



JUST TRANSITION(S) IN SOUTHEASTERN EUROPE

22 MARCH 2022

TWIN TRANSITIONS IN SOUTHEASTERN EUROPE

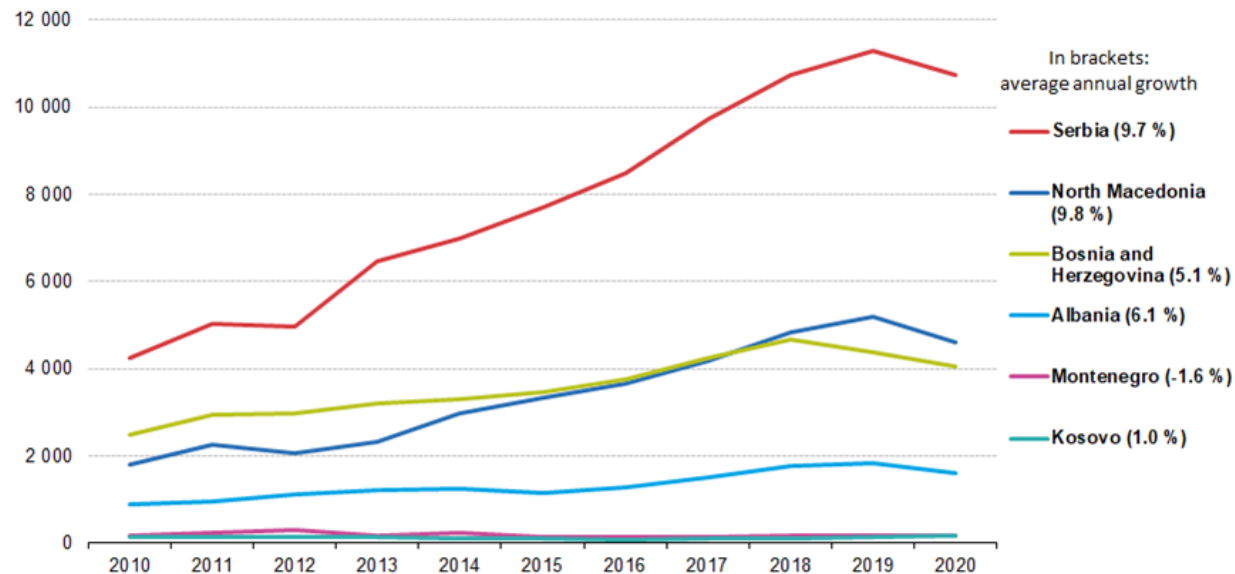
▶ Digital transition:

- Economic specialization
- Labour costs
- Lessons from the “New Member States” in Central and Eastern Europe

▶ Green transition:

- Direct impact of EU regulations
- Indirect impact of EU regulations
- “Catching up” has a different and much more urgent meaning

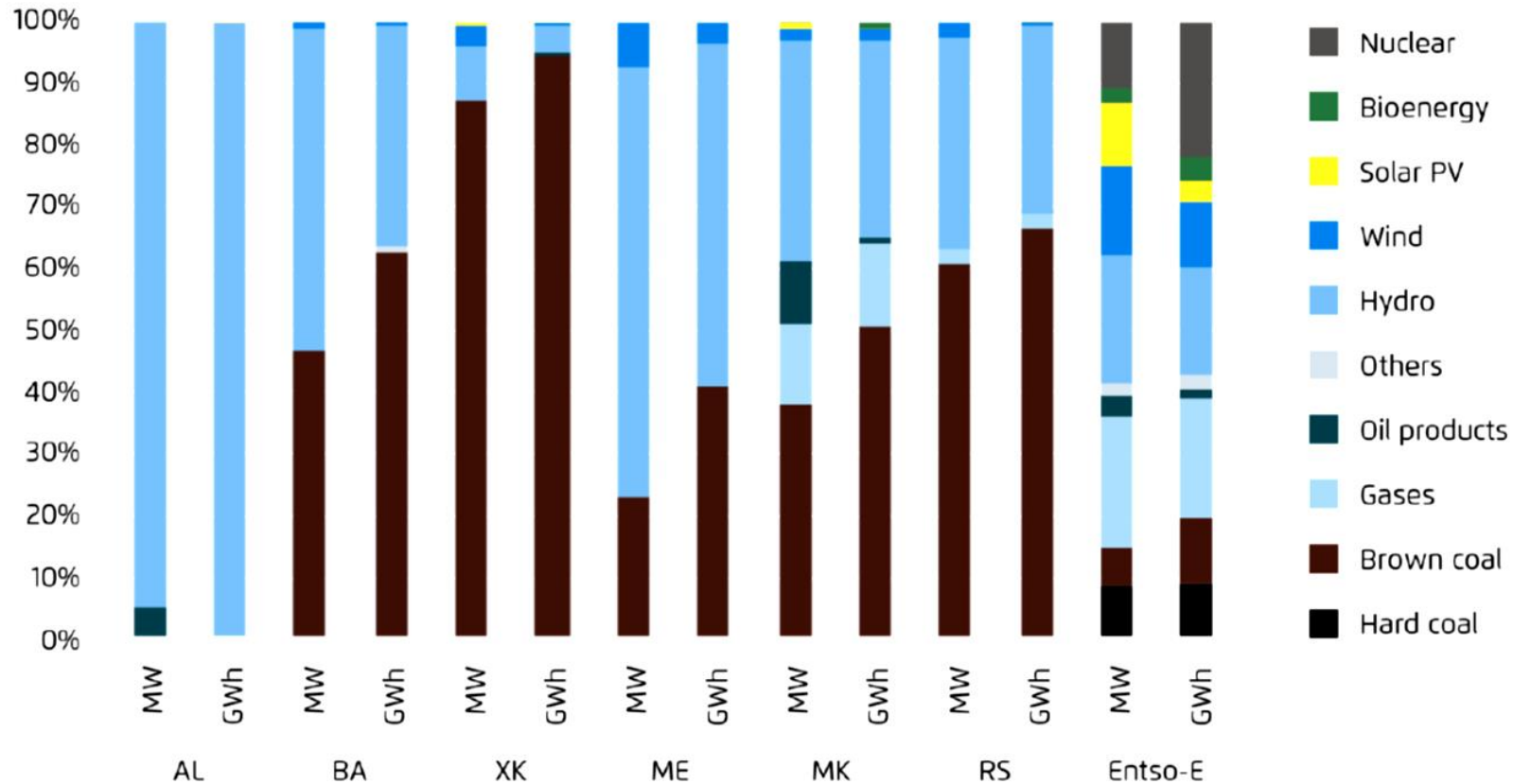
EU imports from Western Balkan Countries, 2010 - 2020
(EUR million)



Source: Eurostat (online data code: Comext data code : DS-018995)

THE ENERGY MIX IN SOUTHEASTERN EUROPE

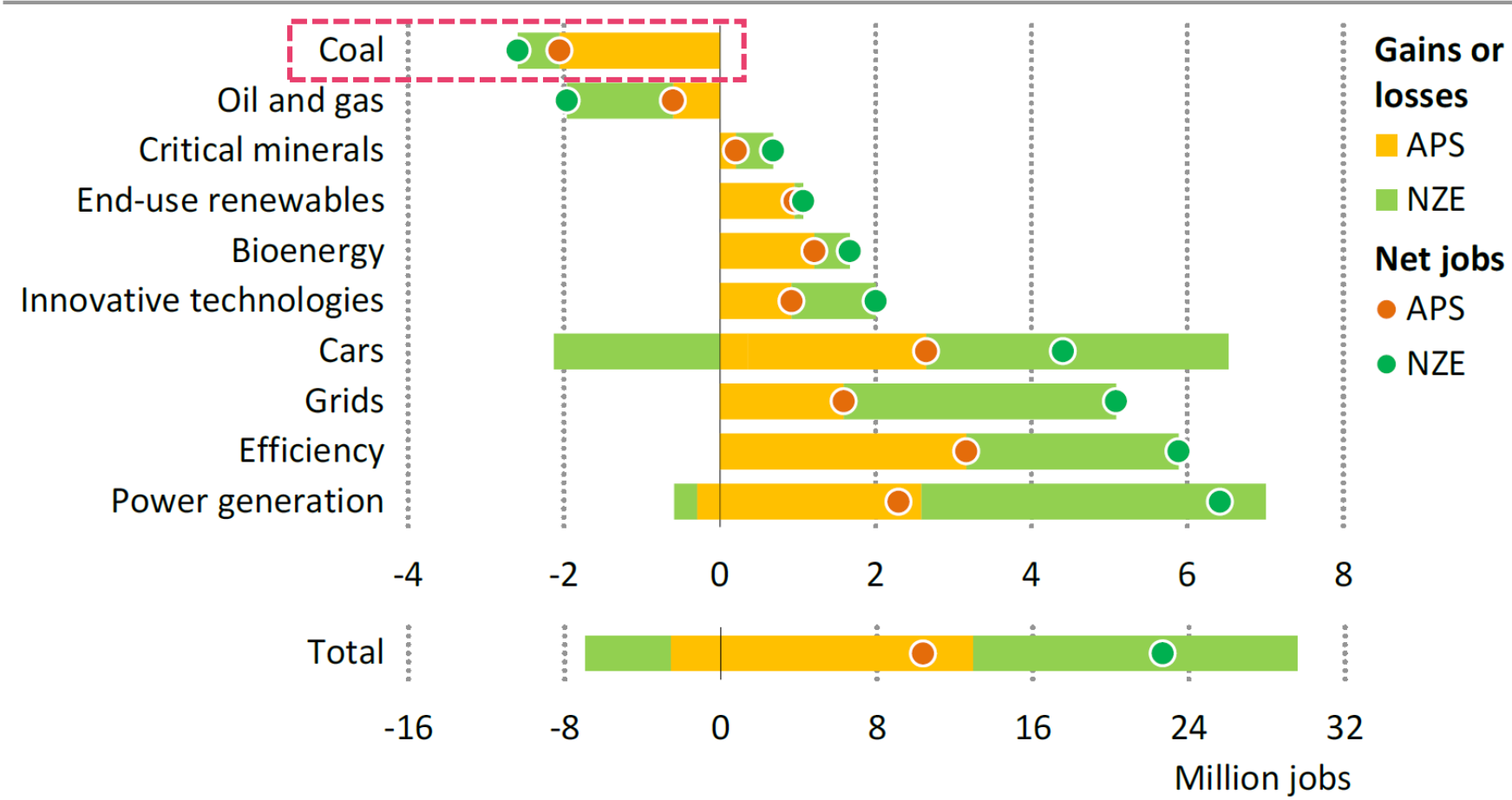
Figure 3: 2018 power mix of WB-6 countries and the ENTSO-E aggregate²⁰



Agora Energiewende adapted from (ENTSO-E, 2020), (Eurostat, 2020)

THE ENERGY TRANSITION INVOLVES HUGE EMPLOYMENT SHIFTS

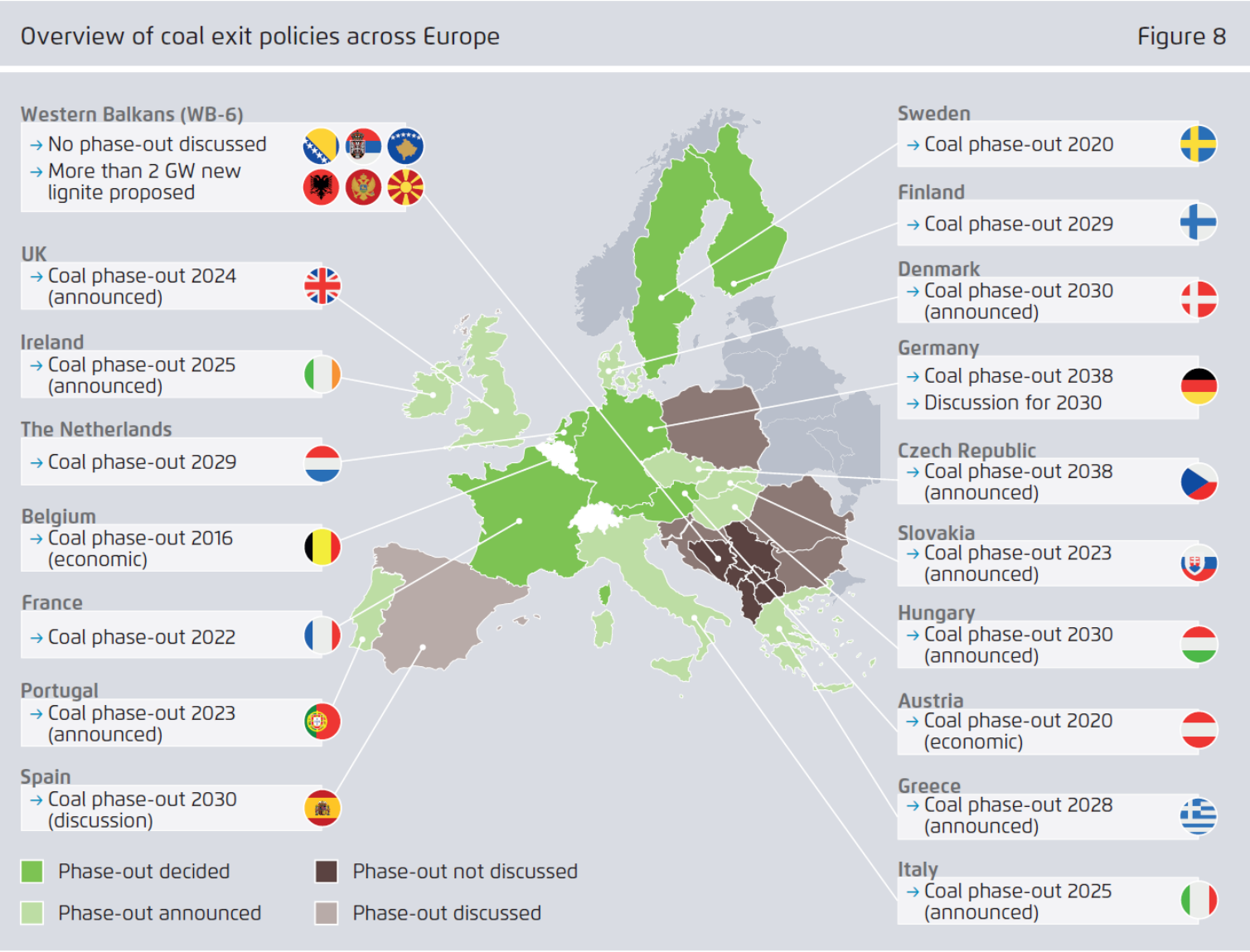
Figure 1.15 ▶ Employment growth in clean energy and related areas to 2030



Source: World Energy Outlook (October 2021)



LAGGING BEHIND ON COAL PHASE-OUT

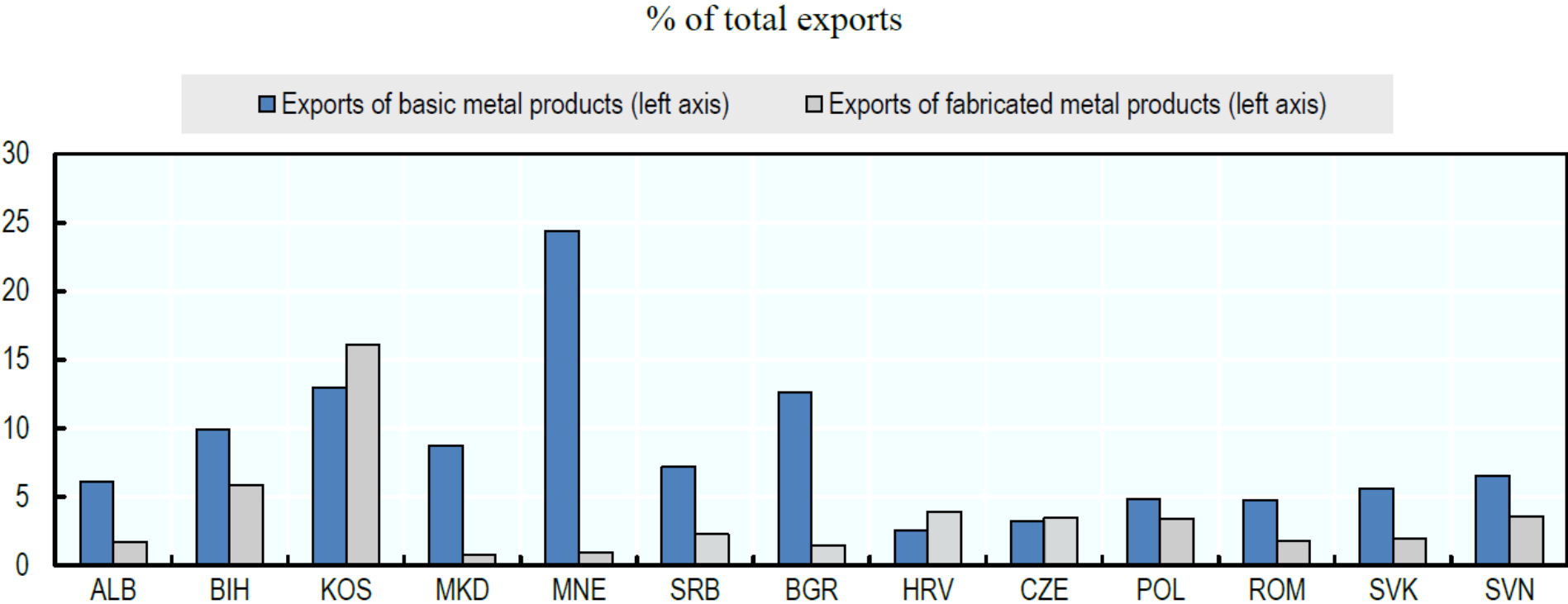


enervis (2021)



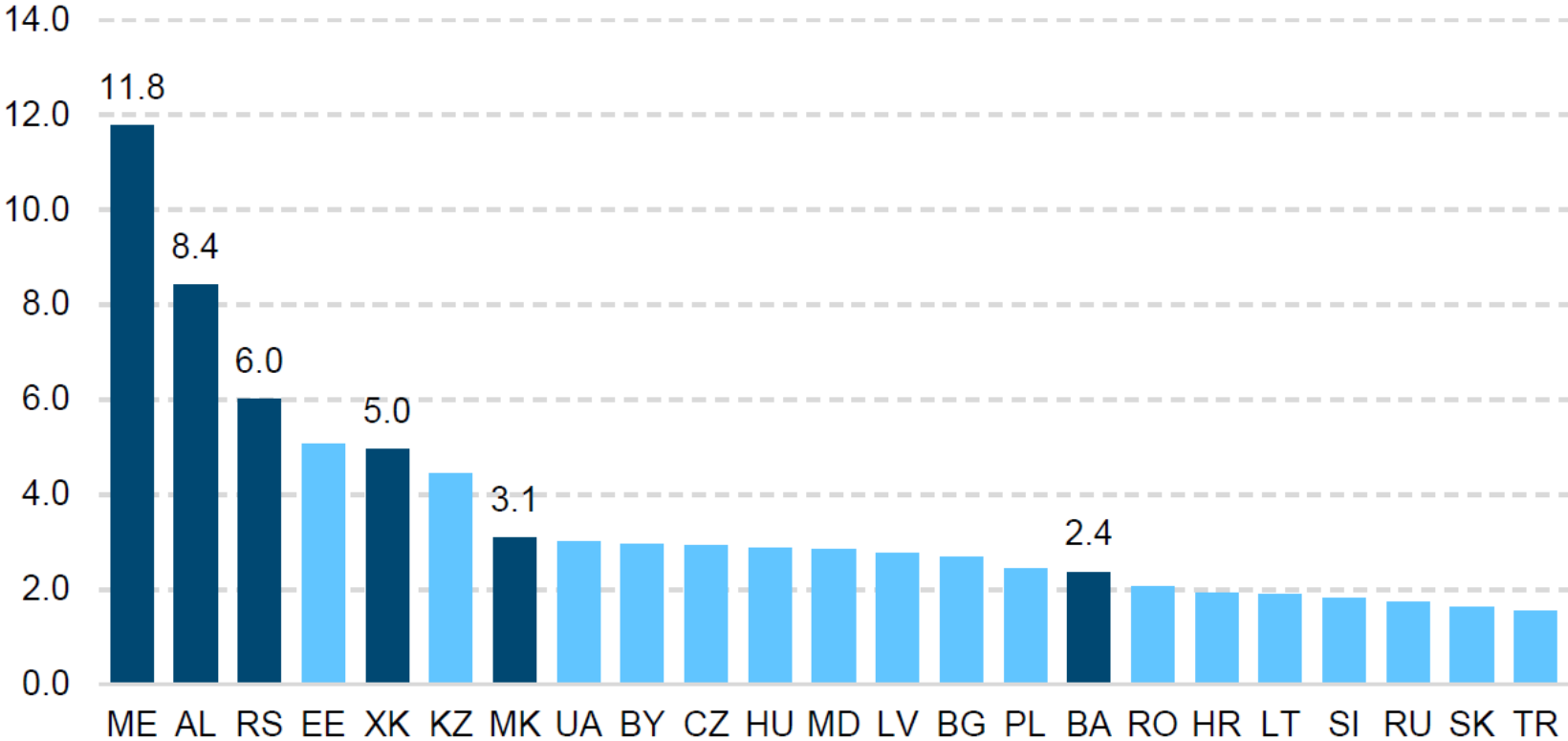
EU CARBON BORDER ADJUSTMENT MECHANISM COULD SERIOUSLY IMPACT THE REGION'S METALLURGICAL INDUSTRY

Figure 3.5. Metal processing sector exports from the WB and CEE (2016)



FOREIGN DIRECT INVESTMENT PLAYS A COMPARATIVELY HUGE ROLE IN SOME SEE COUNTRIES

Figure 2 / FDI inflows in CESEE economies during 2010-2019 (% of GDP)

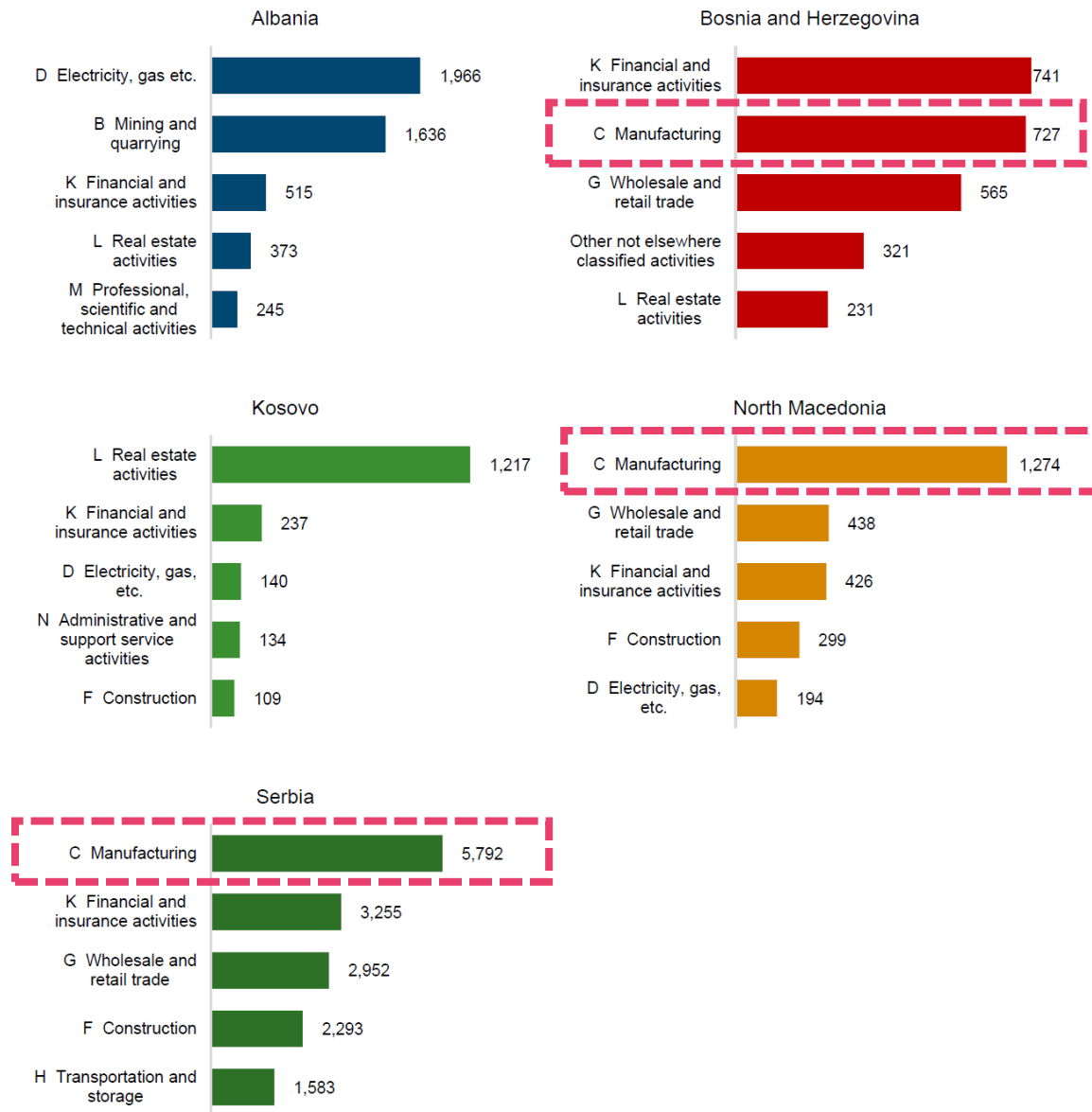


Source: wiiw FDI database.



MANUFACTURING FDI IS A KEY CHANNEL FOR INTEGRATION IN EU VALUE CHAINS

Figure 7 / Top 5 sectors for FDI inflows in the WB economies (EUR million)

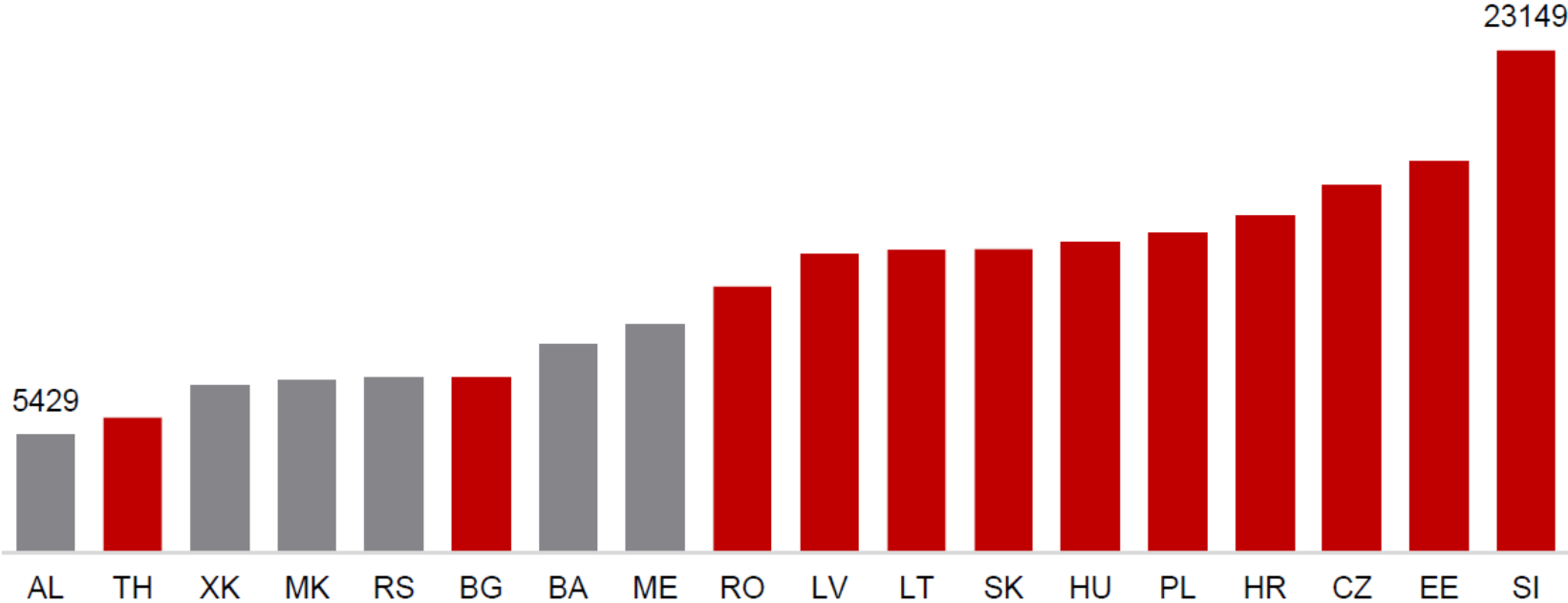


Source: wiiw FDI database.



LABOUR COST IS REGARDED AS THE REGION'S PRIMARY COMPETITIVE ADVANTAGE

Figure 16 / Average annual gross wages (USD), average for 2017-2019

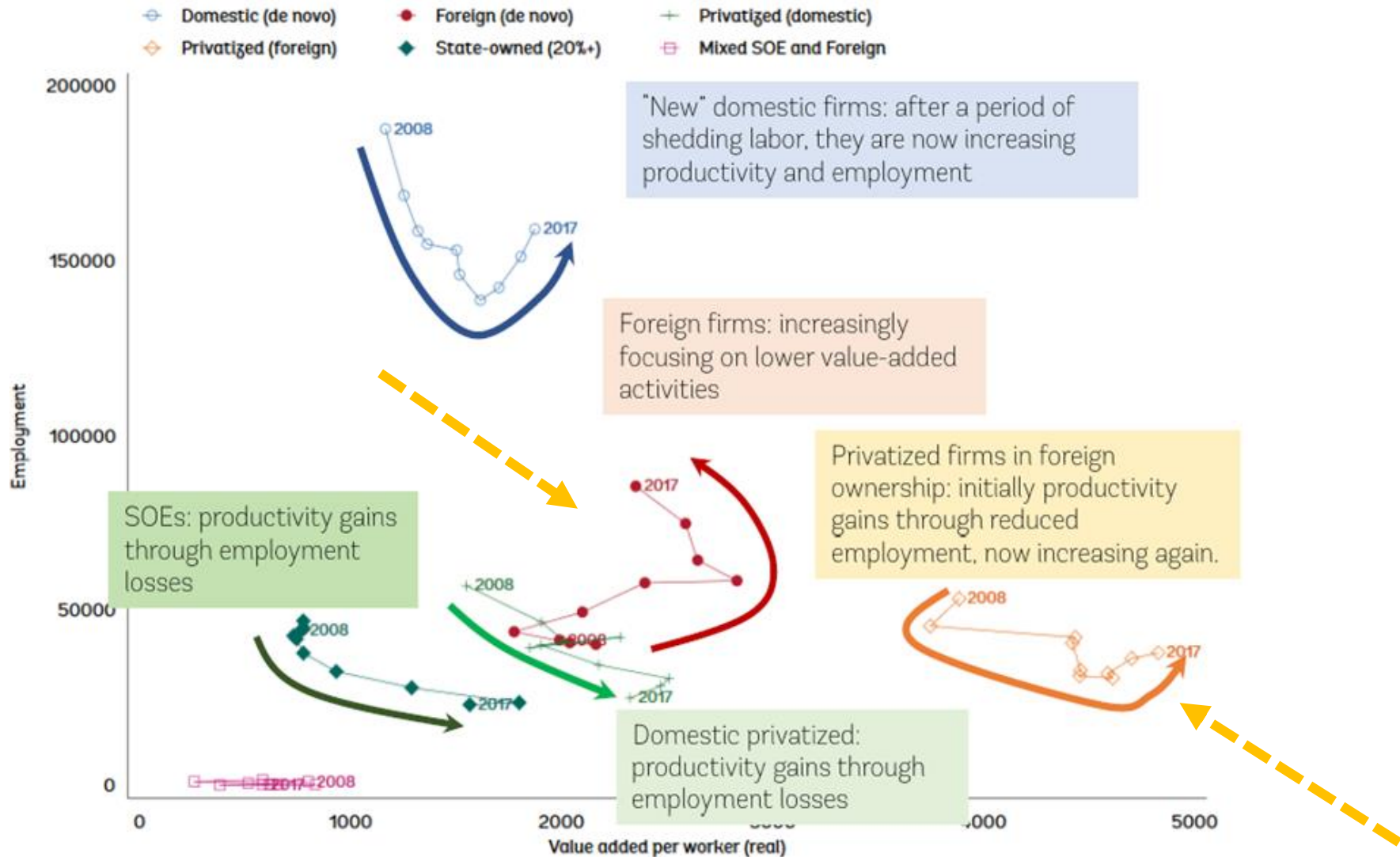


Source: wiiw and ILO.



INVESTMENTS ARE NOT FOCUSING ON NEW TECHNOLOGIES

Serbia: FDI jobs are increasingly concentrated in lower value-added sectors



“HARD WORK”, BUT LOW SKILL REQUIREMENTS

Table 2 / Low needs for IT and language skills among Western Balkans firms

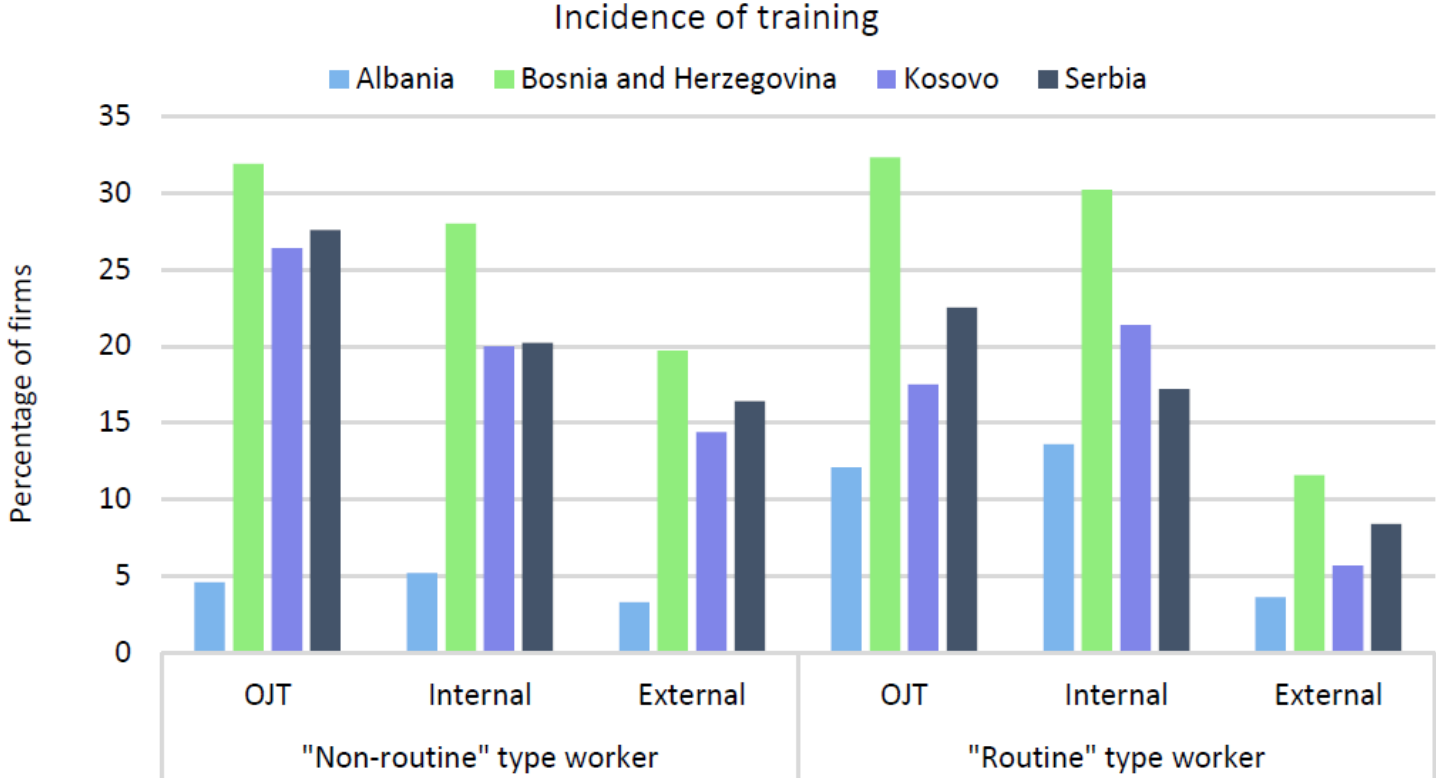
	Albania	Bosnia-Herzegovina	Kosovo	Serbia
What are the top three ranked skills for “Non-routine” type workers? (out of 12 skills)				
Highest	Conscientious	Conscientious	Conscientious	Job specific technical
Second	Stable, stress resistant	Innovative	Innovative	Conscientious
Third	Numerate	Stable, stress resistant	Numerate	Stable, stress resistant
What is the ranking of “new economy” skills when making decisions regarding hiring or retaining “Non-routine” type workers? (out of 12 skills)				
Advanced computer	11	11	9	10
English	7	10	8	11
What are the top three ranked skills for “Routine” type workers? (out of 12 skills)				
Highest	Conscientious	Conscientious	Conscientious	Conscientious
Second	Stable, stress resistant	Stable, stress resistant	Innovative	Stable, stress resistant
Third	Job specific technical	Interpersonal skills	Interpersonal skills	Job specific technical
What is the ranking of “new economy” skills for accessing and processing information for “Routine” type workers? (out of 12 skills)				
English	10	10	9	12
Digital literacy	11	11	12	9

Note: Advanced computer knowledge is included among skills for “Non-routine” type workers, and basic computer skills (digital literacy) for “Routine” type workers. Results for North Macedonia cannot be compared due to methodological differences.

Source: Estimates based on STEP Employer Surveys.

UPSKILLING IS NOT ON EMPLOYERS' MINDS

Figure 16 / A majority of firms do not provide training to their staff



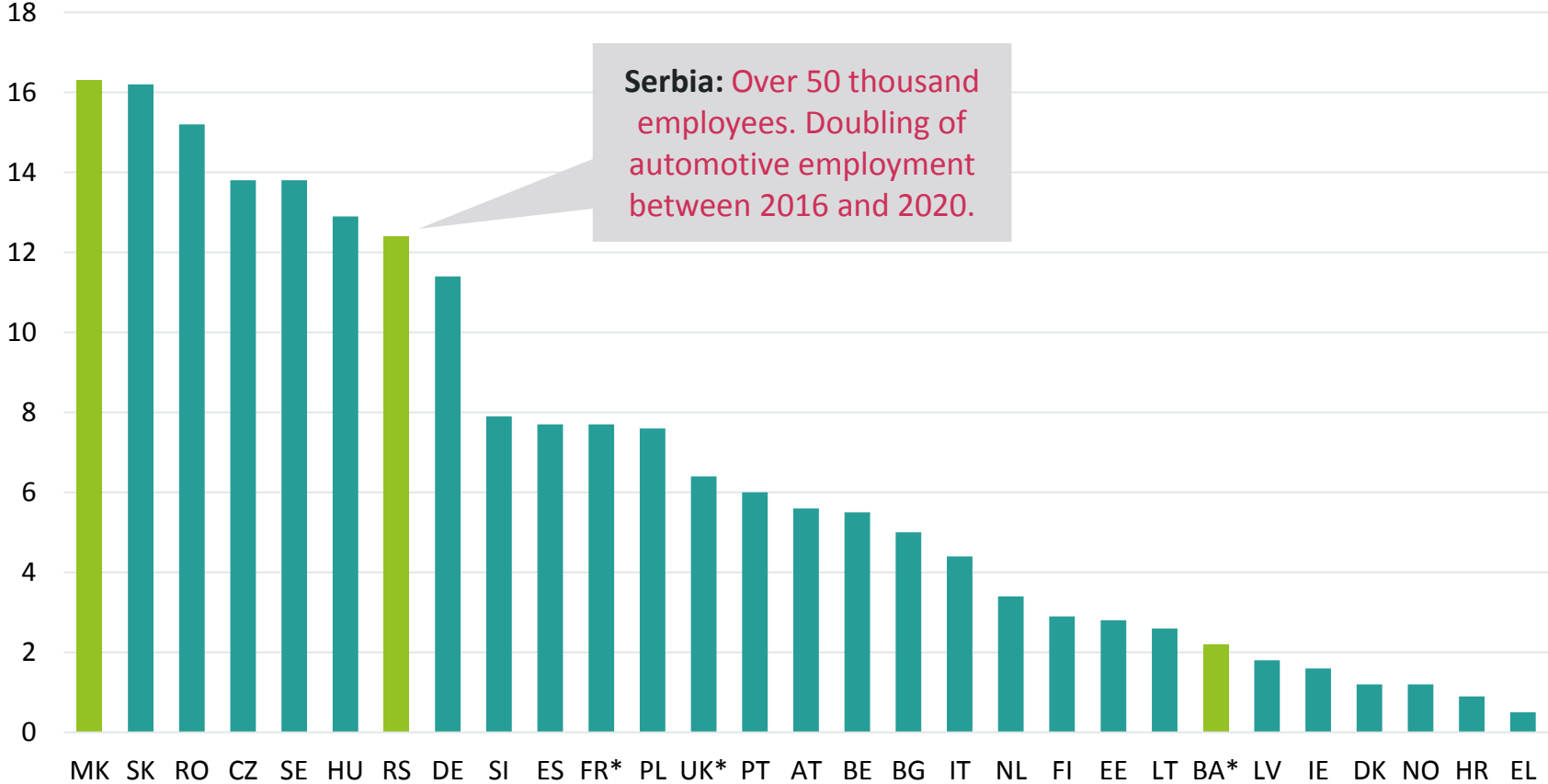
Note: OJT = On-the-job training.

Source. Estimates based on STEP Employer Surveys.



THE AUTOMOTIVE INDUSTRY IS ALREADY A SIGNIFICANT SOURCE OF EMPLOYMENT

Automotive sector employment (% of total manufacturing employment)



Largest Companies

• **BATAGON ENERGY** (Batteries)

• **Magna** (Seat covers)

• **Dräxlmaier** (Wiring harness) • **Mecaplast** (Plastic parts)
• **Linglong** (Tires)

• **Agena Technology** (Connecting rods) • **Hutchinson** (Rubber hoses)

• **Cooper Standard** (Rubber hoses)
• **Eurozait** (Wiring harness) • **Lames** (Window lift mechanism)

• **Ikarbus** (Buses) • **IPM** (Fuel supply)
• **Robert Bosch** (Whiper system) • **Srboauto** (Transmission parts)

• **Yazaki** (Wiring harness)

• **Adient** (Seat covers) • **Minth** (Body parts)

• **Mei Ta** (Castings)

• **GredaMetal** (Pressed parts)

• **KM Manufactur** (Interior parts)

• **Inmold** (Plastic parts)

• **Autoventil** (Valves)

• **Proleter** (Forgings)

• **FAP** (Trucks)

• **Sloga** (Hidraulics)

• **Vorwerk** (Suspension parts)

• **FAD** (Suspension parts)

• **EMA** (Superstructures)

• **LEONI** (Wiring harness)

• **Fiat Chrysler Automobiles** (Passenger cars) • **SCGM** (Plastic parts)
• **Bacchis Osiride** (Insulation) • **Gomma Line** (Rubber hoses) • **Adient** (Car seats)
• **Magneti Marelli** (Plastic parts) • **Tekina** (Pressed parts) • **Yanfeng** (Interior Trims)
• **TPV Šumadija** (Pressed parts) • **Zastava Inpro** (Trailers) • **Sigit** (Rubber parts)
• **Zastava Tapacirnica** (Seat covers) • **PMC Automotive** (Body parts)

• **PPT** (Hydraulics)

• **FRAD** (Filters) • **Grammer** (Headrest)

• **Leoni** (Wiring harness)

• **Norma** (Rubber hoses) • **Continental** (Rubber hoses) • **Boysen** (Exhaust System)

• **Mecafor Products** (Machining) • **Le Belier** (Aluminium castings)

• **Knott Autoflex Yug** (Trailers)

• **FKL** (Bearings)

• **Lear Corporation** (Wiring harness) • **Aptiv** (Wiring harness)
• **Continental** (Interior Electronics R&D) • **BMTS** (Turbochargers)

• **Coficab** (Wire)

• **Konkab** (Wiring harness)

• **IGB Automotive** (Seat heaters) • **Toyo Tires** (Tires)

• **ZF** (Electric drives) • **Brose** (electric motors)

• **Streit Group** (Turbocharger housings)

• **Carbotech** (Graphite brushes)
• **PKC Wiring Systems** (Wiring harness)

• **AD Plastic** (Insulation)

• **Yura Corporation** (Wiring harness)

• **Grah Automotive** (LED Systems)

• **Aunde** (Seat covers)

• **Kromberg & Schubert** (Wiring harness)
• **Cooper Tires** (Tires) • **Trayal** (Tires and rubber parts)

• **LEONI** (Wiring harness)

• **Johnson Electric** (Electric motors) • **Shinwon** (Wire)
• **Ming** (Forgings) • **Yura Corporation** (Wiring harness)

• **Tigar Tyres** (Tires)

• **Elrad WS** (Electronics) • **Gruner** (Electronics)

• **Yura Corporation** (Wiring harness) • **Aptiv** (Wiring Harness)

• **Teklas** (Rubber hoses)

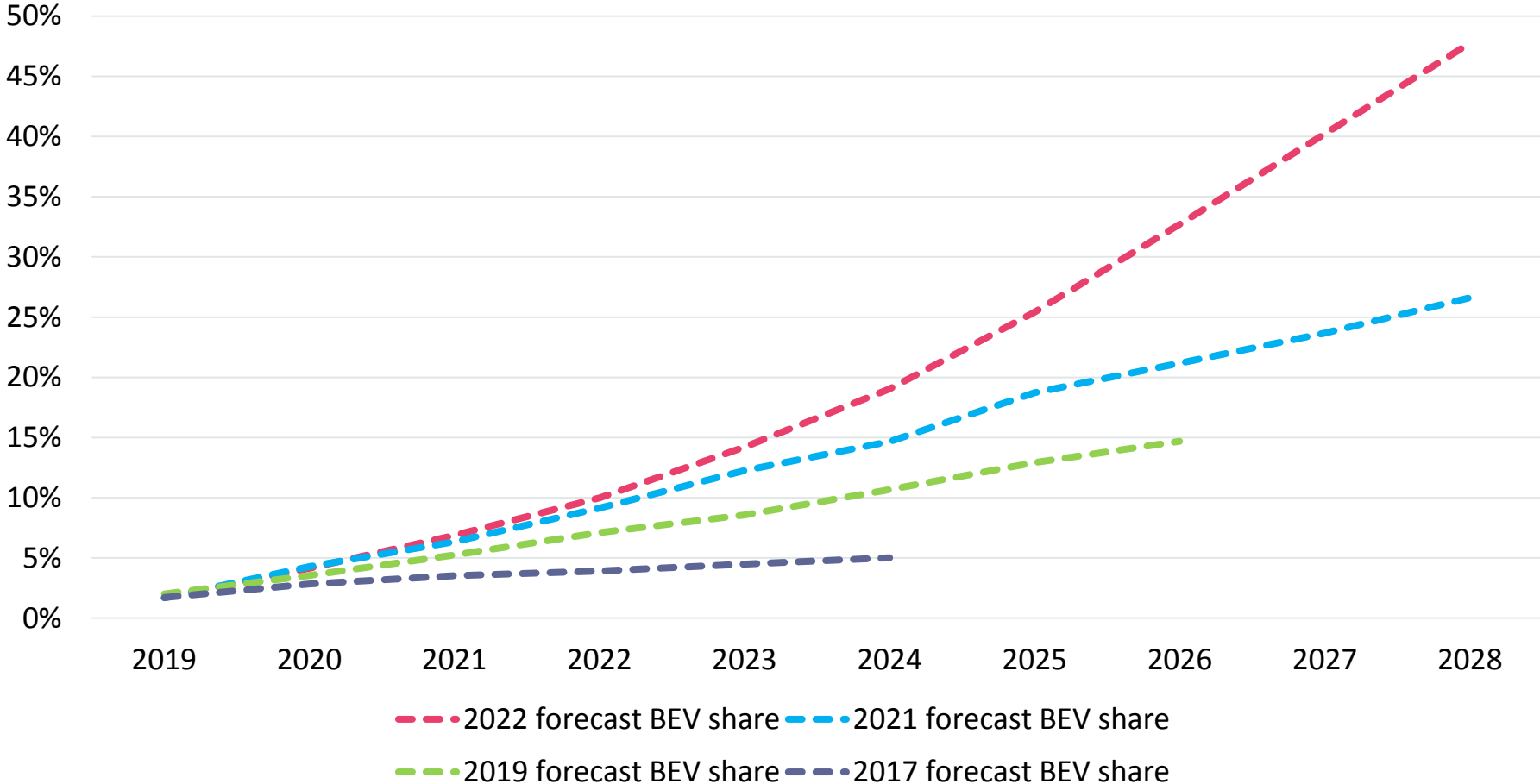
• **Leoni** (Wiring harness)

in Automotive Industry



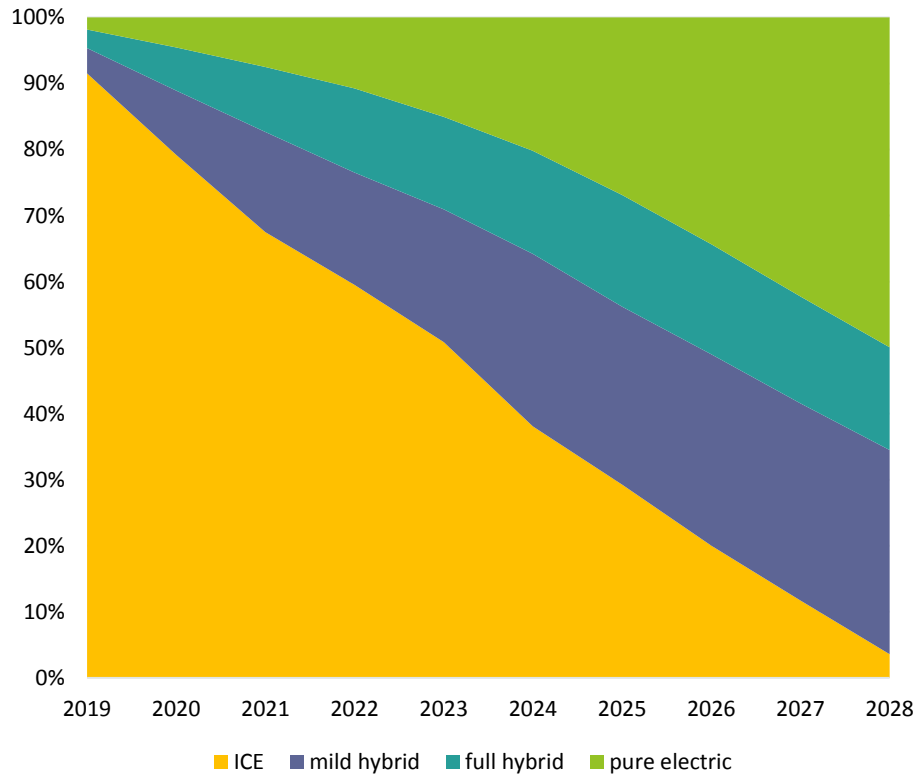
POWERTRAIN ELECTRIFICATION CONTINUES TO ACCELERATE

Forecast of battery electric vehicle market share compared to previous years' forecasts (%)

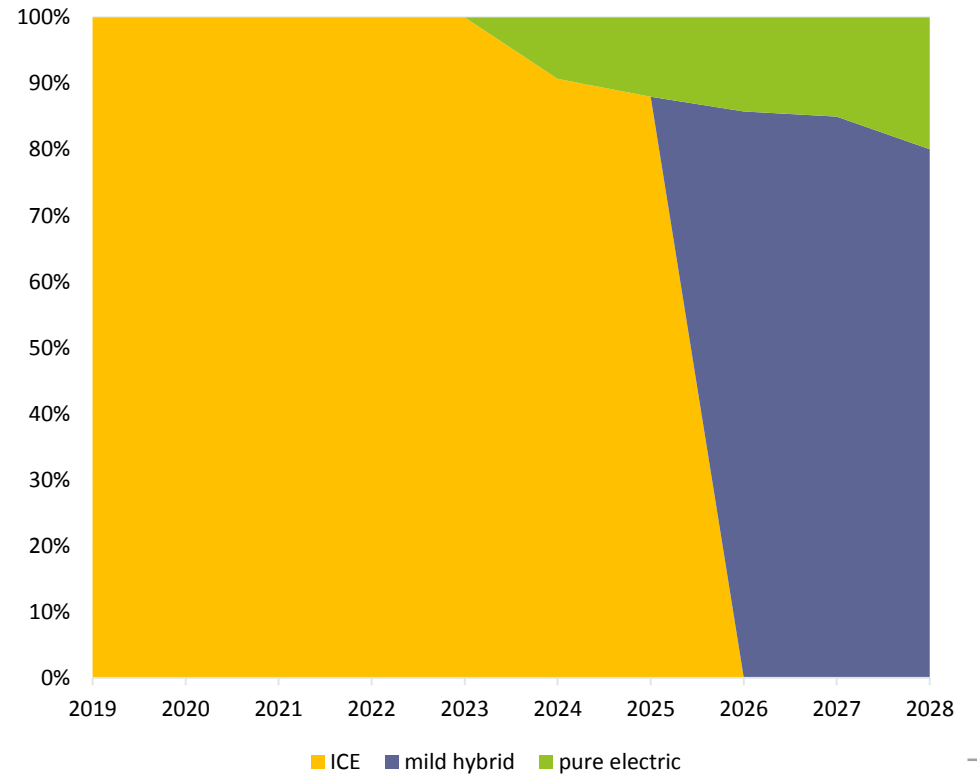


SEE TRANSITION FOLLOWS EU TRENDS, WITH SOME DELAY

EU vehicle production forecast (Jan. 22)



Serbia light vehicle production forecast (Jan. 22)



THE NEW EV SUPPLY CHAIN COULD HAVE A NEW GEOGRAPHY

Automotive: Plan for Increasing E-Axle Production Capacity



Invest around ¥300 billion to enable vertical startup to prepare for the turning point of FY2025

1. NIDEC TOSOK (ZHEJIANG)

2. Nidec Automotive Motor (Zhejiang)

3. Nidec (Dalian)

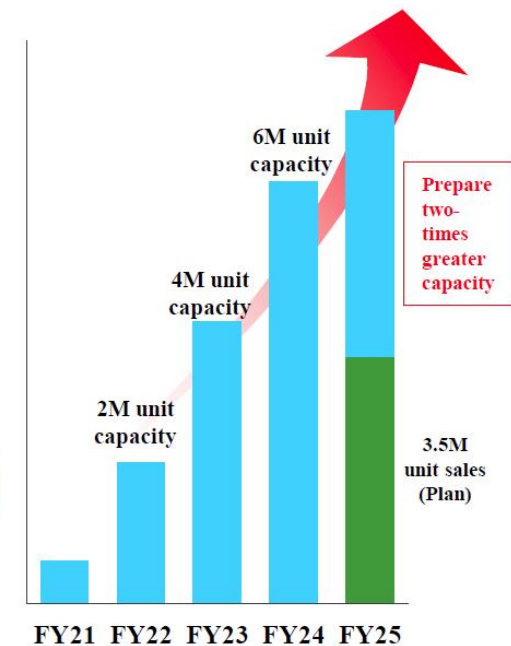
4. Guangzhou Nidec Auto Drive System

5. Nidec PSA emotors

6. Nidec Electric Motor Serbia

Planning the 7th, 8th, 9th new global production sites

< E-Axle production capacity plan >
(On an annual unit basis)



This slide includes forward-looking statements. See Disclaimer on Page 2.

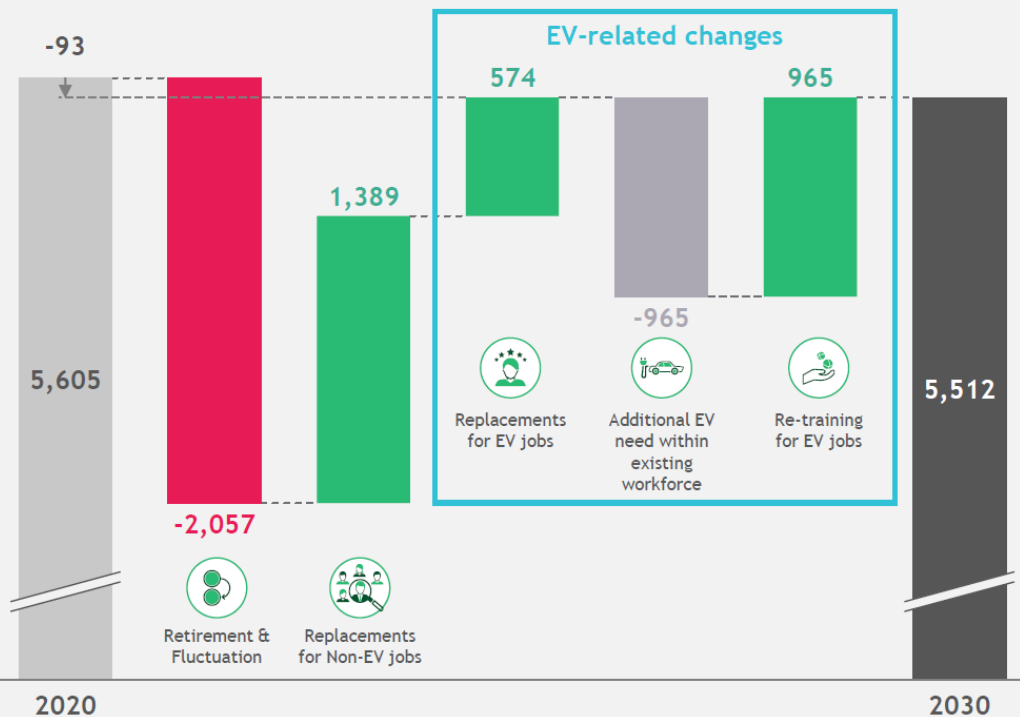
Turning point



EV TRANSITION INVOLVES SHIFT IN JOB CONTENT AND SKILLS

Assessment of employment developments in the European automotive industry

Impact on jobs in Europe [in k]



1.4M workers need to be hired for non-EV related jobs



Substantial effort but exiting job profiles and training needs ("business as usual")



0.6M workers need to be hired for EV related jobs



1.6M hiring and training necessary for new EV related jobs



1.0M workers need to be re-trained for EV related jobs

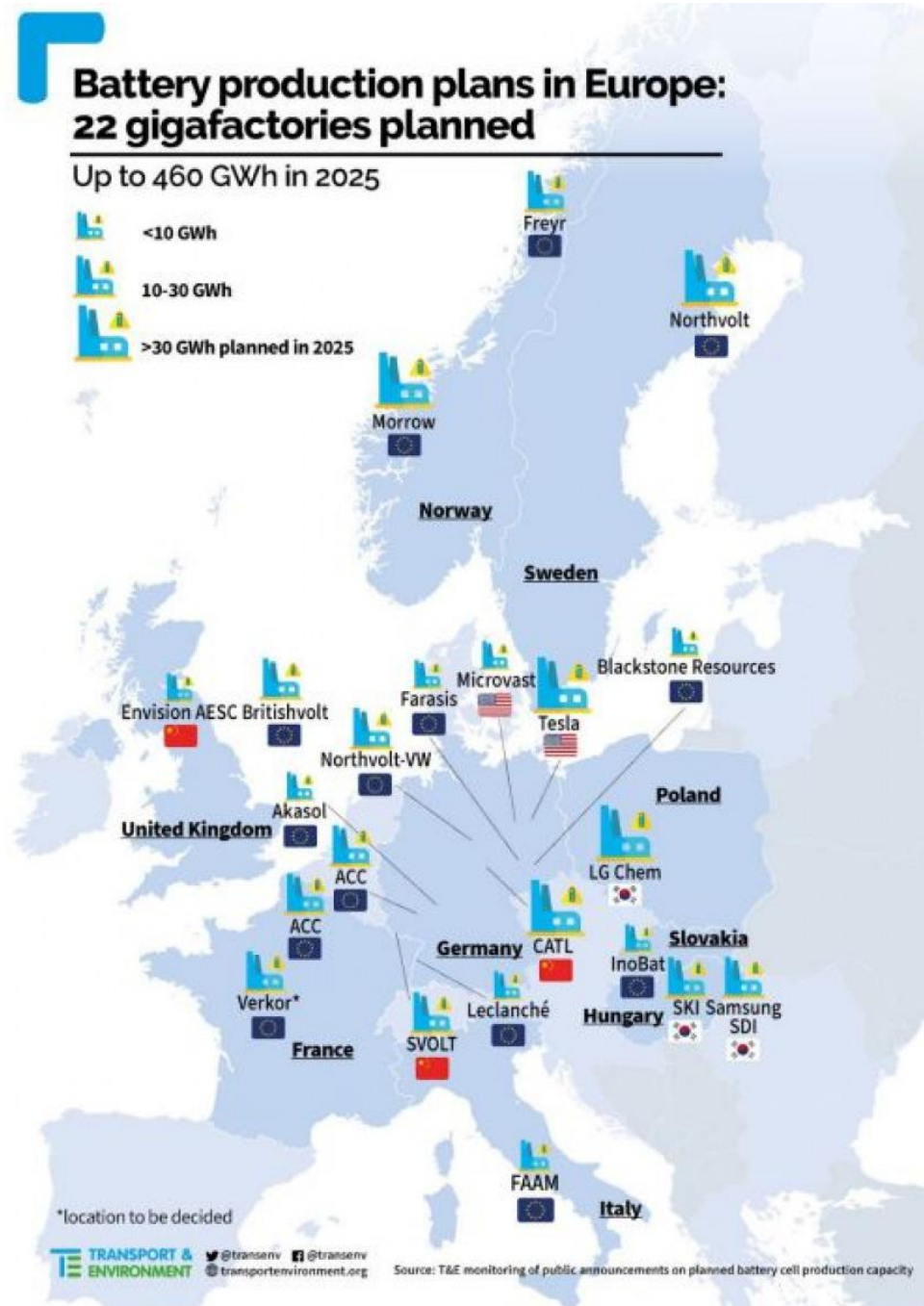


Massive effort with completely new job profiles and training needs



THE RISK OF JOB QUALITY DEGRADATION

- ▶ Rush by EU states to develop local EV battery capabilities.
- ▶ Battery production regarded as high value-added activity.
- ▶ Job transitions from combustion engine technology to EV supply chain.
- ▶ This transition should lead to a reduced number of jobs in powertrain manufacturing.
 - Recent estimates are for approximately 60 thousand jobs in battery manufacturing across Europe.
 - Direct ICE technology employment is much more numerous.
- ▶ Job quality is almost never addressed in relation to EV battery manufacturing.
- ▶ The example of the Samsung battery plant in Hungary suggests significant degradation of job quality vs. legacy ICE technology.



HOW TO ENSURE A JUST TRANSITION?

- ▶ Risk of exacerbating a “low-road” developmental trajectory?
 - Low productivity
 - Low wages
 - Weak states
 - Bad jobs and low standards of living
- ▶ Opportunities of accelerating convergence?
 - Technological leap
 - Increased productivity
 - Better jobs and standards of living
- ▶ A European issue, in the broadest sense possible.
- ▶ Learning from trade union experiences across Europe, both good and bad.



syndex

L'EXPERTISE ENGAGÉE



IRLANDE



ROYAUME-UNI



BELGIQUE



wmp consult

Wilke Maack

ALLEMAGNE



POLOGNE



FRANCE



ROUMANIE



ESPAGNE