

## For a recovery for the European automotive industry and its workers

Brussels, 10 July 2020

### The automotive sector is facing an unprecedented crisis

The automotive sector has been hard-hit by the COVID outbreak and measures adopted by governments to tackle the pandemic. For weeks, production stopped in many plants for public health reasons or because of the supply chain interruptions. On the demand side, closure of dealers in many member states has brought sales to almost zero in March and April. Since early May, production has slowly restarted but public health measures and low demand have restricted the pace of the resumption. This situation has had a severe impact on employment since, according to available statistics, 1.1 million workers have been impacted in Europe, in car manufacturing alone.

However, the employment impact goes well beyond the short-term situation since the COVID 19 has exacerbated already existing difficulties and accelerated decisions that were in preparation already. Since April 2020, many OEMs have announced major restructuring programmes (e.g. Renault, BMW, Volvo, Scania) or the closure of sites (Nissan in Barcelona). Other parts of the value chain are impacted as well since many suppliers have announced similar measures (e.g. ZF). Official data are not available yet, but many jobs are currently being lost in the EU automotive value chains and many European countries are impacted. The crisis seems to be general since it impacts many companies from different parts of the value chains and located across Europe (see overview table in annex).

### The sector needs quick and robust support to recover

Given the number of people employed in the car industry (2,6 million) and in the related value chains in Europe (up to 14 million), the sector remains among the most important job provider in the European economy. Moreover, the sector is also an important market for basic industries (steel, rubber, glass, chemicals), and has been playing a leading role in research and innovation as well as in exports. In other words, given its social and economic importance in Europe, the sector must be seen as strategic and must receive the highest political attention in the current crisis context.

IndustriAll Europe welcomes the fact that the sector has been identified as a priority for the EU Recovery strategy: “To help create more jobs, there will also be a focus on accelerating the production and deployment of sustainable vehicles and vessels as well as alternative fuels. The Connecting Europe Facility, InvestEU and other funds will support the financing of the installation of one million charging points, clean fleet renewals by cities and companies, sustainable transport infrastructure and enable the shift to clean urban mobility”. IndustriAll Europe asks to mobilise resources made available through the new €750 billion recovery instrument Next Generation EU, and the revised EU budget to support the sector in-line with EU long term objectives.

IndustriAll Europe also welcomes the support measures announced by member states for the sector. In synergies with the European level, those plans should aim at:

- A **synchronized relaunch of industrial activity** incl. the aftermarket with harmonised guidance on preventive health and safety measures for the workplace; coordination is also needed to avoid further disruptions in the sophisticated automotive supply chains
- **Keeping viable companies afloat.** To avoid stranded assets and job losses, liquidity support has to be maintained as long this is needed, while avoiding undue windfall profits via state aid, investment guarantees, tax breaks, soft loans
- Supporting companies in **maintaining/developing their human capital** while the income and job security of workers must be preserved e.g. through continuation of short-time work arrangements connected to skills upgrading
- **Introducing/reinforcing temporary demand stimulus measures**, keeping in mind that unemployment, precariousness and pressure on wages are the main obstacles to a rise of demand. These measures should be in line with the EU green deal objectives and modulated according to the impact on reduction of CO2 emissions.
- **Mapping the impact of the current crisis on the supply chains and assess** where challenges will appear to comply with the EU legislation

The scope of the support measures should match the capacity of what can be produced in Europe. IndustriAll Europe cannot accept to see massive amount of public money being used to boost imports of cars from third countries whereas thousands of jobs are under threat in the European automotive industry. The EU recovery strategy must support the transformation of the EU automotive industry and should avoid in any case to accelerate its decline.

## Companies must commit to invest and keep jobs in Europe

Unprecedented level of public money will be used to support industries in the coming months. This cannot happen without social obligations. Support measures, and bailout in particular cannot be just blank checks and conditionalities must ensure that public money is not used to pay dividends and bonuses, that companies commit as much as possible to invest in European production facilities and to keep employment at the highest possible level. Supported companies must pay their taxes in Europe and should not practice tax evasion. Companies that are prime contractors have also a role to play regarding local suppliers and bailouts should be conditional to secured commitments regarding suppliers. The COVID19 crisis has also demonstrated how damaging the relocation of industrial activities has been as the industry has been hit by the reduction of imports of equipment and raw materials. The support given to the automotive sector should also be used to address these concerns.

## The sector needs an industrial strategy to cope with decarbonisation and digitalisation

The EU recovery strategy must not be done at the expense of EU long term objectives. It must support and strengthen the efforts made to prepare the industry to cope with the broader structural trends shaping the future of the industry. The **future of the automotive industry will be green and digital and green means carbon neutral and circular** as clearly stated in the European Green Deal Communication. The Green Deal is the political compass of the European Union Industrial policy for the coming decades even though the number of challenges ahead is huge.

The following elements as key to **support the sector in delivering on the digital and low-carbon transitions**:

- Developing and maintaining technological leadership by means of **ambitious technology programmes in the twin digital and low-carbon transitions** (IPCEI, such as the battery alliance,

is certainly the kind of initiative that must be promoted and extended to other technologies such as hydrogen or e-fuels)

- **Providing investment support** (grants, loans, equity) for the market introduction of new sustainable technologies (The EU recovery plan might here play an active role as national recovery plans)
- Introducing/reinforcing **market incentives** to promote the uptake of alternative powertrains (premium, tax rebates)
- **Promotion of industrial collaboration and industrial alliances** to share the cost of the development and market introduction of new low-carbon technologies (EU competition law must be reviewed adequately)
- **Accelerate the roll-out of charging and fuelling infrastructure** in public as well as private places (delivering the promised “1 million charging points and refuelling stations across the EU for all vehicle types”)
- **Facilitate investments in the next generation digital infrastructure** as a key enabler for more reliable connectivity between vehicles
- Make use of **innovative public procurement** to support demand and to bring new innovations to the market
- **Develop the circular economy** connected to the automotive supply chain (recycling, re-manufacturing, re-use)
- **Supporting the many automotive SME’s** in redefining their value chain positioning in a fast-changing automotive landscape
- Monitor and assess the impact of the **EU trade policy** on the sector in order to support the strong position of the automotive industry on the international markets (the EU is launching this year a review of its trade policy). At the same time, it has to be ensured that the European and national recovery plans support in the first place domestically produced cars.

What is key is to set up a **comprehensive industrial strategy** that aims to keep as much as possible the automotive industry and the related value chains in Europe. Millions of jobs, often highly qualified quality jobs, are here at stake.

## The sector also needs an employment strategy

But what is already obvious is that the EU needs an **employment strategy for the automotive industries to steer and anticipate the changes ahead of us**. We therefore need, next to the industrial strategy, a kind of “**Just transition master plan**” for the sector.

- First, to **identify where and what the impact of the sectoral transformation will be**. It is here important to stress that the automotive industry has a strong regional dimension. Regions should be supported (e.g. by coordinated efforts from the European Social and Investment Funds) in the implementation of economic diversification strategies and the development of alternative industrial value chains.
- To make the management of restructuring a shared responsibility of all stakeholders: companies, social partners, public employment services, regional development agencies, regional, national and European authorities (e.g. by setting up multi-stakeholder taskforces).
- To avoid mass redundancies and to find a solution for each worker involved in a restructuring process anticipated through timely organising systems for early retirement, internal mobility, up- and re-skilling towards new future-oriented jobs, maintaining a labour contract during the transition to a new job. A personalised approach (group outplacement, job search assistance,

tailor-made training programmes) should guarantee a smooth transition towards a new job. This should be addressed in the upcoming new European skills agenda.

- Ensuring **social dialogue and workers participation** is of the utmost importance to deal with the change ahead of us. We unfortunately have to deplore that some companies announced the afore-mentioned job cuts in the press without any prior information and consultation of the workers representatives. This is an **unacceptable infringement of the EU legislation regarding information/consultation of workers** and this undermines the basic rights of workers to have their say in decisions where their fate is at stake. This is of course first and foremost the responsibility of the companies but this is also the responsibility of the EU and its member states to enforce the existing EU law to protect workers' rights especially at a time where a lot of public money will be spent (bailouts, temporary unemployment schemes, recovery plans) to support the industry to recover.
- Ensure information, consultation and participation rights are respected and strengthened by:
  - **fighting any violation of existing rights** to information/consultation/participation at local and European level. EU institutions must ensure that both national and European rights for information/consultation/participation are complied with and workers suffer no hindrance to enforce their rights before courts, including with genuinely dissuasive sanctions
  - **fine-tuning our approach to improve the coordination of trade unions** in restructuring cases (to deliver quicker and more efficient support)
  - **empowering EWCs / SE-WCs to be better equipped to face the massive wave of restructuring** and to work under the Covid-19 time and space constraints (incl. travel ban and social distancing) by issuing concrete and timely recommendations, together with other European trade union federations whenever appropriate and possible
  - **fight for improvement of existing rights**, with a special focus on the EWC Directive and the 2002/14 general framework, together with the ETUC

We would like to insist on the **importance for public authorities and companies to manage the industrial change through investment, innovation, policy planning and good industrial relations to keep industrial value chains and the related jobs in Europe**. Brutal deindustrialisation and social disruption would be the best recipe to deepen divisions and exacerbate tensions among the EU and among society. The alternative is a dangerous route for our democracies and societies. Based on solidarity among workers across countries, IndustriAll Europe will continue to work with its members to defend workers' rights all around Europe in the automotive supply chains and will fight back attempts to weaken those rights through divisions.