

# The automotive industry – just transition and the development of alternatives in global value chains

An event report

Oct 28th, 2022 / Manuela Kropp, Project Manager Rosa Luxemburg Foundation Brussels



On 27 June and 28 June 2022, Rosa Luxemburg Foundation Brussels organised an international conference with trade unionists, academics and transport transition activists from Europe and Brazil to discuss the necessary transformation of the international car industry and the creation of alternative jobs in the EU and other world regions, such as Brazil.

The increasing financial burden for households with medium and small incomes, the rising fuel prices, and the unchecked increase in greenhouse gas emissions in the transport sector show: we need a restructuring of the transport sector to guarantee the right to climate-friendly mobility for all. 30 percent of greenhouse gas emissions in the EU come from the transport sector, and they have been rising unchecked since the 1990s. The share of public transport in the distances travelled, for example in Germany, is hardly increasing. The success of the 9-Euro-Ticket in Germany, however, also shows how great the need for mobility is. At the same time, employees in the automotive industry worldwide are facing the challenge that, on the one hand, up to a third of jobs could be lost due to the switch to e-mobility, and in the supplier industry, for example in Italy, massive numbers of jobs are already being lost and are under threat. And on the other hand, the necessary digitalisation in car production is creating new demands on the qualifications of employees. In order to create jobs, maintain industrial production, defuse the resource issue and tackle climate change, we need alternatives: We urgently need an expansion of the production of buses and rail vehicles and an expansion of public transport, in public hands and of course with secure, sufficient funding.

**Heinz Bierbaum**, President of the European Left, explained in his opening speech that a just transition must be created for the workers in the car industry in order to cope with the necessary restructuring: through direct involvement of the workers in decisions – i.e. an **expansion of economic democracy**. Just Transition is part of the *Green New Deal*: this means breaking with the neoliberal logic and preventing production plants from closing and instead **promoting global cooperation among workers** (see the bad example of the closure of the Ford plant in Saarlouis, Germany, where local workers were played off against workers of the same company in Valencia, Spain). The focus of company managements on shareholder value is harmful and must instead be directed towards **sustainable corporate strategies**. The question of **ownership** is also important here. Employees must also be given the right to further training in order to be able to survive the necessary transformation of the car industry. For this, a **European industrial policy programme** is needed to secure the necessary long-term planning. The necessary transformation requires an **economic policy at the European level** as well as immense sums of investment, so that it is clear that the Stability and Growth Pact ("the European debt brake") must remain suspended, just as it was suspended during the Corona pandemic. The European Commission itself writes that **at least 500 billion EUR** must be spent every year across Europe for the restructuring – therefore we need a **European fiscal and economic policy**. Finally, Heinz Bierbaum emphasised that transformation actors could be, for example, transformation councils in which trade unionists, environmental activists and social organisations jointly discuss the future of the regions. In order to develop thought-provoking impulses for this, the EL recently founded a working group on energy policy and industrial policy.

**Özlem Alev Demirel**, MEP for DIE LINKE in the European Parliament, emphasised in her contribution that suppliers in the car industry, especially in low-wage countries, are affected by outsourcing, temporary work and poor pay. Therefore, a **strong European minimum wage directive** is important to raise minimum wages and strengthen collective bargaining. For workers in the car industry, she said, it was important to have a **job guarantee** and collective agreements for training – to ensure that training did not have to take place under precarious conditions. The switch to electric cars was not enough; rather, the right to mobility had to be guaranteed through the **expansion of local public transport** and long-distance rail transport, Europe-wide. The workers must determine *what* is produced and *how* it is produced. Of course, this also depends on the ownership structure: Employee participation or employee ownership is good, but in case of doubt it reaches its limits when it comes to the question of competitiveness. It is also a question of how the economic system functions as a whole. The switch to electric cars would also exacerbate **conflicts over raw materials**, e.g. lithium, and lead to an overall increase in military conflicts. Finally, Özlem Alev Demirel emphasised that in the case of the **rescue**

**packages** worth billions in the wake of the corona pandemic, it is important to look closely at who benefits from them – broad sections of the population have to pay for them, while the corporations profit from them and then pay dividends to their shareholders.

**Marga Ferré**, Co-President of transform!europe, explained in her contribution that capitalism will not advance the fight against climate change – this is shown every year at the international climate conferences COP, where much is said but little is agreed. Workers, on the other hand, have a lot to say about the **necessary transformation of the energy sector** and the fight against climate change - they have to be part of the transformation. The free market cannot advance the transformation, but rather there is a **need for strong collective agreements** and free access to **technological knowledge**, which must not be monopolised by five or six large corporations. Here, intellectual property rights urgently need to be changed. A kind of "deglobalisation" was also important, not in the sense of protectionism, but in the sense of **"regional protectionism"**, which did not focus on the export of goods. Finally, Marga Ferré emphasised that the **military** is also an important source of greenhouse gas emissions. In this respect, it is difficult to defend increasing expenditures for the military when at the same time climate change continues unabated.

**Philippe Pochet**, Director of the European Trade Union Institute, emphasised in his contribution that the trade unions had introduced the concept of **"just transition"** thirty years ago and that it was now finally at the top of the political agenda. Here, however, the question of inequality and the **distribution of power** is important. Sufficient financial resources must be made available for the necessary transformation in order to **win over workers for the fight against climate change**. The question of resources, for example with regard to the extraction of **lithium**, also made it clear that electric cars should not be allowed to get bigger and bigger, also because this would exacerbate the lack of space in our cities.

## Just transition and alternative production

In the following panel on "Just Transition and Alternative Production", **Benjamin Denis** from IndustriALL Europe explained that the EU Fitfor55 legislative package and the EU Climate Law were a challenge for all workers. In fact, an **industrial upheaval** was taking place that was changing the relationships in the value chains and in production. The planned **phase-out of the internal combustion engine** in 2035 will cost many jobs, but there are other causes such as increasing capital concentration in the automotive sector, with fewer vehicle manufacturers. New jobs, on the other hand, could be created in **battery production** – up to 500,000 across Europe. However, this would not compensate for the loss of jobs in the car industry. In addition, there would be the problem of **regional disparity**: where jobs were lost, new ones would not necessarily be created, but in other regions. The need for **further training** is also huge: 2.4 million employees will have to be trained in the next ten years in order to meet the changed requirements profile.



**Fabien Gache** of the CGT trade union in France criticised the fact that car manufacturers have increasingly, since 2008, focused on **large and heavy vehicles** and have thus missed the future. The prices for these vehicles would be correspondingly higher and would find fewer and fewer buyers locally in France. Greenhouse gas emissions are also getting higher and higher. **Electrification** is also not a solution because of the resource problem, since the **subsidies** for it would primarily benefit the higher-income earners. It could be that the **yellow vest movement** would gain in popularity again. It is much more important to invest in the different types of mobility and their complementarity. Unfortunately, there is no public debate about this in France. The **subsidies** paid by the public authorities to the car industry **are not tied to any conditions**, so that the money is taken and then employees are still laid off.

**Ulrike Eifler** from the Workplace and Trade Union Working Group of DIE LINKE. emphasised in her contribution that it is not only about the transformation of the automotive industry, but that we are facing the **transformation of the entire world of work**. In many places, the necessary transformation is stalling due to the **lack of skilled workers**. Computer scientists are becoming increasingly important in the automotive industry, while other employees are being left behind - such as classical engineers. This must be counteracted with a **qualification offensive**. But not only in short-term special programmes, but in long-term programmes. At the company level, there is a need for a **forward-looking personnel policy** in order to organise the transitions socially and to prevent breaks in the employment biography. Years of cuts, the precarisation of work and the deregulation of the labour market have led to the placement of workers in any kind of employment, without any perspective for them. An involuntary change of job threatens a **wage loss of 25% to 30%**. This logic must be broken. Therefore, it is also important to strengthen **collective bargaining**, also through the European Minimum Wage Directive.

**Karoly György** from the Hungarian Trade Union Confederation underlined in his contribution how strongly the Hungarian car industry depends on **foreign direct investment**. 20% of foreign direct investment came from Germany, and the role of China was growing. Hungary was caught in the **"German trap"**, so to speak, because of its strong one-sided dependence. The subsidies paid by the Hungarian state and the tax breaks granted (also recently for battery production) **benefit the multinationals**, which on the other hand hardly pay any taxes. Hungary had to overcome the principle of cheap wage labour and **needed innovation and training** for its employees. The production of electric cars would start later in Hungary, but the focus on the automobile would remain. 90 per cent of Hungarian car production would be exported, while the **domestic economy would remain underdeveloped**. At the moment, there is competition between the Central and Eastern European production sites and Spain – capital and production act globally, whereas the trade unions act nationally. **National borders would have to be overcome** in order to counteract this.

**Matteo Gaddi** of the Claudio Sabattini Foundation from Italy underlined in his contribution the **strong imbalances** in the EU: Germany is the number one production location, production is shrinking in Italy and France and Central and Eastern Europe are the low-wage countries in this structure. Here, **competition between workers** from different member states would be fuelled. Germany is also leading the way again in the **location of battery production**, whereas France, Spain and Italy are lagging behind. If the state does not take countermeasures, this will inevitably lead to **deindustrialisation**. This makes it all the more important for governments to come up with a **real industrial policy**: with the help of **public ownership and public, long-term planning**. The local production capacities that still exist must be preserved, also with the help of the European **rules for awarding public contracts**. In Italy, for example, local production of buses has continued to shrink and today these vehicles are mainly produced in low-wage countries such as Turkey and Poland. Every year, 4,000 new buses are purchased in Italy, but this **only increases the import quota**, as they are produced abroad. The merger of Alstom and Bombardier will also lead to a reorganisation of the production of rail vehicles, with much being produced in Kazakhstan, China and India. Competition on the **European internal market** is damaging local production, so that a clause for "local production" (local content) must be introduced to counteract this. This is possible for publicly owned companies – for example for the production of buses and rail vehicles.

## Alternative production in international value chains

On the following panel on alternative production in international value chains, **David Shiling Tsai** and **Renato Boareto** from the IEMA Institute in Brazil explained that the production of cars in Brazil is in the hands of international corporations from the USA, Europe, Japan, Korea and China. The production of buses is also **dominated by European companies**. Since 2015, however, there has been a decline in local purchasing power, so that **14 locations have had to close** or at least drastically reduce their output. There is **no strategy for the local industry** to switch to electric cars, the focus is solely on plug-in hybrids. **Local bus production**, which is very relevant for the South American market, is now facing great challenges due to the switch to electric buses, because there are **no coordinated industrial policy** measures on the part of the government here either. The reduction of tariffs for the import of electric buses does not help either, but only makes the situation worse, so that workers take to the streets against the introduction of electric buses and for better working conditions. The **upcoming EU-Mercosur free trade agreement** will lead to deindustrialisation in Brazil, as it focuses unilaterally on Brazil's agricultural sector. Since 2016, workers' rights have been under increasing attack, exacerbating the **social crisis**. The new government must therefore invest relevant sums in the **expansion of public transport** and the strengthening of local production. It is important to establish mobility as a right, as the *Tarifa Zero movement* has been demanding for several years. This requires a massive expansion of the infrastructure and a unified national policy.

**Alen Toplisek** from King's College in London highlighted the **role of the state** in appropriating local value creation. It is crucial that the state also supports large local companies to improve their position within global production networks. With local companies, it is more likely that **profits will remain within the company or the region**. In the case of foreign companies, on the other hand, it is much more likely that profits will be transferred to other regions with the help of the internal company network. **The state must play an active role** as a buyer and also as a producer within global production networks. As a positive example, Alen Toplisek pointed to *Skoda* in the Czech Republic, which keeps knowledge in the region through public contracts and in this way supports local production and sales.

**Tommaso Pardi** from GERPISA highlighted the problematic role of the European regulation on the reduction of CO2 emissions from passenger cars (from 2008). This regulation creates an incentive to **build bigger and heavier cars**, because the heavier a car, the more CO2 emissions are allowed. This raises the question of how cars can become more ecological if at the same time the weight and thus the material consumption increases. In recent years, electric cars **have gained an average of 600 kilograms** in weight, while the figure for plug-in hybrids is 350 kilograms. In China, however, the trend has been in the opposite direction. It is clear that there must be regulation in the direction of smaller and lighter vehicles. **Local production** must be linked to **local demand** and, if necessary, also with protectionist measures.

## Mobility industry and the role of socialisation

On the final panel on building a mobility industry and the role of socialisation, **Alana Dave** of the International Transport Workers' Federation stressed the importance of a **massive expansion of public transport**. The focus on the electrification of public transport distracts from the necessary structural changes. When demands are made for *decent work* and more rights for workers, the demand for public transport in public ownership must also be formulated. Public transport must be a **public good**. For example, **Mexico** is the only country where mobility is recognised as a public good. In the case of a socialisation, it must of course be ensured that **democratic control** can be exercised. Currently, Metro workers in Korea are on strike because they reject the current public-private partnership model and want a publicly owned Metro. Democratic control must also be ensured in **concrete policy approaches** to the expansion of public transport – for example, through so-called **participatory budgeting**. In most regions of the world, public transport would hardly be able to keep up with the growth of urban areas – and would therefore also be too small to play a significant role in climate protection. Trade unions would have to play a leading role in **shifting the balance of power** – away from private providers and towards the public sector - to stop the race to the bottom in wages and working conditions. **Socialisation** also requires sufficient public funding – for example, it is necessary to allow cross-funding of different public sectors. At the global level, **the C40 network**, together with mayors and trade unions, is campaigning for public transport in public hands in order to put pressure on national governments.

**Ellie Harrison** from the Get Glasgow Moving campaign in Scotland described how the ***Bring Back British Rail campaign*** started in 2009 and succeeded in 2015 in getting the Labour Party to include the demand for nationalisation of the rail sector in its programme. Since 2016, the "Get Glasgow Moving" campaign has been fighting to bring public transport in Glasgow **back under public control**, because in 1986, the bus system was deregulated under Thatcher; this was followed by **sharp fare increases and a deterioration of services**. In Glasgow, the motto is: public transport, but private profits. A single bus journey costs 1.65 British pounds in London, but 2.65 British pounds in Glasgow. Together with the *Free Our City Campaign*, they **fight for lower fares** and a **publicly owned bus system**. Peculiarly, during the COP26 climate summit in Glasgow, the delegates had access to public transport for free, i.e. they did not have to pay these exorbitant ticket prices. But it would not only be about the prices, but about **full democratic control of the bus system** with simultaneous improvement of the service.

**Mario Candeias** from the IFG of the Rosa Luxemburg Foundation emphasised in his contribution that the study "***Spurwechsel***" (***Switching Lanes***) showed how workers in the car industry **had lost confidence** in the corporate strategies. Therefore, it was necessary to **compensate for the threatening job losses** and to offer the workers a perspective: through a **different industrial production** in which sufficient jobs would be created. We need to build up an **alternative mobility industry** for more rail vehicles, special commercial vehicles and e-bikes, affordable long-distance transport and local public transport – this has been shown above all by the high demand for the 9-Euro-Ticket. If one assumes a doubling of passenger numbers in public transport in Germany, 214,000 additional jobs could be created. With 2.5 times as many passengers, there would be 314,000 additional jobs. If this is combined with the so-called "short full-time", **300,000 additional jobs could be created** and the threatening losses in the German car industry could be compensated. **Re-industrialisation** for local production of rail vehicles is necessary: for this we need a targeted **industrial policy and public enterprises**. The state capital subsidies to the car companies would have to be used to acquire shares in ownership for the public sector. The necessary transformation on the ground would have to be shaped by **transformation councils** with the participation of trade unions, environmental associations and social organisations. Production for an alternative mobility industry must also be supported more strongly through **public contracts** – Poland is a positive example here, which secures the local production of electric buses through public contracts. In conclusion, Mario Candeias noted that the discussions should not be segmented from each other: The issues of *transport transition* and *industrial policy* must be thought of together, he said.

***Have a look at the photo album of the conference:***

**<https://flic.kr/s/aHBqjzYHWf>**

---

Quelle: <https://www.rosalux.eu/en/article/2166.the-automotive-industry-just-transition-and-the-development-of-alternatives-in-global.html>