# Social Impact of the Continuous Transformation in the Ecosystem

TRiREME

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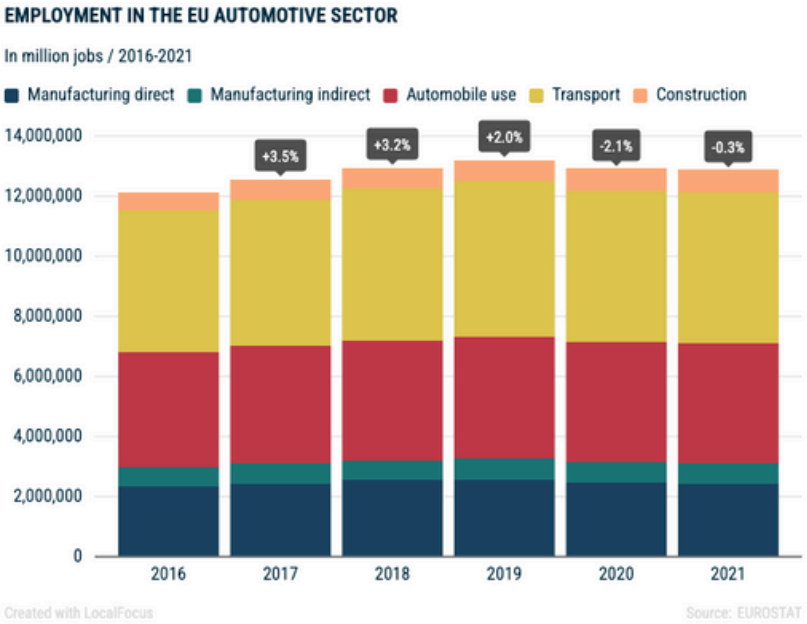
Image by Bryan Mcgill from Pixabay

Desk Research Report (D6.1)

## Desk Research Report Highligths

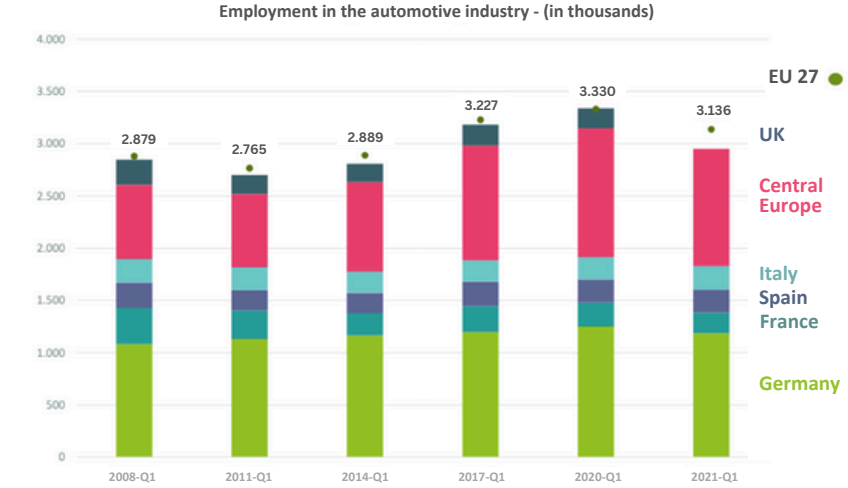
The automotive industry and its 13 million workers are at the forefront of the transition towards the green and the digital economy, with consequences that are already visible.

Accounting for 7% of total EU employment, the automotive industry provides direct and indirect jobs to more than 13 million Europeans.




Considering that 30 million Europeans are employed in manufacturing, energy and mining in general, the size of the sector in Europe makes the automotive industry a backbone of European manufacturing employment in general. However, the industry is also a strong regional employer, as the ecosystem has high geographical concentration.

### EUROPEAN AUTOMOTIVE INDUSTRY EMPLOYMENT: STOP GROWTH




Source : Eurostat

New investments are taking place to transform the assembly lines, to develop new products and to build new supply chains in Europe, such as for battery manufacturing. The flip side is that this unprecedented transformation is becoming a reality on shopfloors across Europe. Manufacturers are rationalising their fleets, which has an impact on many sites as well as on workers, with job losses and cost-cutting plans.

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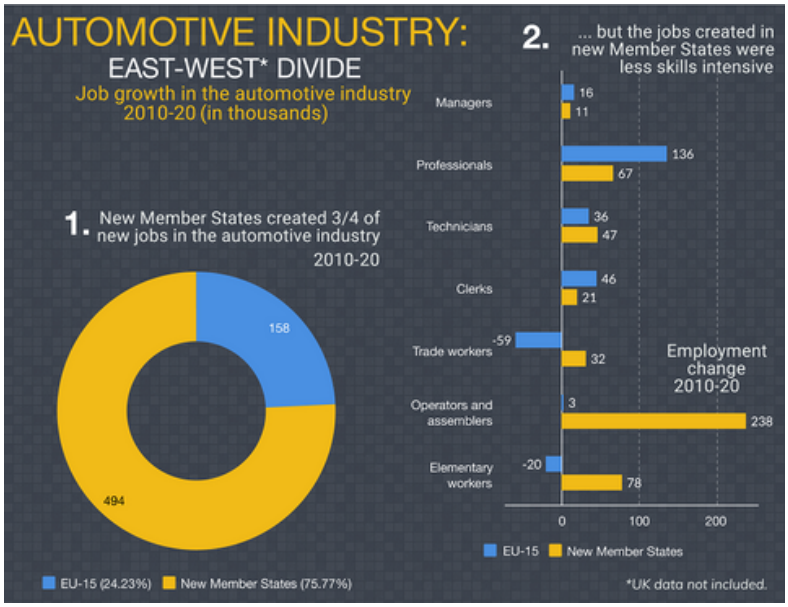
Recent analysis of the transition to zero-carbon mobility conducted by the European Trade Union Institute has highlighted that, while Europe is making significant strides in this direction, progress is far from linear. The journey is marked by fluctuations, and new challenges continually arise. Initially, there was concern that the shift to electric vehicles (EVs), which require less labour input than combustion-engine vehicles, would lead to a reduction in overall labour demand, even if factors such as market share and sales volume remained constant. However, a more pressing issue now centres on how the EU can establish a competitive position within the emerging economic landscape of electromobility, and whether it can retain its core expertise and market share in this transformative sector.

The pandemic ended a successful decade, in which the EU car industry created some 700 000 new jobs, mostly in central and eastern Europe. Economic growth and increasing purchasing power of Europeans were the main drivers of a rising demand for cars, leading to investment in production facilities. While western EU-based car manufacturers focused on the R&D, sales, marketing and logistics parts of the value chain, EU countries in eastern Europe contributed to the industry success with their skilled workforce, superb technical/vocational skills and lower labour costs [1].




**Employment Growth in the Automotive Industry 2010-20**
Source: Cedefop skills forecast database. Own calculations.

The ecosystem is marked by an ageing workforce. In automotive, ¼ workforce are over 50 years old. This is marginally younger than the rest of the ecosystem as in rail equipment, around 30% of the workforce is expected to retire in the next 10 years, while 40% of the current shipbuilding workers will be retiring in the next 10 years.

**The ecosystem urgently needs to attract more workers of all ages and from all backgrounds, especially women.**

[1] https://www.cedefop.europa.eu/en/news/sectors-transition-automotive-industry

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## Change is already a reality in the industry

Change has long been a reality across the automotive ecosystem. Employment in the industry has been affected for several years, driven not only by the twin transition but also by factors such as global competition and automation.

Historically, production and employment expansion have gone hand in hand with technological innovation. As a result, medium-skilled technical trade jobs (metalworkers, electro-engineering workers) have become less dominant, while employment in highly skilled technical jobs (such as researchers, engineers, ICT professionals) is on the rise.

The twin transformation is already underway and having impacts on workers, companies and sites, notably in the internal combustion suppliers. The pace of structural change, which is accelerating along with important job losses announced in the whole sector, hitting suppliers in particular has raised the stakes in the sector. Recent cases of restructuring in the industry show the combination of change driving factors.

The challenges posed by industrial transformation vary significantly between regions and across different parts of the automotive value chain. While some areas may experience severe job losses, others might face more limited or even neutral impacts.

**Timing is critical. Smooth transitions and robust supportive frameworks are essential to minimise unemployment. Coordinating the phasing out of certain jobs while fostering the creation of new ones will be key to ensuring a just and sustainable transition.**

## Transition planning: what role for collective bargaining and social dialogue?

**Ultimately, the transition is experienced by individuals.** While much of the focus tends to be on helping industries address skills gaps, it is equally important to prioritise the concerns of the workers impacted by these changes. Each country has its own industrial relations system, culture and organisational practices. However, these all reflect three key elements which are all vital to anticipate and manage transitions:

- **Social dialogue:** includes all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy.
- **Collective bargaining:** all negotiations which take place between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more trade union.
- **Worker participation:** refers to any process in the company that allows workers to exert influence over their work or their working conditions. Worker participation is obligatory in various processes in the company due to European legislation.

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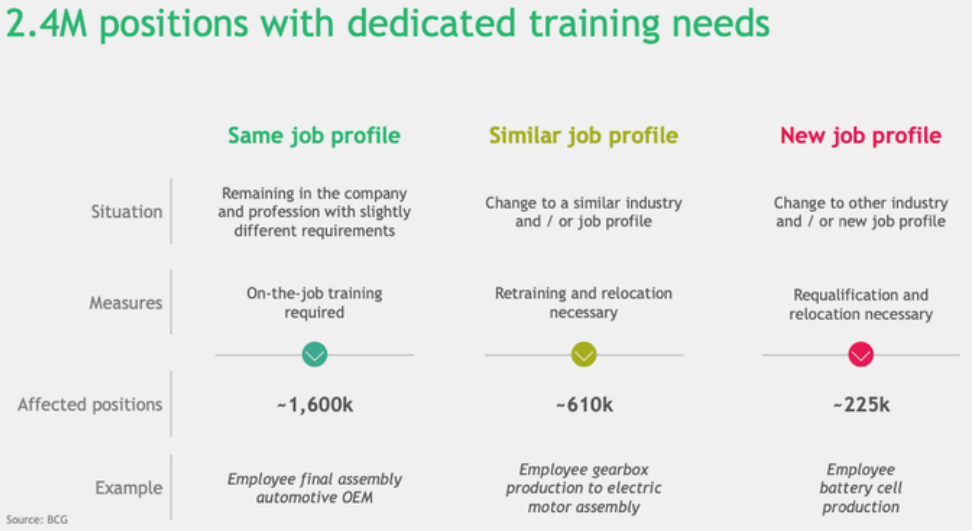
The demography of the ecosystem means that difficulties of retraining need to be taken into account. **Supporting older workers** is particularly important in ensuring fair and sustainable transitions. Health and safety measures must be prioritised to help older workers remain active under good conditions. Reducing working hours for older workers to help redistribute workloads and support active ageing could be considered. This requires rethinking traditional approaches and finding balanced solutions that benefit both industry and workers.

Every instance of **retraining** represents an **investment for both workers and employers**, and it is essential to ensure a return on investment for both parties.

**Safety nets** are crucial to facilitate job-to-job transitions and instil confidence in workers as they navigate change. Moreover, **a cultural shift is needed** to promote training and lifelong learning. **Raising awareness** of how specific training contributes to personal and professional development is essential to building engagement and acceptance.

## Identifying skill shortages and adapting up/reskilling programmes

**The scale of the skills challenge is staggering**. According to the Boston Consulting Group, the number of people who will need retraining due to the new requirements is estimated to be about 2.4 million.




Skills shortages are widespread across the ecosystem, exacerbated by the twin transition and mismatches between workers' skills and job locations.

While highly skilled workers are in high demand, attention to basic and medium skills is equally vital to ensure all workers can benefit from the transition. Policies should foster a 'learn to learn' culture. Moreover, workers must be confident enough in their employment and income security to engage in the transition as an opportunity. Quality career guidance is also crucial.

**A comprehensive European industrial strategy with a strong social dimension is needed. This should focus on ensuring the attractiveness and quality of jobs in the ecosystem, investment and coordination in training and skills. Hence, a stronger skills approach is necessary.**

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