

Position paper 158/2024

Workers of the automotive industry and its supply chain's wake-up call for Europe

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The unions in the automotive industry and throughout the value chain want a plan to safeguard jobs and working conditions in the sector, now! Workers in the automotive industry and throughout the value chain cannot be subjected to shareholder greed, the industrial mistakes made by manufacturers and the lack of vision of European politicians. Yet not a day goes by without the press announcing relocations, company closures, redundancy plans or even competitiveness plans that slash workers' social concessions wherever they are in the production chain!

This urgent action must be rooted in a longer-term perspective. The European elections in May 2024 marked the start of a new legislature that will be crucial for the future of workers in the European automotive sector and its supply chain. They have many concerns. The production levels recorded in recent years remain significantly below the levels that preceded the COVID 19 pandemic, due in particular to demand that has been severely impacted by the sluggish economy. New vehicle powertrains are changing, with the decline in diesel technology and the increasing electrification of new models, whether hybrid or battery-powered. The adoption of European and local legislations to improve air quality and the tightening of CO2 emission standards for both light and heavy commercial vehicles should accelerate this trend, with a target of a 100% reduction in greenhouse gas emissions by 2035 for passenger cars and vans, and a target of a 90% reduction by 2040 for most heavy commercial vehicles. The massive importation of Chinese vehicles onto the European market, coupled with marked trade tensions, could lead to a loss of market share for European manufacturers, both in Europe and on global markets. In this context of heightened competition, manufacturers are exerting extremely strong pressure on costs, both internally and externally, on the whole supply chain. This trend is accentuated by manufacturers' strategy of maximising margins.

The consequences for all workers in the European automotive industry and its supply chain are well known. Weak demand is leading to underutilisation of production capacity, which in turn is squeezing employment levels. More and more restructuring plans are being announced, mainly by parts manufacturers, who are sharply reducing the proportion of their business linked to internal combustion engines, but also by some carmakers. Cost-cutting programmes are putting pressure on wages and working conditions. They are also having an impact on the research and development spending of certain groups, and increasing the risk of production and R&D activities being relocated out of Europe.

In the light of these facts, the trade unions representing workers in the European automobile industry and its supply chain will not accept that the workers should pay for the strategic errors of the manufacturers and the inconsistencies of national and European policies. Governments and EU institutions must quickly

react to protect jobs and sites in the European automotive industry and its supply chain. Now that the European Commission is starting its new mandate, industriAll Europe wishes to put forward four demands, which are set out in the following document:

1. A moratorium on scrapping industrial assets and forced redundancies
2. A European industrial strategy for a zero-emission automotive sector and its supply chain
3. A trade policy aimed at restoring fair international competition
4. A fair transition framework
5. A European Action Plan to make mobility accessible to all

1. A moratorium on scrapping industrial assets and forced redundancies

In parallel with our search for structural solutions guaranteeing the anchoring of quality jobs and based on social dialogue in the sector, we are calling for social responsibility in the current context and negotiated solutions for all sites and workers. We cannot accept that carmakers who have been showered with subsidies and public aid of all kinds are jeopardising the industrial future of our continent by continuing to close production sites. Each closure not only leads to the loss of jobs, but also to the disappearance of invaluable and essential know-how that enables us to meet the current and future needs of the population in the face of the challenges of mobility and transition. Closing a site is not only a social tragedy, but also a major strategic error for the industrial future of our regions. We are losing our expertise in the technologies of tomorrow. Not to mention the fact that the destruction of the automotive sector is leading to job and knowledge losses in many other sectors that base their production on it. The glass, rubber, textiles, leather and plastics industries in particular are collateral victims of these decisions.

It is the responsibility of the European States to work together with the sectors to offer workers secure and sustainable jobs that offer future prospects for society as a whole. Let's not allow Europe to become an industrial desert and plunge into social misery.

We call on the European governments and the manufacturers to get down to work quickly with the trade unions to put this safeguard plan in place. There is an urgent need for European action if we are not to see an entire sector disappear, along with hundreds of thousands of high-quality jobs.

Many companies announcing layoffs are far from financial distress, the decisions for closures and layoffs are often driven by shareholder demand for higher profit margins. Depressed demand resulting from the cost-of-living crisis, reduced public investment due to budget constraints, global overcapacities and unfair trade practices exacerbate the situation. Europe cannot afford not to have an industrial policy or – worse – to accept one that prioritises corporate earnings at the expense of workers and long-term resilience. Industrial policy should cover all sectors and all transitions and be supported by reinforced investments with social conditionalities attached.

During the COVID-19 pandemic, several European countries implemented temporary moratoriums on forced redundancies. Italy, for example, adopted a broad approach to prevent layoffs during the crisis. France and Germany, through their industrial relations systems, prioritised exploring alternative solutions such as social plans before forced redundancies are even considered. These models prove that national-level measures can work, but they need to be reinforced and enhanced by EU-wide funding and standards to prevent industrial destruction.

The moratorium on forced redundancies should remain in place until negotiated solutions are concluded.

2. A European industrial strategy for a zero-emission automotive sector and its supply chain

IndustriAll Europe regularly stresses the need for a European industrial strategy that is equal to the unprecedented challenge represented by the dual low-carbon and digital transformation in a way that secures quality employment in the entire European automotive supply chain¹. IndustriAll Europe supports the climate ambition but mourns the weak and uncoordinated strategy the EU and the Member States have implemented to reach the emission reduction targets. We now see that our criticism of the EU approach is widely shared since the Draghi report says “The automotive sector is a key example of lack of EU planning, applying a climate policy without an industrial policy”.² We hope the European Commission will use the announced “EU industrial action plan for the automotive sector”³ to provide the bold industrial strategy that workers from the sector and its supply chain desperately expect from Europe.

A global industrial strategy must enable the entire automotive industry and its subcontractors to make the transition. Cutting-edge research and development centres must be at the core of the strategy to support innovation and keep skills and highly qualified jobs in Europe. The Green Deal for Europe's industrial plan has led to the adoption of the regulation for a net zero emissions industry and the regulation on critical raw materials. These two pieces of legislation, which aim to develop supply chains in Europe that are essential to the decarbonisation of industry, should also benefit the automotive industry and related sectors. The transformation or maintenance of zero-emission vehicle assembly sites or component production sites should be considered as strategic projects under the Net Zero Industry Act. Similarly, activities involving the extraction, processing or recycling of the raw materials needed to manufacture batteries should be considered strategic projects under the EU's Critical Raw Materials Act.

Every industrial strategy requires a financing plan. The European Recovery Plan, the European Platform for Strategic Technologies and the relaxation of the rules governing state aid and major projects of common European interest should contribute to the development of European industrial sectors in strategic areas such as batteries and microelectronics. The EU must speed up and step up its efforts to finance the development of zero-emission vehicle industries in Europe in order to respond to the strategies of its main international competitors. However, it will be necessary to considerably strengthen social conditionalities when public funds are granted to private companies, particularly in the form of legally binding guarantees to maintain jobs in Europe in the company as well as in the European suppliers.

The regulation setting CO2 emission standards for light-duty vehicles includes a review clause for 2026. A similar clause has been included for 2027 in the regulation establishing CO2 standards for heavy-duty vehicles. These clauses should enable an objective and rigorous assessment of the EU's ability to achieve its greenhouse gas emission reduction targets without weakening this strategic industrial sector for Europe. For the organisations representing workers in the automotive sector, the following indicators must be included in the scope of the European Commission's 'Progress Report', which will serve as the basis for the evaluation:

- Employment in the automotive sector and its supply chain, in the EU and in the main regions of automotive production, as well as in the strategic technologies, such as batteries, micro-electronics and software

¹ https://news.industriall-europe.eu/documents/upload/2023/7/638245944318452588_Position_paper_-_CO2_standards_and_Euro_7_-_automotive_workers_need_to_be_on_board_-_EN.pdf

² See Draghi report “[The Future of European Competitiveness](#)”, p.45.

³ chrome-extension://efaidnbnmnibpcjpcglclefindmkaj/https://commission.europa.eu/document/download/de676935-28c-41c1-bbd2-e54646c82941_en?filename=Mission%20letter%20-%20TZITZIKOSTAS.pdf

- Investments in the European automotive industry and its supply chain and in the main regions of automobile production
- Vehicle registrations in general and by propulsion system
- Balance of trade for the vehicle sector
- The number and geographical distribution of charging points
- Number and geographical distribution of truck charging points
- The evolution and mapping of the adaptation of the electricity network
- Measures to support demand for zero-emission vehicles
- Sectoral and company collective agreements
- Employee training plans
- Financing needs specific to regions heavily dependent on the automotive industry
- Industrial diversification for parts of the supply chain negatively impacted by the internal combustion engine phaseout

The EU's priority must be to create the conditions for an industrial transition in the automotive sector that will create high-quality jobs. However, the numerous restructurings announced in the automotive sector (manufacturers and subcontractors), even if often unrelated to the low-carbon transition, risk seriously undermining support for the EU's project to decarbonise road transport. The review clause must therefore aim to identify the weaknesses of the EU's industrial strategy and remedy them, while strengthening the Just Transition framework, as industriAll Europe is calling for⁴. In the meantime, the situation we are in requires the EU and Member States to adopt extraordinary measures for job retention and training, including a possible freeze on layoffs.

The final version of the regulation setting CO₂ emission standards for passenger cars and light commercial vehicles stipulates that the Commission will present a proposal concerning the registration after 2035 of vehicles running exclusively on CO₂-neutral fuels. The development of alternative technologies is also one of the elements to be closely monitored in the European Commission's 'Progress Report'. IndustriAll Europe supports an approach based on technological neutrality and open to innovation, but on condition that this does not alter the stability of the regulations or the clarity of strategic choices made by principals, which is essential both for the industrial investments required and for anticipating change for the benefit of workers. From this point of view, it is important to remember that CO₂-neutral synthetic fuels will be expensive to produce and will require large volumes of decarbonised electricity. Their use should therefore be reserved as a priority for economically or socially strategic uses for which there are few or no alternatives. For instance, bio-methanol is key to decarbonise shipping. In addition, low-carbon fuels will be instrumental to reduce CO₂ emissions from the existing fleet while securing a sustainable future for the petro-chemical industry.

IndustriAll Europe wants Europe and governments to focus time and energy on an industrial plan fit for Europe's environmental ambition, keeping in mind that reopening agreed decisions would just entail confusion and undermine investment, delay fleet renewal and jeopardise anticipation of change for workers. Moreover, slowing down the necessary transformation of the sector would also deepen the competitive disadvantage Europe has vis-à-vis its global competitors on the market for zero-emission and connected vehicles and the related supply chains⁵.

⁴ https://news.industriall-europe.eu/documents/upload/2022/10/638010772890539713_JT_May_Manifesto_short-EN.pdf

⁵ See : <https://www2.itif.org/2024-chinese-ev-innovation.pdf>

3. A trade policy designed to restore fair international competition

After a nine-month investigation, the European Commission has concluded that electric vehicles manufactured in China ‘benefit from unfair subsidies that pose a threat of economic injury to EU battery electric vehicle producers’. As a result, provisional countervailing duties have been applied from 4 July 2024 on imports of battery electric vehicles from China, ranging from 17.4% to 38.1%. IndustriAll Europe welcomes this conclusion, which is based on criteria and rules necessary for fair global competition. Given the growing volume of electric cars imported from China, including by Western companies, and the price gap with domestic producers, the EU had to react and did so in accordance with the rules and procedures adopted to ensure the protection of European strategic interests in world trade. An in-depth investigation has produced sufficient evidence of unfair competition due to public subsidies granted to car manufacturers by the Chinese government. This is not a purely protectionist reaction, but the implementation of one of the trade policy instruments available to the EU to defend its legitimate interests in world trade.

The EU cannot have as its mantra open strategic autonomy and do nothing when one of Europe's key industries is threatened by massive foreign subsidies. At a time when the major economies are adopting aggressive policies to protect their markets or export their overcapacity, Europe cannot remain silent and passive. IAE supports the application of protective measures that must persist as long as the distortion exists and the rules necessary for fair global competition are not met.

However, workers are always among the first victims of a trade war, and China has already hinted at its own tariffs and retaliatory measures. Export restrictions, market access limitations and unilateral tariffs always lead to job destruction. In the current context, workers cannot afford the risk of a trade war which would have dramatic repercussions for workers far beyond the automotive industry. Negotiated solutions aimed at establishing fair competition, based on universal rules and principles, are always preferable to an endless war where there are only losers.

For these reasons, and even if the provisional tariffs are based on WTO-compliant rules and procedures, it is essential to find a negotiated solution that ensures fair trade and competition in the global automotive market, in particular to create the economic conditions necessary for the unprecedented investments required by the climate transition. Even though Member States have adopted the final tariffs proposed by the European Commission⁶, every effort must be made to achieve a negotiated solution for the long term, bearing in mind the general principles of fair trade, such as a level playing field, the prohibition of forced labour and the need to implement robust due diligence systems throughout the supply chain.

Additional customs duties, while sometimes necessary, do not make for an industrial policy. Tariffs are a temporary tool. Because of the strong mutual dependencies, industriAll Europe is in favour of a policy that aims to create fair competition and increase the share of European added value in all vehicles. Value creation and employment at European sites, as well as strong environmental and social standards along the supply chain, must be at the heart of the European approach. From that perspective, the EU must ensure - through legally binding obligations and conditionalities - that foreign companies – including from China - that are investing in Europe create good local jobs and generate co-benefits for the local supply chain. Europe cannot build the future of its automotive supply chain on “screwdriver factories” that only make a very limited final assembly operations while importing most of the components.

⁶ https://ec.europa.eu/commission/presscorner/detail/en/statement_24_5041

The Carbon Border Adjustment Mechanism should be extended to all imported components and finished products with a significant carbon footprint. Industrial workers want a global strategy to transform the European automotive industry so that it is in step with the climate challenge.

4. A strengthened Just Transition framework

The large number of job losses announced among subcontractors and manufacturers calls for the European framework for just transition to be strengthened so that it also benefits workers in the automotive industry all over Europe. In addition to the general measures called for by industriAll Europe⁷, this means in particular:

- That the Just Transition Observatory recently set up by the European Commission closely monitors employment and skills trends in the automotive sector as a whole and in related industries (upstream and downstream), and that the data collected is used to draw up the ‘progress reports’ used as a basis for the review of the regulations setting CO2 emission standards.
- Much more rapid collection of employment data, so that the statistics better and more quickly reflect changes in reality.
- Data on the geographical distribution of job losses and creations in the automotive sector, with particular emphasis on the regions most dependent on this industry.
- That these data collections take place sufficiently early so that, as provided for in the regulation on CO2 emission standards for cars and vans, the European Commission can identify funding needs and formulate ‘proposals for appropriate financial measures to meet the needs identified’.
- The funds made available for Just Transition in the automotive sector and its supply chain must be adequate, given the significant needs for training and retraining, as well as for economic diversification and, where appropriate, site conversion. Given the urgency of the situation in the automotive industry, the use of these funds must be as simple and rapid as possible, and accessible to all companies, whatever their size. The budget currently available to the Just Transition Fund, half of which comes from the European recovery plan that expires in 2027, will certainly not be enough.

5. A plan for sustainable and inclusive mobility

As access to mobility is an essential condition for social inclusion, industriAll Europe can only reiterate its call for the adoption of a plan for sustainable and inclusive mobility in Europe⁸. Instead of focusing its transport policy on a technological shift towards electrification and digitalisation, the EU should rethink its transport system in such a way as to put citizens and workers at the centre of discussions, while taking as its starting point the urgent need to make it compatible with environmental limits.

Given the extent of precariousness in this area, establishing a right to mobility should be a priority for EU action, particularly for rural and landlocked regions. This should be based on:

- Targeted measures to support the purchase of zero-emission vehicles for low-income and middle-class households, along the lines of French social leasing, and the conversion of internal combustion vehicles (circular economy)
- Incentives for the production and purchase of small, affordable zero-emission vehicles in Europe.

⁷ <https://news.industrialall-europe.eu/p/justtransition>

⁸ https://news.industrialall-europe.eu/documents/upload/2023/7/638245944318452588_Position_paper_-_CO2_standards_and_Euro_7_-_automotive_workers_need_to_be_on_board_-_EN.pdf

- Public investment in transport infrastructure to encourage multimodality, modal shift where necessary and possible, and public transport.
- Promotion of company collective agreements for sustainable mobility without undermining wage negotiations, social contributions or pension schemes.
- Mobilisation of the resources of the Social Climate Fund to combat precariousness in terms of mobility.