social Climate Fund will primarily aim to balance the regressive effects of the Emissions Trading System (ETS2).

Trade unions have always been advocates for active government policy on industrial matters.

Looking at individual plants

For an insight into the conflicts and negotiations taking place within individual plants and companies, we can turn to Germany's car industry. There, "works councils" (*Betriebsräte*) represent the workforce at

plant level and are actively co-managing the transition in order to protect employees.

In 2017, the General Works Council of Daimler, which has the right to be advised of future strategies and make proposals, reached an agreement on Project Future, the company's restructuring plan. This agreement protects all Daimler employees in Germany – including those in logistics and branch offices – from operational dismissal until 2029, though without precluding changes to employees' workload and responsibilities. There has nevertheless been a protracted fight for each individual job and production location, taking place within a web of opposing interests operating at different levels: between capital and labour, management and the works council, and different locations both within and outside of Germany. For example, in 2020 the Daimler management launched a massive restructuring programme to "optimise" its global production network. With this came the announcement of 30,000 job losses worldwide, putting the viability of several plants in question. The French Daimler subsidiary that produced the Smart brand was sold, and the manufacturing of the new electric Smart moved to China. Daimler's attempt to end production of the V6 diesel engine at its oldest plant in Berlin created a major conflict; after a year of negotiations by the works council, it was decided that the site will manufacture electric motors as part of a restructuring plan.

Volkswagen is grappling with similar internal struggles. Within its 2016 Pact for the Future, the company announced that although new technologies and products would create 9000 jobs, 25,000 would be lost. The pact includes a works-council-negotiated job secu-rity agreement up to 2025 and secured commitments to keep the production of new e-mobility components in Germany. The agreement, which applies to 120,000 employees, does not exclude job cuts; however, these would take place through managed retirement plans, such as the one agreed in February 2021 for 5000 jobs. The pact made the Wolfsburg main plant the headquarters for digitalisation and electro-mobility – "Volkswagen's Silicon Valley". Tensions around this plant grew in 2021 due to its low capacity utilisation and productivity. When in November 2021 then-CEO Herbert Diess reportedly warned the supervisory board of up to 30,000 job losses in Germany, a full-blown media scandal erupted. He subsequently backed off, mentioning only "some downsizing" at the main plant. Referring to the 2016 Pact for the Future, the works council rejected any further job cuts, but added that the workforce is ready for change, though "only with VW culture. And that includes the works council getting involved". Its central works council secured the Wolfsburg headquarters' future by pushing the management to accelerate the launch of autonomous electric vehicles there.

Electric car batteries – which make up between 30 and 40 per cent of the value added of an electric car – will be key to future employment in Europe. The number of jobs created will depend on the approach taken by manufacturers, however: from BMW's external procurement to Volkswagen's integrated value chains. Calls from trade unions for automotive companies to produce their own battery cells in house, thus mitigating job losses, are increasing, and indeed the size and influence of a company's work council has been found to be a key factor in whether a company goes down this route.

Managing conflict through a just transition

While Europe's car industry has historically not been concerned by the need to transition to greener transport, the automotive sector is now absorbed with managing the fast-track transformation to electromobility required by the EU, using a combination of hedging and support strategies.

On their side, the industry's works councils and trade unions have been heavily involved in protecting jobs and workers. Their efforts have met with some success – predominantly in France and Germany. In the latter, the interventions of the country's powerful works councils have allowed workers and plants to

come out of restructuring processes relatively well. French unions, after witnessing significant job losses in the past decades, believe that electrification presents a substantial reshoring opportunity and are calling for policies to incentivise this.

But even in the most positive of scenarios, the process remains conflictual. Just transition policies, while absolutely necessary, are limited in scope as they tend to be available to specific groups of workers only – those with regular employment contracts – and fail to cover the entire value chain, in particular in foreign countries. Trade unions at foreign subsidiaries, such as in central and eastern Europe, have less leverage as strategic decisions are made at company headquarters. As a defensive strategy, they hope for a longer phase-out for the combustion engine. Broader social justice issues, such as regional inequalities and the lack of affordability of the heavier and more expensive cars now guaranteeing industry jobs, are less the focus of trade union attention.

Trade unions have always been advocates for active government policy on industrial matters and have welcomed European Commission initiatives such as the Green Deal Industrial Plan and the Net-Zero Industry Act. But the lack of social conditions – such as quality jobs and apprenticeships attached to the available funding – has drawn strong criticism from Industri-ALL Europe and the ETUC, who are concerned that the relaxation of state aid rules may put downward pressure on working conditions.

The automotive industry's transition to electric vehicles – as required by the EU under the Fit for 55 package – is a positive step forward and key to wider ecological transition. But at this time of complete reconfiguration, the sector and its unions need more support to navigate the conflicts inherent in such wide-reaching change. That the automotive industry is not covered by the EU's Just Transition framework is a serious omission that risks deepening an already conflictual and unequally distributed process. If they want to see a green transition that is fair and generates hope rather than discontent in Europe's workplaces and homes, Greens and all progressive voices must add their weight to the call by trade unions, employers, and NGOs for a just transition framework for one of Europe's biggest sectors and employers.

Bela Galgóczi is senior researcher at the European Trade Union Institute.

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