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Social dialogue and recession in the automotive sector

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Contents

Introduction

In many countries around the world the automotive sector is a key manufacturing industry, having a significant effect on gross domestic product (GDP), investment, innovation, export figures and employment. In 2008, approximately 2.3 million people in the European Union were employed directly by the sector's original equipment manufacturers (OEMs), and it is estimated that a further 12 million workers were indirectly involved in the sector through its extensive and complex subcontracting network of first-, second- and third-tier suppliers. Significant numbers of workers in sales, repairs and other ancillary services also depend on the sector for their livelihoods.

Vehicle production is organised by large multinational companies (MNCs), which have plants and offices in various countries. Second-tier suppliers are also dominated by large MNCs. However the third tier is mainly made up of small and medium enterprises (SMEs), some operating at a national level, and some highly localised.

Automotive clusters have been established in many countries, both inside and outside Europe. A number of factors contributed to this: the rise in outsourcing since the 1990s, combined with the closer integration of main manufacturers and second-tier suppliers, as well as the growing trend of 'lean' organisations and 'just-in-time' arrangements. Typically, many local SMEs are densely embedded in these clusters, and are highly dependent on automotive demand. As a consequence, the automotive sector can be very important for both regional and national economies.

Trade union representation and collective bargaining are generally well-established practices in the OEMs and the sector's larger suppliers, often exceeding national averages in terms of union density and collective bargaining coverage. National governments are also traditionally very attentive to developments in the automotive sector because it is usually one of the most closely-regulated industries and an important source of tax revenues. In addition, government support and ad hoc measures for the automotive sector (often in the form of investment and reorganisation) are a common feature of industrial policy throughout Europe.

The aim of this study is to map the consequences of the present economic downturn on the automotive sector in the European Union, and to identify the role played by social partners at all levels in dealing with the economic and social impact of recession. The downturn has severely affected the automotive sector and according to ACEA, the European Automobile Manufacturers' Association, 'the automotive industry faces the biggest downturn in recent history'. This is a global trend across the European Union, the US and Japan, the most prominent players in the automotive sector in recent years. Demand for motor vehicles, sustained in recent years through relatively cheap financing, decreased considerably over the course of the economic crisis, not least because the problems of the financial sector have limited the availability of credit.

This study covers eight EU countries (France, Germany, Hungary, Italy, Slovakia, Spain, Sweden and the UK). It presents:

- an overview of the structure of the automotive sector in the European Union;
- a brief description of industrial relations in the eight EU countries covered by this study;
- an overview of the impact of the present economic downturn on the automotive industry in these countries, particularly in the passenger car sector;
- the effect of the recession on industrial relations and collective bargaining practices and public policy responses.

The industry structure across the EU

The European Union is a major player in the global motor industry, accounting for about 25% of all vehicle manufacture.[1] The core of Europe's automotive industry is in those countries that played a major role in the early developments of the sector. Germany is by far the EU's biggest producer of motor vehicles (Table 1). In 2007, when vehicle manufacture and sales peaked worldwide, Germany alone produced around a third of all vehicles made in Europe. Three-quarters of Europe's overall output was manufactured in 2007 by the EU's five major vehicle producers – Germany, France, Spain, UK and Italy, which assembled more than one million vehicles each.

Yet between 2005 and 2007, it can be seen that jobs and production in the sector were already beginning to shift from western Europe to central and eastern Europe. Initially accounting for only 15% of Europe's overall vehicle production, central and eastern Europe now account for one fifth of the EU's vehicle output.[2] However, Germany has shown its strength in this sector, being the only one of the five major vehicle-producing countries to have increased production levels and cut relatively few jobs. In France, output has been reduced by almost 15% and in Belgium by around 10%.

It is interesting to note that when output decreases, the loss in production is not usually matched by a similar proportion of job losses; likewise, growth in output is not generally matched by a comparable increase in employment. The exception is the UK where job losses have been proportionately higher than the reduction in vehicle production. Western European countries with lower production levels lost a higher proportion of their vehicle production while their employment figures remained remarkably stable: Austria, the Netherlands and Portugal recorded a decrease in output of around 10%, 23% and 20% respectively, yet the number of workers employed in their automotive sectors did not decrease at all. In Sweden, where the automotive industry accounts for around 10% of manufacturing jobs and manfacturing's contribution to GDP value-added, production increased by around 10% between 2005 and 2007. It should be remembered, however, that 2007 was a particularly good year for the automotive industry.

[1] Source: The International Organization of Motor Vehicle Manufacturers (OICA)
[2] Source: European Automobile Manufacturers' Association (ACEA), 2009 data

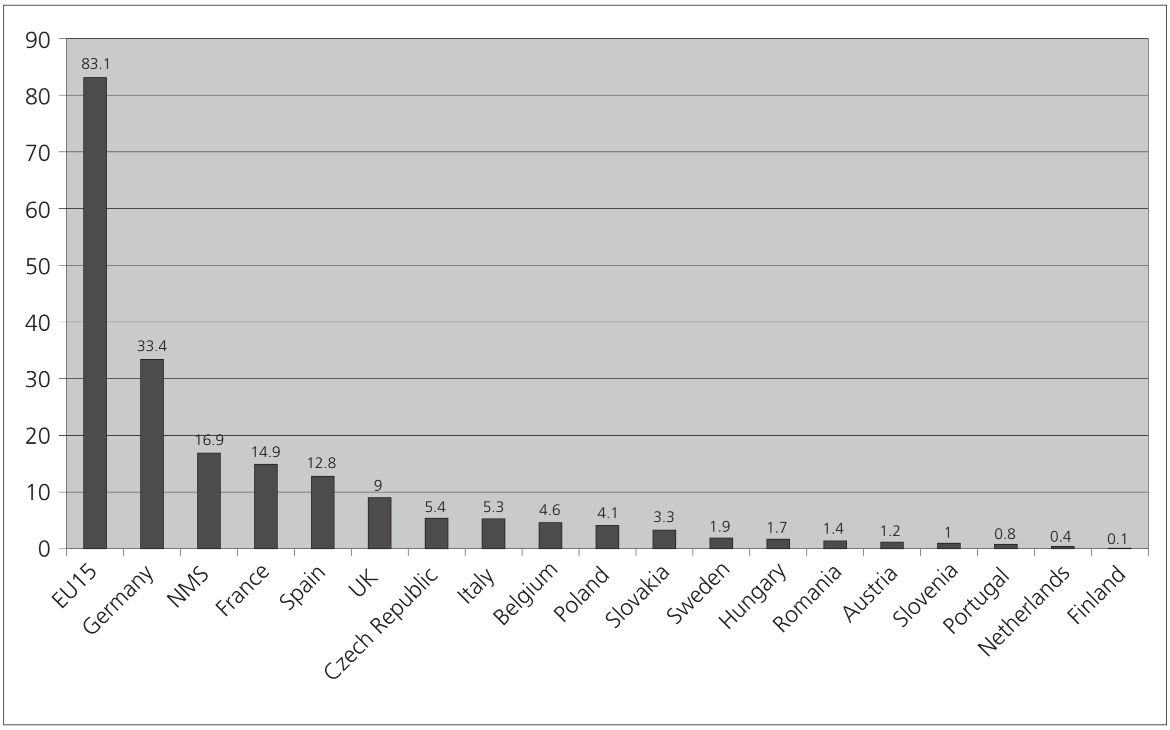
Table 1: The automotive industry in EU, 2007 and variations 2005–2007

	Firms	Employees	% of sector employed in producing motor vehicles*	SME (%)	SMVA (%)	Vehicles produced	Cars produced	% change in employment 2005–2007	% change in vehicle production 2005–2007	% change in car production 2005–2007
DE	2,482	847,925	57.7	11.7	15.1	6,213,460	5,709,139	-2.2	7.9	6.7
FR	2,142	254,916	63.2	7.1	7.9	3,015,854	2,550,869	-7.5	-15.0	-18.1
IT	2,045	169,217	40.8	3.7	4.5	1,284,312	910,860	1.6	23.7	25.5
UK	3,035	165,946	44.7	5.4	5.8	1,750,253	1,534,576	-13.9	-2.9	-3.9
ES	2,126	155,057	46.7	6.1	7.1	2,889,703	2,195,780	-3.0	5.0	4.7
PL	1,328	135,161	25.2	5	7.3	784,615	695,000	24.7	28.0	28.7
CZ	112	121,936	-	8.8	14.5	937,648	925,060	17.2	55.7	55.0
SE	952	85,326	57.7	10.6	10.8	366,020	316,850	-0.3	7.9	9.8
RO	402	63,571	25.8	4.2	8.9	241,712	234,103	4.5	24.1	34.1
HU	409	56,009	23.0	7.2	14.4	292,027	287,982	30.5	92.1	93.9
BE	501	44,829	57.4	7.3	5.9	834,403	789,674	-5.3	-9.9	-11.8
SK	141	34,126	44.4	8	15.3	571,071	571,071	46.5	161.5	161.5
AT	307	33,850	47.4	5.3	6.7	228,066	199,969	1.7	-10.0	-13.2
SI	104	10,050	31.9	4.2	5.4	198,402	174,209	20.4	11.5	25.9
PT	515	:	-	:	:	176,242	134,047		-20.3	-2.6
NL	695	22,857	40.4	2.9	4.5	138,568	61,912	0.7	-23.3	-46.2
FI	279	7,071	30.9	1.7	1.2	24,309	24,006	2.8	12.3	13.1
DK	143	6,711	7.9	1.6	1.3	-	-	7.7		
NO	121	4,788	5.7	1.8	1.2			-0.1		
IE	21	3,582	-	1.6	0.6	-	-	6.6		
BG	83	2,906	-	0.4	0.5	-	-	-13.9		
EL	429	2,872	38.1	0.7	0.6	-	-	1.5		
EE	46	2,393	4.3	1.8	2.2	-	-	15.2		
LT	33	1,427	15.9	0.6	0.9	-	-	60.0		
LV	23	1,334	14.1	0.8	1.1	-	-	39.8		
CY	42	251	0.0	0.7	0.7			-0.8		
LU	8	:	-	:	:					
MT	0	:	-	:	:					

*Notes: * Percentage employed in the production of motor vehicles (NACE 34.1 rev. 1.1) out of total sectoral employment (NACE 34 rev. 1.1); SME: the automotive sector as a percentage total manufacturing employment; SMVA: percentage of the automotive sector as a percentage of total manufacturing GDP*
Source: EUROSTAT (http://epp.eurostat.ec.europa.eu/, data retrieved on 30 January 2010) and ACEA (http://www.acea.be/, data retrieved on 24 February 2010)

Turning to central and eastern European countries, there has been a remarkable increase both in employment and production levels. In Slovakia, output has more than doubled and in Hungary vehicle production has increased by just over 90%. Of course, in both countries production levels in 2005 were relatively low, but even in the Czech Republic and in Poland, where vehicle production was already substantial, output increased by 30% and 50% respectively.

Figure 1: Production of passenger cars in the EU, 2007 (% of total)



Note: Figures for Germany and Belgium include production figures that can be claimed by both countries. As a result, the percentage for the EU15 is not the simple sum of country percentages.
Source: Author's calculations on ACEA data (http://www.acea.be/, retrieved on 24 February 2010)

The changes in the distribution of production across European countries are part of the automotive sector's globalisation of production, and reflect two distinct changes in manufacturing strategy: the search for cheaper skilled labour, and a shift towards new or emerging markets. Combined with the reorganisation of the major automotive groups through sales and acquisitions and the establishment of partnerships and joint ventures, this has resulted in OEMs being widely distributed throughout the region. Table 2 shows that while Europe-based OEMs have usually retained core activities in their home country, they now have a presence in many other countries and are expanding to new locations outside the EU. If extra-European operations are taken into consideration, the picture is even more complex.

Table 2: Automotive plants in Europe by OEM, January 2009

Group	Production	Number	Owned	Operated	Partners/joint ventures
VW	4,187,054	27	Germany (11), Czech Republic (3), Spain (2), Poland (2), Belgium (1), France (1), Hungary (1), Italy (1), Portugal (1), Slovakia (1), UK (1), Bosnia (1), Russia (1)		
PSA	2,542,873	19	France (9), Spain (2), Czech Republic (1), Italy (1), Portugal (1), Slovakia (1), Russia (1)	Turkey (2), Netherlands (1)	Karsan, Tofas, Nedcar
Ford	2,411,259	16	UK (3), Belgium (2), Germany (2), Sweden (2), Turkey (2), Spain (1), Romania (1), Russia (1)	France (1), Poland (1)	PSA, Fiat
Renault	1,870,858	18	France (8), Russia (3), Spain (2), Romania (1), Slovenia (1), Turkey (1)	Spain (1), UK (1)	Nissan, GM
GM	1,804,316	25	Germany (4), Poland (3), UK (2), Austria (1), Belgium (1), Spain (1), Hungary (1), Sweden (1), Russia (1), Uzbekistan (1)	Russia (2), Spain (1), France (1), Hungary (1), Poland (1), Kazakhstan (1), Serbia (1), Ukraine (1)	Nissan, Sovab, Suzuki, FSO, Azia Avto, Avtotor, Avtovaz, Zastava, Zaz
Fiat	1,684,998	35	Italy (13), France (6), Germany (3), Spain (2), Poland (2), Russia (2), Austria (1), Czech Republic (1), Serbia (1), Turkey (1)	Italy (1), Hungary (1), Turkey (1)	Pininfarina, Suzuki, Otokar
Daimler	1,525,822	20	Germany (11), Spain (2), France (2), Hungary (1 since 2012), Portugal, Turkey (2)	Austria (1)	Magna
BMW	1,221,197	11	Germany (4), UK (3), Austria (1)	Austria (1), France (1), Russia (1)	Magna, PSA, Avtotor
Toyota	688,282	9	Poland (2), UK (2), Czech Republic (1), France (1), Portugal (1), Russia (1), Turkey (1)		
Nissan	543,792	5	Russia (2), Spain (1), France (1), UK (1)		Renault, Renault-Avtovaz, Opel
Suzuki	284,875	1	Hungary (1)		Fiat, Opel
Honda	280,488	2	UK (1), Turkey (1)		
Jaguar Land Rover	261,243	3	UK (3)		
VOLVO (Trucks)	151,307	20	Sweden (10), France (5), Germany (2), Belgium (1), Poland (1), Russia (1)		
MAN	108,053	11	Germany (5), Poland (3), Austria (2), Turkey (1)		
Porsche	96,721	4	Germany (2)	Finland (1), Slovakia (1)	Valmet, VW
Hyundai	93,002	8	Russia (4), Czech Republic (1), Slovakia (1), Turkey (1), Ukraine (1)		Avtotor, Renault-Avtovaz, Assan, Bogdan
DAF-Paccar	67,177	3	Belgium (1), Netherlands (1), UK (1)		
Mitsubishi	61,519	3	Netherlands (1), Portugal (1), Russia (1)		Nedcar, PSA
Scania	57,858	6	France (1), Netherlands (1), Poland (1), Sweden (1), Russia (1)	Estonia (1)	Baltscan
Mazda		1	Spain (1)		Ford

Notes: production of motor vehicles in Europe (EU and non-EU countries)
Source: OICA for production data (2008); ACEA for plant types and locations. Data retrieved on 24 February 2010

Industrial relations

The automotive industry is a central component of the manufacturing sector. For much of the 20th century it consisted of very large vertically-integrated producers with plants often employing thousands of workers. Generally, the industry had well-established industrial relations with collective bargaining agreements and widespread union representation. The 'de-verticalisation' of production of recent years has eroded these collective agreements through restructuring, downsizing, increased outsourcing, and the shifting of production into locations where trade unions are traditionally weaker, such as central and eastern Europe, or the southern states of the USA. Patterns of union representation and collective bargaining are increasingly influenced by the choices of large manufacturers about which parts of the manufacturing process to outsource and where production units should be located. However, despite the increasing fragmentation of industrial relations and the globalisation of production, the role of industrial relations and trade unions remains important – especially within OEMs. By way of example, this study highlights how union membership in the automotive sector is almost always higher than either in the manufacturing sector as a whole or the national average.

Of course, levels of union membership depend on a nation's industrial relations system, and range from some 90% in Sweden to around 20% in France. The prevalence of company-level bargaining in certain countries such as the UK and in the countries of central and eastern Europe can fragment collective representation but also reinforces the relative strength of industrial relations within each company, particularly in the larger ones. In certain cases, the importance of OEMs has favoured the emergence of company unions. This has happened in Hungary where sectoral federations are usually an aggregation of company unions, and in countries such as France, where the Grouping of European Automobile Unions (Groupement des syndicats européens de l'automobile, GSEA) is recognised by Peugeot and has received about 20% of votes cast in works council (*Comité d'entreprise*) elections throughout the 2000s. In Italy, the Italian Federation of Metalworking Unions and Associated Industries (Federazione italiana sindacati metalmeccanici ed industrie collegate, Fismic), created in the 1950s at Fiat, has become an important national metalworking union and is party to the industry-wide agreement. Fismic presently represents around 6% of all Italian Fiat employees and about 15% of unionised workers.

At sectoral level, the structure of trade union representation follows national patterns with single organisations (Germany and Slovakia) or union pluralism reflecting ideological differences (France, Hungary, Italy and Spain) or professional groups (Sweden). Details of these are listed in Table 3. In the UK, the traditional structure of professional representation has been recently superseded by the merger of unions that used to represent blue-collar workers (the Transport and General Workers' Union, TGWU, the former major sector union, and the Amalgamated Engineering and Electrical Union, AEEU) and white-collar supervisors and technical staff (Manufacturing, Science and Finance, MSF). AEEU and MSF first merged to form Amicus in 2001, which eventually merged with TGWU in 2007 to establish Unite – The Union. In 2010, the first joint general secretary will be elected. Unite is a multi-industry union, which covers 26 sectors. The automotive industry section is headed by a national officer.

As far as business representation is concerned, single trade associations (essentially lobbying organisations) represent either the whole automotive sector (as in Germany, Italy and the UK) or specific aspects of it – essentially car manufacturers and component suppliers. In a number of countries (France, Hungary, Spain, Slovakia and Sweden for instance) specific associations exist for producers of trailers and semi-trailers. In terms of bodies that are party industrial relations, then, in each country a single employer association typically represents the entire engineering and metalworking sector. In fact, industry-wide agreements applied in the automotive sector are generally those for the metalworking sector, even if cases of deals applying specifically to the automotive sector were reported in many countries, often on special issues such as early retirement (as in France), improving labour market tools designed to minimise redundancies and keep people employed during recession (such as short-time working in Germany and partial unemployment in France) or introducing new measures to cope with the fall in demand linked to the current economic crisis (such as temporary layoffs in Sweden).

Table 3: Social partners in the automotive sector

	Main Unions	Employers	Union density (%)
France	1.Fédération des Cadres, de la Maîtrise et des Techniciens de la Métallurgie, CFE-CGC 2.Fédération Confédérée Force Ouvrière de la Métallurgie 3.Fédération Générale des Mines et de la Métallurgie, CFDT 4.Fédération Nationale CFTC des Syndicats de la Métallurgie et Parties Similaires 5.Fédération des Travailleurs de la Métallurgie, CGT	**Trade associations**: Committee of French Car Manufacturers (Comité des Constructeurs Français d'Automobiles, CCFA); Vehicle Equipment Industries Federation (Fédération des Industries des Equipements pour Véhicules, FIEV); French National Chamber of Trailer and Container Manufacturers (Chambre Syndicale Nationale Française des Constructeurs de Remorques et Conteneurs, Carcoserco). **Employer association**: Union des Industries et des Métiers de C5la Métallurgie (UIMM).	Above average (estimated at 20% in 1999)
Germany	IG Metall	**Trade association**: German Association of the Automotive Industry (Verband der Deutschen Automobilindustrie, VDA). **Employer association**: Gesamtmetall.	
Hungary	1.The Vehicle Industry Trade Federation (Járműipari Szakmai Szövetség, JSS) is part of the Metalworkers' Union (Vasasszakszervezet), a member of the National Association of Hungarian Trade Unions (Magyar Szakszervezetek Országos Szövetsége, MSZOSZ) 2.The Metalworkers' Section of the Democratic League of Independent Trade Unions (Független Szakszervezetek Demokratikus Ligája, LIGA) 3.The National Federation of Workers' Councils (Munkástanácsok Országos Szövetsége, MOSZ)	**Trade associations**: Magyar Gépjárműipari Szövetség (Association of the Hungarian Automotive Industry, MGSZ) represents the major companies; Magyar Járműalkatrészgyártók Országos Szövetsége (Association of Hungarian Vehicle Component Manufacturers, MAJOSZ). **Employer association**: there is no collective bargaining at sectoral level. MAJOSZ takes part in the Machine Industry Sectoral Social Dialogue Committee (Gépipari Ágazati Párbeszéd Bizottság); MGSZ has declined to take part.	Around 20% through company unions
Italy	1.The Italian Federation of Metalworkers (Federazione italiana metalmeccanici, Fim), affiliated to the Cisl confederation 2.The Federation of white- and blue-collar metalworkers (Federazione impiegati operai mettalurgici, Fiom), affiliated to the Cgil confederation 3.The Union of Italian Metalworkers (Unione italiana lavoratori metalmeccanici), affiliated to the Uil confederation 4.The Italian Federation of Metalworking Unions and Associated Industries (Federazione italiana sindacati metalmeccanici ed industrie collegate, Fismic)	**Trade association**: National Association of the Italian Auto Industry (Associazione nazionale filiera industria automobilistica, Anfia). **Employer association**: Metalworking Employer Federation (Federmeccanica).	

	Main Unions	Employers	Union density (%)
Slovakia	OZ KOVO (Odborový Zväz KOVO)	**Trade associations**: SOPK (Slovenská obchodná a priemyselná komora – Slovak Chamber of Trade and Industry); ZAP SR (Združenie automobilového priemyslu SR – Association of automotive industries of the Slovak Republic). **Employer association**: ZSP SR (Zväz strojárskeho priemyslu SR - Federation of the Mechanical Engineering Industries of the Slovak Republic); ZEP SR (Zväz elektrotechnického priemyslu SR – Federation of the Electromechanical Industries of the Slovak Republic.	16%
Spain	1. UGT (Unión General de Trabajadores – General Workers' Confederation) 2. CCOO (Comisiones Obreras – Trade-Union Confederation of Workers' Commissions) 3. CGT (Confederación General de Trabajadores – General Confederation of Workers) 4. Regional unions in the Galician and Basque regions	**Trade associations**: National Association of Automotive Manufacturers (Asociaciación Nacional de Fabricantes del sector de la Automoción, ANFAC), which is affiliated to the Spanish Confederation of Employers' Organisations (Confederación Española de Organizaciones Empresariales, CEOE); Spanish Automotive Equipment and Components Manufacturers' Association SERNAUTO (Asociación Española de Fabricantes de Equipos y Componentes para Automoción). **Employer association**: Major sector companies generally use single-employer collective bargaining to agree wages and working conditions. Minor companies and suppliers follow provincial industry-wide agreements that vary according to location and the specific work required of employees. There are therefore wide differences in employment and working conditions.	Much higher than the national average of 17%, especially in larger plants
Sweden	1. The Union of Metalworkers (IF Metall) 2. The trade union for professionals in the private sector (Unionen) 3. The Confederation of Executives and Managerial Staff (Ledarna) 4. The Swedish Association of Graduate Engineers (Sveriges Ingenjörer)	**Trade associations**: BIL Sweden (OEMs and importers of cars, trucks, and buses) and Scandinavian Automotive Suppliers (Fordons Komponent Gruppen, FKG) represents the automotive components sector in Sweden as well as in Finland and Norway. **Employer association**: The Association of Swedish Engineering Industries (Teknikföretagen). The above-mentioned trade and employer associations are affiliated to the Confederation of Swedish Enterprises (Svenskt Näringsliv).	Estimated to be much higher than the national average which was about 70% in 2008. Informed estimates put it at some 90%, lower among executives and managerial staff (60%–70%) and higher among direct production workers. IF Metall has a union density close to 100% in Sweden's major automotive companies.
UK	Unite – The Union	**Trade association**: SMMT – Society of Motor Manufacturers and Traders **Employer association**: EEF – Engineering Employers' Federation representing the whole engineering sector. However, since the end of industry-wide bargaining in the 1990s, EEF has little involvement in industrial relations. Some of the major OEMs are no longer members. EEF's primary function is now to monitor the sector's pay and working conditions and organise vocational education and training.	40%

Source: EIRO

The absence or limited scope of multi-employer bargaining in certain countries limits the role of business representation in industrial relations. In the UK, for instance, the Engineering Employers' Federation (EEF) carries out sectoral surveys and retains a role in vocational training. In Hungary, the Association of the Hungarian Vehicle Component Manufacturers (Magyar Járműalkatrészgyártók Országos Szövetsége, MAJOSZ) takes part in the Machine Industry Sectoral Social Dialogue Committee (Gépipari Ágazati Párbeszéd Bizottság), but the Association of the Hungarian Automotive Industry (Magyar Gépjárműipari Szövetség, MGSZ) has refused to do so. In Spain, where single-employer bargaining is common among major companies, provincial industry-wide agreements govern wages and conditions mainly in the components sector according to the specific activities of the supplier.

Collective bargaining

As mentioned above, collective bargaining is widespread in the automotive sector, particularly within OEMs. All the major companies have well-established company-level bargaining, which in many cases supplements industry-wide agreements such as those covering the metalworking sector. The exceptions are the UK and Hungary where there is no sectoral bargaining, and Spain where the major OEMs have their own company agreements. In Spain, this is also true of the large first-tier suppliers, while the SMEs producing components are usually covered by relevant industry-wide agreements at provincial level.

Hungary is in fact a 'double exception' because – despite high unionisation rates – collective bargaining in the automotive sector is weak: the coverage rate is low and below the average level in manufacturing. According to data published by the Ministry of Social Affairs and Labour (Szociális és Munkaügyi Minisztérium, SZMM) in 2008, the overall coverage rate of single-employer agreements – the only type of agreement in the sector – was around 11% and affected fewer than a quarter of all employees in the subsector of vehicle manufacturing (34.10 'Manufacture of motor vehicles', NACE rev. 1.1). Indeed, among the 20 companies registered, only three had any kind of collective agreement. In the 2002–2008 period, there was a slight increase in the number of collective agreements – from 12 to 15, representing a rise in the number of employees covered by those agreements from some 6,200 workers to around 8,600, and limited growth in the overall coverage rate from just below 11% to just above. This was during a period when employment in the automotive sector in Hungary rose significantly from almost 60,000 jobs to more than 75,000. However, it is important to note that the introduction in 2006 of a minimum wage, including a higher level for skilled workers, has made wage negotiation a much less important part of collective bargaining in Hungary and many companies have even discontinued wage discussions. Collective bargaining remains important for organisational issues such as working time regulation and work flexibility.

In France, collective bargaining coverage in the automotive sector affects the working conditions and wages of close to 100% of its employees. According to data of the Ministry of Employment, 99.8% of workers in the automotive industry are covered by a collective agreement. Of these workers, only 0.3% benefit exclusively from a company agreement. Industry-wide collective agreements are signed by the Union of Metal Manufacturing, Mining, Engineering, Electrical and Metal Equipment and Allied industries (Union des Industries et des Métiers de la Métallurgie, UIMM) and the sectoral unions. Wage bargaining takes place annually and rates are usually set at regional level. Occasionally specific deals are made for the automotive sector, as in 1999 in the accord on early retirement.

In Germany also, collective bargaining coverage in the automotive sector is almost total, as a result of the metalworking agreement signed by the Metalworking and Electrical Industry Employers (Gesamtmetall) and the German Metalworker Trade Union (IG Metall). It should be noted, however, that VW – the largest European OEM – is not covered by this industry-wide agreement and has instead developed its own set of group and company agreements for its German plants.

Some of the provisions of the German metalworking agreement address the potential impact of recession on a company's financial performance. These are the so-called 'hardship clauses', which can be used when economic, financial or market difficulties threaten the viability of a business. It is possible, for instance, to suspend pay rises even if they have been written into the industry-wide agreement. To activate such measures, a specific works agreement has to be signed by all the signatories of the industry-wide agreement. IG Metall has developed a number of possible trade-offs in exchange for agreeing to these hardship measures, such as seeking improved job security. Other trade-offs have included the recognition of some sort of interest payment, so that companies commit themselves to compensate workers for the suspension of the agreed pay rises – although this is quite rare – or stronger co-determination rights for works councils and trade unions. Recent agreements have seen employees taking pay rises in company shares rather than cash, a remarkable development given the traditional scepticism of German trade unions about worker-ownership. In the context of the increasing financialisation of German industry, however, the country's unions are hoping that the creation of workers' equity in this way will develop 'patient' capital to counterbalance the traditional short-term emphasis on shareholders' profits – which, in the unions' view, has increasingly begun to damage the interests of other stakeholders, including workers.

Table 4: The structure of collective bargaining in the automotive sector

Country	Main Level	Additional level	Notes
France	Sectoral	Company in OEMs and main supplier companies	Metalworking; coverage is almost total.
Germany	Sectoral	Works agreements	Metalworking.
Hungary	Company	–	
Italy	Sectoral	Company in OEMS and main supplier companies	Metalworking; the dominant presence of the Fiat group in vehicle production and assembly makes the Fiat company agreement particularly important.
Slovakia	Sectoral	Company in OEMs (100%) and main supplier companies (10%)	Metalworking; there is an agreement between the trade association of the automotive sector (ZAP SR) and the metalworking employer association (ZSP SR) for the application of the metalworking collective agreement even if associated members of ZAP SR are not members of ZSP SR, such as KIA, VW and PSA Peugeot.
Spain	Company	Sectoral for small companies in the components sector	OEMs and main supplier companies apply company-level agreements. Small firms in the components sector usually apply sectoral provincial agreements depending on their specialism. They mainly belong to either the metalworking or the chemicals sector.
Sweden	Sectoral	Company in OEMS and main supplier companies	The sectoral agreements set the framework for local negotiations where most collective bargaining takes place.
UK	Company	–	

Source: EIRO

In Italy, the metalworking industry-wide agreement is the basic frame of reference for the automotive sector. Traditionally, signatories to the agreement are the Metalworking Employer Federation (Federmeccanica), the National Association of Engineering Companies (Assistal) and the sectoral unions Fim-Cisl, Fiom-Cgil, Uilm-Uil and Fismic. It should be noted that, since the early 2000s, three agreements have been concluded without the participation of Fiom-Cgil – in 2001, 2003 and notably at the latest renewal in October 2009 (IT0902059I).[3] The main Italian companies also engage in decentralised bargaining, which is particularly important for organisational issues and collective performance-related pay. The dominant and almost exclusive presence of the Fiat Group as a vehicle producer and assembler makes the Fiat collective agreement particularly important in the sector.

[3] The text contains numerous references (such as IT0902059I) to records on the EIRO website; these provide more detailed information on the issues in question. They can be accessed at http://www.eurofound.europa.eu/eiro by simply entering the reference into the 'Search' field.

In Slovakia, an industry-wide agreement for metalworking covers the automotive sector. The parties to this agreement are the sectoral trade union OZ KOVO (Odborový Zväz KOVO) and the Federation of the Mechanical Engineering Industries of the Slovak Republic (Zväz strojárskeho priemyslu SR, ZSP SR). Even if major OEMs present in the country – VW, PSA Peugeot and KIA – are not members of ZSP SR, an agreement with the trade Association of the Automotive Industries of Slovakia (Združenie automobilového priemyslu SR, ZAP SR) explicitly entrusted ZSP SR to bargain on their behalf. All OEMs and a minority of the supplier companies are in addition involved in company-level bargaining.

In Sweden, the general framework for collective bargaining in the automotive sector is set by an industry-wide agreement for the metalworking sector negotiated by the Association of Swedish Engineering Industries (Teknikföretagen) and the various profession-based unions. These include the Union of Metalworkers (IF Metall) for blue-collar workers, the Trade Union for Professionals in the Private Sector (Unionen) for white-collar employees, the Swedish Association of Graduate Engineers (Sveriges Ingenjörer) and the Confederation of Executives and Managerial Staff (Ledarna). While national sectoral agreements are very important for deciding wage increases every three years, most other issues are negotiated at company level. Wage bargaining in the manufacturing sector, which covers the metalworking and automotive sectors, is the pace-setter across the national bargaining system (SE0703039I).

It is important to note that a key agreement was reached on 2 March 2009 in the manufacturing sector to address the economic crisis through temporary layoffs (SE0903019I). The deal was signed by the blue-collar trade union IF Metall and three sectoral employer associations – the Association of Swedish Engineering Industries (Teknikföretagen), the Swedish Industrial and Chemical Employers' Association (Industri- och Kemigruppen) and the Metal Group (Metallgruppen). The agreement introduced temporary measures effective until March 2010 to allow the reduction of working hours while guaranteeing employees at least 80% of their normal pay. Local agreements can offer training during working time reductions. For the automotive sector specifically, a similar agreement was made between IF Metall and the Association of Motor Industry Employers (Motorbranschens Arbetsgivareförbund, MAF) a week later. A number of companies in the automotive sector, including Volvo Cars and Scania, have implemented similar working time reduction schemes to save jobs during the economic downturn (see below for further details).

In the UK, collective bargaining coverage in the automotive sector is higher than the national average. In 2002, data from the Labour Force Survey suggested that collective bargaining agreements existed in about 50% of the vehicle manufacturing sector, although there were fewer in the components sector. These levels may have dropped a little in recent years, but there has probably been no significant decline. As has already been said, collective bargaining takes place only at company level. OEMs tend to negotiate multi-plant agreements at group level whereas suppliers generally bargain at plant level. This means that employment and working conditions tend to be less consistent, even within operations run by the same employer, since many components suppliers are made up of a variety of distinct plants producing different products. Styles of negotiation tend to vary between longer-established companies and more recently established Japanese 'transplants'. These are often green-field plants established by transnational companies, which bring organisational and HRM practices developed in the home country with them. In US-, UK- or EU-based companies, worker representatives are usually shopfloor delegates and collective bargaining takes place within negotiating committees of management and trade union representatives. In the 'transplant' companies, a key representative role is assigned to elected employee councils, which not only bargain with company management but are also entitled to information and consultation rights.

The impact of the recession

The current economic downturn has hit every part of the automotive sector hard. This section focuses on car manufacturing, and places it at the centre of an analysis of the way in which industrial relations and social dialogue influences attempts to cope with the crisis. However, a number of points should be stressed.

Impact of scrappage schemes Although the impact of the recession on the sales of passenger cars has been significant, it has been mitigated by support from government-funded car scrappage incentives in the integrated EU market (see Table 5). In Germany, for instance, such incentives boosted the internal market by 23.2% in 2009. In other countries, the impact was sufficient to freeze the decline in car sales at 2008 levels – as in Italy, where new car registrations dropped by just 0.2% in 2009. In Austria and France, the number of new cars registered rose by 8.8% and 10.7% respectively. In other countries, the incentives have been less effective. In the UK, new registrations in 2009 dropped by 6.4% on the previous year, in Spain by 7.9%, in Sweden by 16.0%, in Greece by 17.8%, in Portugal by 24.6% and in the Netherlands by 22.4%. However, Germany, France and Italy account for more than 55% of the EU and EFTA market (Source: ACEA, Historical series 1990–2009).

Incentives to buy 'green' cars Government incentives, which were often directed at supporting the purchase of low-emission vehicles (see Table 5), have skewed the impact of the recession on the various market segments. Such schemes have favoured small cars and, in certain cases, alternative fuels such as liquefied petroleum gas (LPG), compressed natural gas (CNG) and hybrid or dual-fuel cars. OEMs producing ranges that include small city cars were able to profit from these schemes in a way that premium car makers could not. So in Germany, for instance, where VW and Opel have seen domestic sales of their Golf, Polo, Corsa and Astra models increase by almost 50% and other producers such as Fiat and Hyundai have fared even better, producers such as BMW, Audi and Mercedes have seen double-figure declines in their sales. So, while new car registrations throughout the EU15 show significant falls for BMW (-15.3%), Mercedes (-13.8%) and Audi (-7%), other brands have performed well. These include Fiat (new car registrations up by 7.2% in 2009), Alfa Romeo (7.8%), VW (6.6%), Skoda (16.8%), Dacia (95%) and non-EU carmakers such as Hyundai (32.2%) and Kia (12.1%). It is also possible that production volume benefits may have been unevenly distributed between production sites belonging to the same OEM because of the way in which public incentives were only offered for certain models. This resulted some plants putting workers on short-time working, while others had so much overtime on offer that staff had to be redeployed from one plant to another.

Table 5: Fleet renewal schemes in the EU, 2009–2010

Country	Main elements of scheme	Scrappage incentives	Duration	2010
Austria	€1,500 for the substitution of a car more than 13 years old with the purchase of a new car	Minimum emission standard Euro 4	1 April 2009 – 31 December 2009	No
Cyprus	€675–1,700 for the substitution of cars more than 15 years old, combining scrappage and purchase incentives	Discounts offered according to fuel consumption of the replacement car; a discount of €1,700 for a maximum of 5ltrs/100 Km consumption, or €1,280 for a car consuming less than 7l/100km. For scrapping a car more than 15 years old, a grant of €650	2009	No
Germany	€2,500 for the substitution of a car more than nine years old with a new or used car	New car: Minimum emission standard Euro 4 Used car: no more than 12 months old.	14 January 2009 – 31 December 2009	No
Spain	Plan VIVE: interest-free loan of up to €10,000 for the substitution of vehicles more than 10 years old or with more than 250,000 km on the clock Plan 2000E: €2,000 for the substitution of vehicles more than 10 or 12 years old, depending on whether replaced with a new or used vehicle.	Cost of new car must not be more than €30,000; replacement car must be no more than five years old; maximum permitted CO_2 emissions of replacement vehicle 140 g/km or 148 g/km (cars, Plan VIVE and 2000E respectively) or 160 g/km for light commercial vehicles (LCVs)	1 December 2008 – 1 October 2010 (VIVE) 18 May 2009 – 18 May 2010 (2000E)	Plan VIVE until 1 October 2010 Plan 2000E extended to 30 September 2010
France	€1,000 for the replacement of a car more than 10 years old with a new car	Maximum 160 g/km CO_2 emissions (no requirement for LCVs)	4 December 2008 – 31 December 2009	Phasing out of incentives: €700 until June, €500 until December
Greece	€500–3,700 for the substitution of cars and LCVs first registered before 2005 A further scheme for heavy trucks	Minimum emission standards Euro 4 and Euro 5 cars, or LCVs Incentives offered for scrapping only	28 September 2009 – 2 November 2009	No
Italy	Combined scrapping and purchase incentives ranging between €1,500 and 6,500 for cars and LCVs with LPG or CNG fuels	Minimum emission standard Euro 4, and maximum permitted CO_2 emissions 130 g/km for diesel and 140 g/km for other fuels	7 February 2009 – 31 December 2009	No
Luxembourg	€1,500–2,500 for the substitution of cars more than 10 years old	Maximum permitted CO_2 emissions 150 g/km (€1,500) or 120 g/km (€2,500)	22 January 2009 – 31 July 2009	Until July
Netherlands	€750–1,000 for the substitution of petrol cars and LCVs more than 13 years old €1,000-1,750 for diesel vehicles more than nine years old	Petrol vehicles less than eight years old; diesel vehicles equipped with particulate filter	2009 – 2010	Continues for the whole year
Portugal	€1,000–1,500 depending on the age of the vehicle	Maximum CO_2 emission permitted – 140 g/km	1 January 2009 – 31 December 2009 (two schemes)	New scheme under discussion in February 2010
Romania	Approximately €900 for the substitution of cars more than 10 years old	No	1 December 2009 – 31 December 2009	New plan starts in mid-February (voucher for scrapping)
Slovakia	€1,000–2,000 for the substitution of cars more than 10 years old	Cost of new car to be no more than €25,000	9 March 2009 – 31 December 2009 (two schemes)	No
UK	GBP 2,000 for the substitution of cars and LCVs more than 10 years old	-	1 May 2009 – 28 February 2010	Until February

Note: LCV = light commercial vehicles, HCV = heavy commercial vehicles.
Source: ACEA, http://www.acea.be/, accessed on 26 February 2010

Impact of recession on commercial vehicles In the absence of comparable incentives, other areas of the automotive sector such as commercial vehicle, bus and coach production have suffered a much larger fall in demand. In the first three quarters of 2009, new registration of commercial vehicles, buses and coaches fell by 32.0% in the EU and EFTA countries (source: ACEA). In the same period, the corresponding overall decrease in the passenger car market was just 2.8% (source: ACEA).

Drops in demand and in production It is important to distinguish between market trends and production output. The reduction in production levels within countries has been larger than the reduction in demand across Europe. A number of factors have played a part in this. Firstly, anticipating reduced demand, manufacturers have reduced inventories and production faster than demand has actually declined. Secondly, since EU plants produced almost €80 billion worth of cars and components for export in 2006 (source: ACEA), a significant share of cuts in production anticipated the slump in non-European markets, which was even more severe than that in Europe. Thirdly, reduction in national volumes may also reflect to some extent manufacturers' medium-to-long term strategies about where to base production. Typically, production is being shifted to sites with lower labour costs, often in central and eastern Europe, although a new emerging relocation for certain European manufacturers is northern Africa. It is probably unnecessary to underline that, as far as industrial relations are concerned, present and perspective production levels are the prime reference for negotiation and adjustment at company and plant levels.

Table 5: New registration of passenger cars in EU and EFTA, 2009

Country	Registrations	Proportion of all registrations (%)	Change 2005–2007 (%)	Change 2007–2009 (%)
Austria	319,403	2.2	-3.2	7.1
Belgium	476,563	3.3	9.3	-9.2
Denmark	112,007	0.8	8.5	-29.7
Finland	88,344	0.6	-15.3	-29.5
France	2,268,671	15.7	-0.2	9.9
Germany	3,807,175	26.3	-5.2	20.9
Greece	219,730	1.5	3.7	-21.5
Ireland	57,444	0.4	8.5	-69.2
Italy	2,158,010	14.9	11.4	-13.4
Luxembourg	47,265	0.3	5.8	-7.9
Netherlands	387,699	2.7	8.7	-23.3
Portugal	160,991	1.1	-2.3	-20.2
Spain	952,772	6.6	5.6	-41.0
Sweden	213,408	1.5	11.8	-30.4
United Kingdom	1,994,999	13.8	-1.5	-17.0
EU15	13,264,481	91.5	1.8	-7.7
Iceland	2,113	0.0	-11.7	-86.7
Norway	98,675	0.7	17.5	-23.6
Switzerland	264,771	1.8	7.5	-7.0

Country	Registrations	Proportion of all registrations (%)	Change 2005–2007 (%)	Change 2007–2009 (%)
EFTA (3)	365,559	2.5	9.4	-15.0
EU15 + EFTA (3)	13,630,040	94.1	2.0	-7.9
Bulgaria	25,104	0.2	26.4	-38.8
Czech Republic	167,708	1.2	15.0	-3.9
Estonia	9,946	0.1	57.4	-67.8
Hungary	60,189	0.4	-13.7	-64.9
Latvia	5,367	0.0	97.4	-83.6
Lithuania	7,515	0.1	106.4	-65.2
Poland	320,317	2.2	24.5	9.2
Romania	130,001	0.9	23.1	-58.8
Slovakia	74,717	0.5	4.5	25.2
Slovenia	57,967	0.4	15.8	-15.6
New EU Members	858,831	5.9	61.4	-29.0
Total EU27	14,123,312	97.5	4.8	-9.3
Total EU27+EFTA	14,488,871	100.0	4.9	-9.5

Source: ACEA, http://www.acea.be/, Historical series 1990–2009, retrieved on 24 February 2010

Moreover, to put the present downturn in perspective, it should be emphasised that the automotive sector has been in a state of almost permanent reorganisation since the 1980s. Various factors have played their part in this process of change: production technology, through the introduction of extensive digitalisation, mechanisation and labour saving equipment; internal reorganisation, with moves from 'islands' to 'chains', from 'hierarchy' to 'lean organisation', and to 'constant improvement' and 'just-in-time'; ever-evolving company strategies, with an increasing emphasis on modularisation, outsourcing and the diffusion of off-shoring; and fluctuating market trends, influenced by growing international competition and the role of emerging markets. All of this means that the present downturn may exacerbate existing pressures and trigger further reorganisation and restructuring. Alternatively, it may simply add a new dimension to the restructuring processes already underway, and it may even represent the first test for companies just completing their restructuring. It is, of course, difficult to distinguish which of these often overlapping factors are having an impact, and how strongly or weakly they are connected to the economic downturn.

Looking at the European Restructuring Monitor's (ERM) data for the automotive industry, there has been a clear increase in operations restructured and jobs lost in 2009. More than 85% of the jobs lost are accounted for by just three OEMs and involve worldwide reorganisations, not just those in EU locations. In March 2009, VW announced the loss of 16,500 temporary jobs worldwide; In February 2009, GM unveiled a restructuring plan envisaging the loss of 47,000 jobs worldwide, including 26,000 outside the US; and in the same month Nissan announced the axing of 20,000 jobs worldwide, 12,000 of them in Japan. Alongside these large-scale restructuring plans, there is a steady flow of reorganisation and job-creation initiatives, which is continuously reshaping the industry landscape. Overall, it seems that job cuts have outnumbered jobs created in the automotive sector in recent years in the EU (which remains the main focus of ERM data). At the same time, ERM data confirm that job losses in recent years have been concentrated in western Europe, while most job creation took place in central and eastern European countries and in non-Member countries.

Table 6: Restructuring cases in the automotive sector, 2004–2009

Year	Jobs lost	Cases	Jobs created	Cases
2004	22,133	10	10,460	8
2005	29,473	12	29,340	17
2006	48,559	13	7,890	10
2007	14,889	5	13,290	11
2008	31,687	23	14,620	16
2009	97,283	27	7,210	11

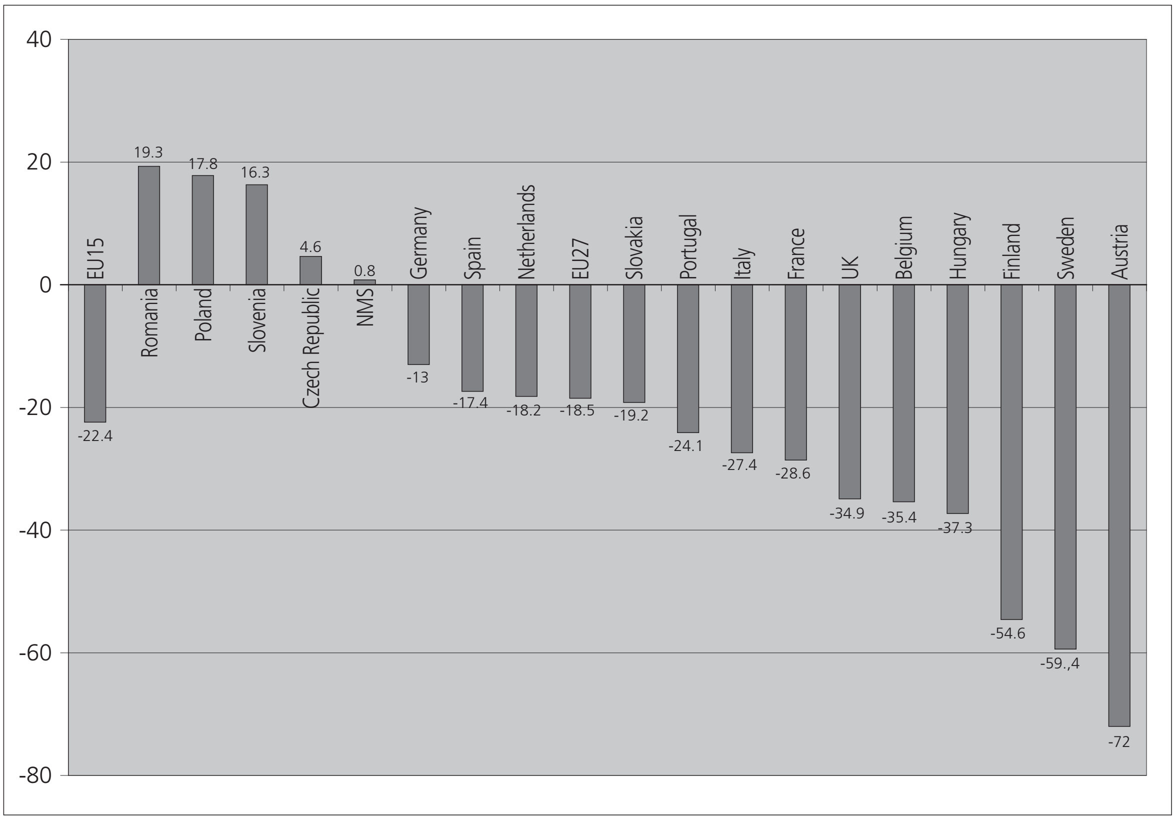
Source: author's calculations using ERM data, http://www.eurofound.europa.eu/emcc/erm/; data retrieved on 15 February 2010

Beyond the present economic crisis there are at least two medium-to-long term issues that are challenging automotive companies. The first is product technology, particularly the progress towards more environmentally-compatible engines and fuels, such as those promised by electric cars. These developments will obviously have a significant impact on the component sector. The second challenge comes from the combined effect of global overcapacity, which is estimated at around 30%, and the shift of growth potential from the mature markets of the western world to the emerging markets in Asia and the southern hemisphere. This may significantly alter the structure of global supply, since the capacity to serve a specific market has usually been linked with the location of assembly plants. It is to be expected that producers will tend to go where their market is. It should be noted, then, that the loss of automotive sector jobs in the EU may be partly linked to the combined effect of the sector's efforts to reduce over-production and to follow the emerging markets.

To summarise, current influences on the sector probably include: the medium-term trajectories of company internal restructuring; the short-term impact of the economic downturn, and of government support schemes designed to lessen that impact; and the long-term effects of technology, market shifts and overcapacity-reduction. All of these influences may be accompanied and sustained by specific industrial policies.

Nevertheless, a glance at passenger car production data (Figure 2) shows how devastating the present crisis has been for the automotive sector. Compared with 2007 levels, almost all countries show a significant drop in production volumes. It is interesting to note that only a handful of countries have been spared: the two largest and most established central European producers, the Czech Republic and Poland, and the two smallest emerging ones, Slovenia and Romania, where 2009 figures may show that production has overtaken Hungary's. Slovakia and Hungary seem to have been severely hit by the recession.

Figure 2: Change in production volumes for passenger cars, 2007–2009 (%)



Source: ACEA, http://www.acea.be/

For some of the largest EU producers such as France, the UK and Belgium, Table 7 shows that in recent years there has been an acceleration of the downward trends that began in the mid-2000s, while for Germany, Spain and Italy those trends have been reversed. In central and eastern Europe, growth has slowed significantly. In Slovakia and Hungary, production levels have dropped, but even these lower levels are significantly higher than those of the mid-2000s.

Table 7: Production of passenger cars in EU countries, 2009

Country	Production (units)	Country share of production (%)	Change in production, 2005/2007 (%)	Change in production, 2007/2009 (%)
Germany	4,964,523	35.6	6.7	-13.0
France	1,821,734	13.1	-18.1	-28.6
Spain	1,812,688	13.0	4.7	-17.4
United Kingdom	999,460	7.2	-3.9	-34.9
Italy	661,100	4.7	25.5	-27.4
Belgium	510,300	3.7	-11.8	-35.4
Sweden	128,738	0.9	9.8	-59.4
Portugal	101,680	0.7	-2.6	-24.1
Austria	56,000	0.4	-13.2	-72.0
Netherlands	50,620	0.4	-46.2	-18.2
Finland	10,907	0.1	13.1	-54.6
EU15	11,033,564	79.1	0.0	-22.4
Czech Republic	967,760	6.9	55.0	4.6
Poland	819,000	5.9	28.7	17.8
Slovakia	461,340	3.3	161.5	-19.2
Romania	279,320	2.0	34.1	19.3
Slovenia	202,570	1.5	25.9	16.3
Hungary	180,500	1.3	93.9	-37.3
New Member States	2,910,490	20.9	62.7	0.8
Total EU27	13,944,054	100.0	6.9	-18.5

** National proportions may include production that can be attributed to more than one country,- such as 80,300 cars in 2009 that can be claimed by both Belgium and Germany, and 3,886 cars attributed to both Italy and the EU27. As a result, the sum of national production figures in this table does not correspond to the overall total for EU member groups.*
Source: ACEA, http://www.acea.be/, data accessed on 24 February 2010

Employment

Despite a significant fall in production, the general picture of the effects of the present economic downturn is that employment levels remain relatively stable, especially in countries where tools are available to manage short-term variations in demand. In these cases, employers – often jointly with the trade unions – can cushion the immediate effects of diminishing sales and output. By using the various forms of reduced working hours allowed by national legislation or collective bargaining, most of the large manufacturers have been able to limit redundancies in the core labour force. Indeed, many company collective agreements deal with just this issue and often include a commitment to preserve employment. In France, this has also been part of an agreement with the government concerning broad sectoral interventions. However, the reduction in fixed-term and temporary agency employment has been widespread and has been reported in many countries including France, Italy, and Slovakia. In some cases, voluntary departures backed by economic incentives to relinquish jobs have provided further scope for employment adjustments. Of course, the cushioning effects of car scrappage bonuses in some European markets has to be taken into account and without them it is possible that reorganisation and restructuring would have gone much further. A German union official interviewed for this study estimates that 200,000 jobs may have been saved in Germany by car fleet renewal schemes. For this reason, car-scrappage bonuses have been praised by the European Automobile Manufacturers Association (ACEA).

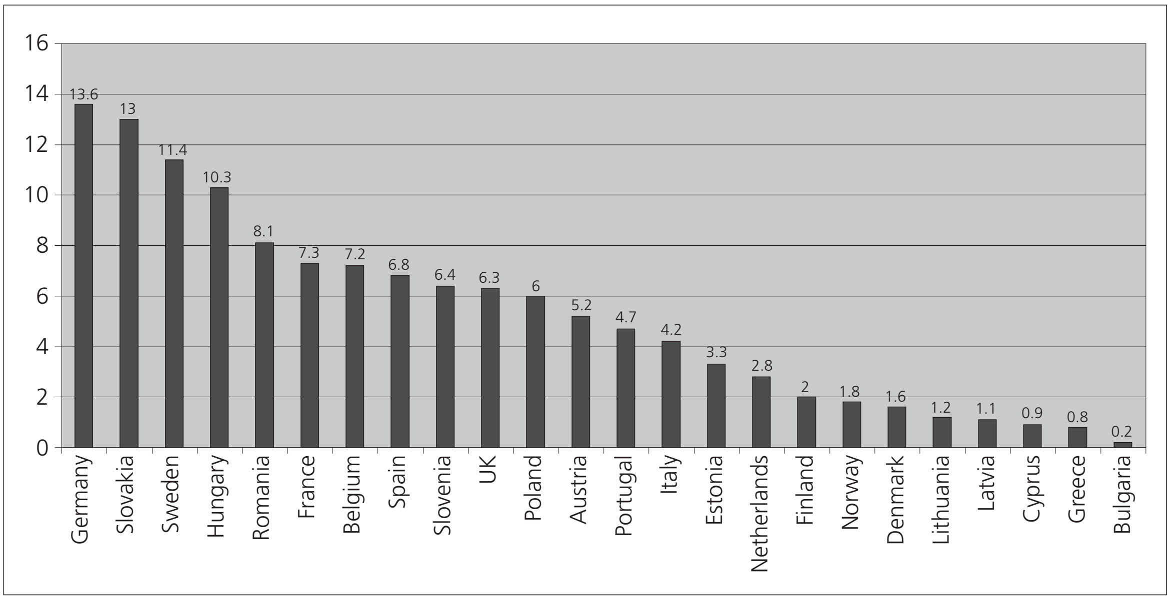
Table 8: Employment in the automotive sector in the EU in 2008

Country	Number employed	% of manufacturing employment
Germany	972,825	13.6
France	247,495	7.3
Italy	187,554	4.2
UK	177,395	6.3
Spain	164,811	6.8
Poland	153,557	6.0
Romania	113,306	8.1
Sweden	84,597	11.4
Hungary	77,068	10.3
Slovakia	57,387	13.0
Belgium	41,336	7.2
Portugal	36,545	4.7
Austria	33,215	5.2
Netherlands	23,773	2.8
Slovenia	14,797	6.4
Bulgaria	10,479	0.2
Finland	8,341	2.0
Denmark	6,362	1.6
Norway	4,538	1.8
Estonia	4,002	3.3
Greece	2,948	0.8

Country	Number employed	% of manufacturing employment
Lithuania	2,746	1.2
Latvia	1,436	1.1
Cyprus	328	0.9
Czech Republic	na	-
Luxembourg	na	-

Source: Eurostat, http://epp.eurostat.ec.europa.eu/. Data extracted on 29 January 2010

Figure 3: Employment in the automotive sector, 2008 (percentage of manufacturing employment)



Source: Eurostat, http://epp.eurostat.ec.europa.eu/. Data extracted on 29 January 2010

Government support measures

Public support for the automotive sector has been channelled through different levels and by different means. It is possible to distinguish between national, regional and European levels. As outlined above, a key intervention in this phase has been the support of governments to sustain market demand. However, other actors have given direct help to companies on the supply side. This has happened both at national and European level, and sometimes at sub-national levels. This kind of support has taken the form of credit, guarantees or loans at special rates offered not just by national governments but also by parties such as the European Investment Bank (EIB), or the European Commission through the European Globalisation Adjustment Fund (EGF). Whereas such loans can help companies to address short-term financial difficulties, most of these credit lines are clearly linked to longer-term objectives such as the 'Clean Transport Financial Facility' of the EIB.

Interestingly, national loans usually include clauses to preserve employment levels or working conditions. The EGF, which is administered by the DG for Employment, Social Affairs and Equal Opportunities, is specifically intended to 'support workers who lose their jobs as a result of changing global trade patterns so that they can find another job as quickly as possible' (DG Employment web page on the EGF).

In France in December 2008, the government introduced an incentive scheme to encourage new car purchases, a scheme that has been extended to December 2010. The French government also launched a special initiative in January 2009, 'the General state of the automotive production chain' ('*Etats généraux de l'automobile*'), aiming to assess the needs of the automotive industry with the involvement of the sectoral social partners. This led in February 2009 to the 'Automotive Pact' (*Pact automobile*), an agreement that included the provision of €6.5 billion of low interest public loans for five years. These loans will provide Renault and PSA Peugeot with a credit line of €3 billion each, and establish a Modernisation Fund for Automotive Suppliers (*Fond de modernisation des équipementiers automobile*, FMEA) to be financed jointly by the government and Renault and PSA. So far, the FMEA has been given €600 million in funds. In September 2009, the government appointed a commission to design a further modernisation fund for second-tier suppliers.

In addition to this, Renault and PSA Peugeot will receive help to strengthen the financial situation of their banks, which provide credit for car buyers. This aid will total €1 billion in each case and will be issued by the *Société de financement de l'économie française* (SFEF), a financing institution created in October 2008 by the government and the French banking sector to support industries during the crisis. Government credit guarantees will also be offered to automotive suppliers.

It is important to note that access to the €6.5 billion credit line has been linked to commitments to maintain employment levels, invest in 'green' technology and strengthen cooperation with automotive suppliers. The aim of this last measure is to reduce cost pressures, which have sometimes forced suppliers to downsize and move production offshore. Indeed, Renault Trucks, a subsidiary of the AB Volvo Group, refused a €500 million credit line, which it had been initially offered, because it was not willing to accept limitations on the terms of its future employment policies.

Offshoring has been a sensitive issue since it was initially suggested that commitments to relocate production back to France should be a condition of the support package. However, protests by other EU governments and the risk of triggering a negative reaction from the European Commission convinced the French government to abandon this proposal. The French government, however, maintains that by supporting French car makers the Pact is indirectly benefiting employment levels in foreign subsidiaries and component suppliers based in other countries.

Another intervention that has specifically benefited the automotive sector has been the public funding of ‘partial unemployment’. Partial unemployment is the primary tool used in France to keep people in work at times of significant shortfall in demand. It was first introduced by an intersectoral national collective agreement in 1968 and has been revised many times since, most recently in January and July 2009. The provision of public funding is crucial because it can make partial employment much easier and more convenient for companies. Since April 2009, the partial unemployment agreement has ensured that employers pay at least 75% of workers’ gross pay during any period of inactivity at a minimum hourly rate of €6.84 (previously the rate had been €4.42). Employers can seek public compensation at a rate of €3.84 for SMEs and €3.33 for companies employing more than 250 workers (FR0905029I). However, it was agreed in April 2009 that public compensation for the automotive sector would rise for six months to €5.34 for SMEs and €5.08 for larger companies. An intersectoral agreement signed in July 2009 increased the maximum time a worker could be placed on partial unemployment to 1,000 hours, up from the former limit of 600 hours, and introduced the possibility of using periods of partial unemployment for training. Some companies enhanced these partial unemployment provisions. An agreement signed in May 2009 improved the conditions of partial employment for those in the metalworking sector, and at Renault and PSA Peugeot management funding and enhanced public support have ensured the payment of 100% of workers’ gross pay.

In Germany there has been an effort to support the development of new technologies with a special emphasis on electric cars. The government stimulus package included €500 million to support the development of electric vehicles and in mid August 2009 a ‘National Developmental Plan for Electro-Mobility’ was launched. A key feature of the support package for the automotive sector was a €5 billion fleet-renewal scheme.

In the same vein as the French scheme of partial unemployment, the German government enhanced its short-time working scheme and reduced administrative burdens for companies. Companies hit by temporary decreases in demand can seek agreement with the works council to ask the Federal Agency of Labour to support employees who are on short-time working schemes. This ensures that workers laid off entirely (those who are on 100% short-time work) receive an allowance of 60% of their normal net pay, or 67% if they have children. This allowance and the worker’s share of social contributions are paid by the Federal Agency of Labour, while the company continues to pay its share of social contributions. Workers are then often offered training programmes to update skills. Short-time working can last up to 24 months. According to estimates, about 70% of automotive companies have been using the short-time working scheme during the current economic recession. Workers at the Opel plant in Bochum, for instance, are currently on 100% short-time work for the maximum two years allowed under the scheme.

Industrial relations can improve regulation of short-time working by negotiating better conditions than those provided by general legislation. In the automotive sector, IG Metall and Gesamtmetall have agreed special conditions on three points: compensation is raised to 80% of net pay at the expense of the employer; if someone is dismissed during a short-time period, the worker is still entitled to receive full notice pay; and the role of the works council in implementing the short-time working scheme has been strengthened.

In Hungary, the main focus of industrial policy in the automotive sector is supporting the upgrading of the industry and its move to higher value production. In particular, special attention is paid to skill development to meeting company needs. For instance, the June 2008 plan 'Vehicle Industry Action Plan for 2003–11' from the Minister of National Development and Economy introduced a HUF 10 million employment subsidy for each position created in research and development (R&D). Other improvements supported by the plan include improving the automotive supplier system, with an emphasis on SMEs, enhancing infrastructures to attract new investments by large manufacturers and providing incentives for investment. The plan is to be funded through the EU co-funded New Hungary Development Plan. Social dialogue for the automotive sector takes place within the Auto Industry Competitiveness Task Force (*Autóipari Versenyképességi Munkacsoport*, AVMCS) with the participation of the sectoral social partners and the major motor companies. No specific measures to address the economic crisis have been designed for the automotive sector. The government ruled out the possibility of a fleet-renewal scheme, which would benefit foreign producers most and would have a limited impact on employment and economic growth. Of course, automotive companies have benefited from the general measures introduced to address the economic downturn. These include interventions aimed at saving jobs – particularly through wage subsidies, incentives for the introduction of short working hours as an alternative to redundancy, as well as subsidies for training and reskilling, outplacement services and travel and mobility. To access such support schemes, companies must show that they cannot use their full capacity and present a reorganisation plan to the regional labour centre. The decision to grant support is taken centrally by the Minister of Social and Labour Affairs. In return, companies have to guarantee job security for at least twice as long as they receive support. They must also show that they have no labour violations on their record and that they are not receiving other state aid. Motor companies such as Rába and GM Powertrain have applied for the subsidies for 1,200 and 500 workers respectively.

In Italy, the main instrument used to cope with the economic recession so far has been the ordinary-wage guarantee fund, an income support measure that can be used by companies – with the agreement of unions – to cope with seasonal or recession-triggered decreases in demand or unexpected difficulties, such as damage caused by bad weather, which interrupt production. For these temporary stoppages or reductions in hours, the fund pays an allowance of up to 80% of basic pay but with upper limits for unskilled and skilled workers of about €900 and €1,100 respectively per month. This often results in an actual loss of between 40% and 50% of normal pay.

To improve protection for workers and companies, the government has introduced a number of measures that extend the coverage of the wage guarantee fund to sectors and companies such as small firms and the service sector, which were not previously covered. This has improved the ability of the fund to offset the effects of the economic crisis. This fund prohibits the start of any restructuring process and can be used only for 12 months. After that, companies must use the 'extraordinary' wage guarantee fund designed to support reorganisation and restructuring. At that point they may also seek redundancies which – in certain circumstances – would make workers involved eligible for a 'mobility' allowance.

In the automotive sector, the ordinary wage guarantee fund has been used primarily to cope with the recession and its extension to small firms has certainly helped the components sector, especially second-tier suppliers. The introduction of a fleet-renewal scheme has also helped keep domestic demand in line with 2008 levels.

In Slovakia, tax holidays have given direct support to companies' investment efforts. At the end of 2008, the government approved an incentive of €14.3 million for VW, linked to the company's investment of €300 million in the production of small cars, with the potential to create 700 jobs. KIA was granted a €15 million tax incentive in July 2009 in return for its €110.5 million investment in an engine production facility to serve both KIA and Hyundai, creating 274 jobs. Another government measure was the 'Crisis Committee', set up in January 2009 and made up of government officials, political figures, local authorities and social partner representatives. The committee has made recommendations about social and employment policies and business support schemes, including the introduction of a fleet renewal scheme for the automotive sector. The government and social partners have also signed a cooperation memorandum on addressing the economic crisis (SK0904019I).

In Spain, the impact of the economic crisis was felt relatively early in 2008 and has been particularly severe. The government started talks with social partners and sectoral trade associations at the end of 2008, which culminated in the creation of the 'Comprehensive Plan for the Automotive Industry' announced by government at the beginning of 2009. This included a fleet renewal plan – 'Vive' II – funded through a European Investment Bank (EIB) credit line. However, similar car scrappage incentives have been used in Spain for a long time and so the effects on sales were not as significant as they were elsewhere. In addition, in February 2009, the government launched a special €4 billion package to support the car industry, designed to sustain firms that sign job security collective agreements and invest in factory and equipment and in developing environmentally friendly vehicles. Other government interventions aim to improve the sector's infrastructure and support its logistics. The development of new vehicles is being promoted by the 'Plan Movele' initiative, designed to introduce electric vehicles in major Spanish cities by providing significant purchasing incentives (up to €15,000 per vehicle).

With a decline in car sales of around 40% since 2007, and even steeper declines for commercial vehicles and buses, the Employment Regulation Procedure (*Expediente de Regulación de Empleo*, ERE) for temporary lay-offs has been widely used (rather than terminating contracts). This procedure, which must begin with consultation with the workers' committee, allows the company to reduce the labour force temporarily. All OEMs (excluding the VW plant producing the new Polo) have used the temporary ERE scheme, laying off in total 43,000 people. Among supplier companies, 321 have used the ERE to lay off 60,798 workers. In most cases, temporary workers were laid off first. In the first five months of 2009, 30% of all workers supported by this scheme were automotive employees.

Companies that have used temporary lay-offs include Seat (VW Group) in two phases at its Martorell Plant, first in November 2008, involving 4,500 employees, and then in February 2009, laying off a further 5,300. In March 2009, Seat also introduced a two-year salary freeze, which was accepted by most workers. Nissan has been reorganising and restructuring over the last few years and this process has accelerated in the face of a declining market. Redundancies announced in January 2008 were withdrawn following an agreement on increased working flexibility. A further redundancy plan was announced in November 2008, involving 1,700 workers. This was then turned into 3,300 temporary lay-offs after unions and workers protested and political pressure was brought to bear on the company. In August 2009, a third redundancy plan was announced, this time affecting around 2,000 workers because of falling demand for SUVs and light commercial vehicles. In this, however, workers receive only half of their redundancy payment in return for a commitment from the company to re-hire them within two years. If it fails to do so, the remaining redundancy payment will be made.

In Sweden the situation seems particularly difficult. Two of the world's biggest manufacturers of heavy commercial vehicles are based in Sweden and their market segment has been hit particularly severely. Moreover, Sweden's two main car manufacturers, Saab and Volvo, were already in difficulties and these were exacerbated by the global crisis. Overall the main automotive trade association (BIL Sweden) estimates that 25% of the sector's jobs have been lost since the start of the recession. At AB Volvo alone almost 8,000 permanent and temporary jobs were shed in Sweden in 2008 and 2009, and more than 16,000 worldwide. Closures, bankruptcies and restructuring also took place in the supplier sector.

The government's response in December 2008 was to announce a crisis package to provide SEK 28 billion to offer R&D funding and state credit guarantees for raising loans from the EIB. Volvo Cars and Saab have demanded support from this credit line, but the government wanted clarification of the ownership of the two ailing companies (see below for more details). The government, in fact, preferred to focus on labour market measures introduced by the 2009 Budget Law with funding of SEK 450 million to reduce the effects on unemployment. Special policies for specific industries have been ruled out. The government is particularly committed to keeping public finances in good order. Social partners have forcefully demanded stronger intervention from the government, but with limited results. Even the measures described above were introduced without consultation with social partners. At local level, however, public authorities have been more willing to provide direct help to the automotive sector. For instance, during 2008 the Västra Götaland Regional Council, one of the areas most severely hit by the recession, invested SEK 100 million in support measures for the motor industry.

Similarly, social partners in the UK demanded government intervention to support the automotive sector, asking for measures like those introduced in France and Germany. UK unions demanded a stronger industrial policy and a 'national strategy' for the automotive industry to support research and technology, training and skill-enhancement policies. Unite – The Union put forward a proposal for a GBP 13 billion assistance programme, including financial aid for indebted companies, a car-renewal scheme to boost domestic demand, and retraining of redundant workers. They also pressed the government to intervene in the most critical company cases. SMMT, the British motor industry trade association, also asked the government to play an active role in supporting the automotive industry.

In January 2009, the government adopted the 'Automotive Assistance Programme', which included government loans and loan guarantees for a total of GBP 2.3 billion intended to finance low-carbon vehicle investment projects and some employee training. In May 2009, the government launched its fleet-renewal scheme.

In the light of a report published in May 2009 by the New Automotive Innovation and Growth Team, the UK government is considering longer-term initiatives. The report is the result of a major industry enquiry organised by the Automotive Unit at the Department for Business and Enterprise, which was launched in April 2008. The report included a number of recommendations for the government, including the establishment of a permanent government-industry automotive council to draw up a strategic development plan for the industry until 2025, focusing on collaborative R&D efforts and creating policies to support the automotive components sector. The report also mentioned the possible introduction of short-term wage subsidies similar to those available in France, Germany and Italy.

Beyond the sector-wide discussions, the government has also been involved in a number of specific cases of company restructuring since the outbreak of the crisis. When Jaguar Land Rover (JLR) experienced a major liquidity crisis after the Tata take over, the government offered to provide guarantees for bank loans, but insisted on certain conditions for such assistance including representation on JLR's board and a right to veto redundancies. In August 2009, after talks had been going on for nearly a year, the company decided to withdraw from the negotiations and to raise the necessary funds without government support.

European level

Since the beginning of 2009, the European Commission has taken various steps to analyse the impact of the current economic crisis on the automotive sector and collect data on methods used by Member States to cope with the present difficult conditions. These include: a meeting called by the Commission with national governments to discuss the situation in the automotive sector in Brussels on 16 January 2009; the Communication from the Commission entitled *Responding to the crisis in the European automotive industry* (COM (2009) 104 final) issued on February 2009; and the Council's conclusions about the state of the automotive industry as adopted by the Competitiveness Council on 5 March 2009. In the framework of measures and monitoring activities focused on the economic downturn, special attention has been paid to the automotive sector.

One of the most concrete EU instruments available to cope with the global recession's impact on employment, and with the effects of globalisation, is the European Globalisation Adjustment Fund (EGF). This has been used to ease the effects of restructuring in the automotive sector since the beginning of the economic downturn, but as mentioned earlier this should not be seen as a separate, clearly distinguishable development if compared with more structural adjustments taking place in the industry. In August 2008, the European Commission approved an application for the support of 1,600 workers in Spain affected by the closure of a plant belonging to the multinational supplier company Delphi, which – attracted by economic incentives and lower production costs – decided to take its operation off-shore to Tangier. The EU contribution was €10.4 million. The Swedish government presented an application in June 2009 for 4,700 workers laid off from three Volvo Cars plants and 23 supplier companies and customers. The EGF gave a €9.8 million grant to help the 1,500 most disadvantaged workers return to employment. In all these case, the EGF provided support for active market labour policies, such as occupational guidance and training.

The EIB has offered substantial support for the automotive sector, mainly through the 'European Clean Transport Facility' (ECTF), which provides loans for green technologies – particularly those which comply with EU passenger car emission objectives for 2012–2020. In 2009 alone, EIB granted loans to the automotive sector – both to manufacturers and suppliers – of €5.5 billion, mostly through the ECTF. The list of companies assisted includes Fiat, Ford, Daimler, MAN, Nissan, Renault, Scania, Skoda, Volvo Trucks and VW.

The role of industrial relations

The importance of the presence of unions in the main automotive companies has put industrial relations at the centre of restructuring in most of the surveyed countries. As explained earlier, it is difficult to precisely identify when the economic downturn began to affect the sector since, in many cases, reorganisation was already under way. However, it is clear that between 2008 and 2009, all automotive companies had to introduce specific measures to address a fall in demand and the need to overhaul their approach to fuels, technologies, and models.

In France, the beginning of the recession was marked by Renault's announcement in July 2008 of a major reorganisation and the loss of around 6,000 jobs in France and other parts of Europe (FR0811019I). The company made a more detailed announcement between September and October 2009, predicting that 4,900 jobs among technical, managerial and commercial staff would go in France, and the remaining 1,100 from its operations elsewhere in Europe. Renault said that it hoped to reduce its staffing levels with incentives for voluntary redundancy, early retirement and paid leave for training or retraining. The plan was however harshly criticised by the trade unions, especially by CGT, and also attracted political criticism. Even so, the company was able to put the plan into action at the beginning of 2009, having found enough volunteers to take the incentives.

Apart from that, the framework of the 'Automotive Pact' and its partial unemployment scheme described earlier has been the principal instrument used to address the impact of the economic downturn. As explained above, a combination of collective bargaining at national, intersectoral, sectoral and company levels puts this scheme into action. Employers who fulfil the legal requirements can apply for public compensation.

In March 2009 a special agreement, 'A social contract for the crisis', was signed by Renault's management and four union organisations (CFDT, CFTC, CFE-CGC, CGT-FO – with the exception of CGT) introducing new rules for implementing the partial unemployment scheme, and aiming to ensure full pay for workers on partial unemployment. Formerly, only production workers took part in partial unemployment schemes, which included compensatory pay equalling 80% of the usual wage, paid out of a 'crisis management fund' financed by a special 0.15% contribution from salaries. Following the new agreement, professional and managerial staff will also be involved in the partial unemployment scheme and, according to the metalworking sector agreement, will receive their entire pay. However, they will contribute to the crisis management fund by offering one day of their working time reduction account for each five days of partial unemployment, up to eight days. This saving in paid leave will allow the company to grant full pay to all workers, if they individually agree to contribute some of their working time reductions. The scheme is also financed by increased government support as agreed between Renault and the Ministry of Employment in May 2009. In practice, the partial unemployment will be financed jointly and equally by the company, the government, and the crisis management fund.

PSA Peugeot has reduced its workforce by providing incentives for voluntary departures, especially in professional and managerial positions, and has also used the partial unemployment scheme. The result has been less industrial conflict than in the case of Renault. In April 2009, the company management and five union organisations (CFDT, CFTC, CFE-CGC, CGT-FO and GSEA – without CGT) agreed a 100% salary guarantee for workers in partial unemployment for up to six months. During that time, workers would be offered formal training to improve their employability. The initiative was to be financed jointly by the unemployment insurance, the government and the company. In July 2009, the company management and all six trade unions signed a further agreement to provide 90% of workers' pay without any time limit on partial unemployment. If the workers agree to forgo annual leave, they can receive 100% of their usual wage. Under this agreement, the company also commits itself to guaranteeing employment security for at least twice as long as the duration of partial unemployment.

In Germany, where 70% of companies in the automotive sector have used short-time working schemes, such schemes require a works agreement and often include other measures such as the activation of the hardship clauses in the industry-wide agreement. An interesting example is the case of the IG Metall branch in Gaggenau representing 25,000 workers employed mainly in the SMEs of the local automotive cluster. At the end of June 2009, up to 15,000 employees were on short-time working and 13 agreements had been signed to protect employment and support the viability of local firms.

At company level, an important cost-cutting agreement was reached at Daimler in late April 2009 (DE0905039I). Daimler had been severely hit by the economic downturn as sales of premium cars and commercial vehicles and coaches dropped considerably. Year on year, Daimler sales decreased by 22% in the first ten months of 2009. As explained earlier, these market segments could not benefit from fleet-renewal schemes and scrapping incentives. The works agreement of April 2009 included a number of concessions in exchange for a limited job security guarantee. The deal delivered labour cost savings of €2 million. Details of the scheme included: reducing all employees' working time by 8.75% without compensation; reducing the short-time allowance from 100% of normal net pay to between 80.5% and 93.5% (depending on plant location and each individual's short-time working hours); postponing a number of pay increases including those agreed across the sector at the end of 2008 (DE0812049I); and the suspension of a €1,900 bonus from the 2008 Daimler profit-sharing scheme. The company commitment to job security was guaranteed until the end of 2009. Further job security until June 2011 was guaranteed for employees hired before 2004 in line with a previous cost-cutting works agreement (DE0408102N).

A particularly sensitive case was the reorganisation of Opel. Opel employs around 46,000 workers at four sites in Germany. As part of the GM Group, it has suffered as a result of the financial difficulties faced by the American car manufacturer in recent years. GM's insolvency was seen in certain quarters as an opportunity to regain Opel's independence. The German government, for instance, sought to find a potential buyer and guaranteed special loans to support reorganisation by a new owner. A joint venture between the supplier company Magna and the Russian Sberbank seemed promising and was welcomed by the trade unions. Restructuring talks began in September–October 2009 and agreement was reached with worker representatives to suspend the pay rises scheduled for summer 2009 and to relinquish that year's holiday pay. In exchange for these concessions, it was agreed that employees would acquire 10% of the ownership of the new corporation. Then, late in November, GM decided not to give up its control of Opel and presented its own autonomous reorganisation programme. This provoked strong criticism from both the German and Russian governments and the trade unions (EU0910029I). In early February 2010, Opel's GM management presented its 'Plan for the Future' for Opel/Vauxhall. It includes a commitment to invest €11 billion in Opel by 2014 and to reduce capacity by 20% across Europe with the loss of 8,400 jobs – almost 7,100 jobs in manufacturing and 1,300 in sales and administration. The company announced its intention to close down the Antwerp plant, losing 2,377 jobs, reduce employment at Zaragoza by 900 jobs, at Bochum by 1,799, at Kaiserlautern by 300, at Eisenach by 300, at Rüsselsheim by 862 and at Luton by 369. Opel GM has begun discussing its plan with national governments and trade unions and a decisive element will be the willingness of governments to provide financial support for it.

In Hungary, most of the major automotive companies were able to avoid mass lay-offs for the whole of 2009. The exceptions were Suzuki, which dismissed 1,200 workers, and small components suppliers employing unskilled labour, which can easily be re-hired once the recession has passed. Redundancy is generally used as a last resort in Hungary, companies preferring to reduce working time through – for instance – the extension of the summer or Christmas breaks, as at the Audi and GM-Opel operations, and to dispense with temporary agency work and fixed-term contracts and in-source as much work as possible. As the economic recession has deepened, the most common response has been a reduction in working time, often without compensation. Hungarian trade unions generally put job security before income security and, despite some criticism from workers in certain cases, company unions have often cooperated with various cost-reduction measures, possibly because their position has been weakened by the recession.

Italy appears to be a partial exception among those countries where large OEMs are based, industrial relations not playing a major role in the adjustment to the recession. This is despite the Fiat Group's engaging in a number of substantial initiatives – in particular, the acquisition of Chrysler and ongoing moves to reorganise its production facilities in Italy, such as the controversial decision to closing its Termini Imerese plant by 2011. Short-term management of the recession's impact has largely been achieved through the ordinary wage-guarantee fund, which only requires 'implementation agreements' and not detailed negotiations with the trade unions. As explained in the previous section, the ordinary wage-guarantee fund can be used by companies hit by temporary or seasonal fall in demand or any event which reduces or halts production. It is quite easily accessed and is little more than an administrative process. Within Fiat's Italian operation, it involved around 22,000 of its 80,000 workers during 2009. In late December 2009, Fiat presented its industrial plan for 2010–2011 to the Italian government and its social partners (IT1002019). The plan promises €8 billion of investment over the 24 months of 2010–2011, the launch of 21 new models by 2014, and a return to Italy's 2005–2007 vehicle production levels of 900,000 units per year. It also allows for a request for support for 11,000 workers from the extraordinary wage guarantee fund, the fund designed to help companies through restructuring programmes.

As a result of the uneven impact of the fleet-renewals schemes on demand, some Fiat plants ran at full capacity throughout 2009 while work at others almost came to a halt. To cope, Fiat redeployed workers to busy plants, but without any significant attempt at collective bargaining. Trade union representatives have protested at what they see as a deliberate distancing of the company from consultation with its employees. When the Termini Imerese plant's closure was announced, only the national and local governments were involved in their role of helping to re-industrialise the site. The most significant agreement between unions and Fiat was reached in July 2009 over the performance-related bonus, guaranteeing to all workers (including those who had been on the Wages Guarantee Fund) an average bonus of around €1,950, some €500 below the 2008 level. Fiom-Cgil refused to sign the agreement, maintaining that it was unsatisfactory.

In Spain, the Employment Regulation Procedure (*Expediente de Regulación de Empleo,* ERE). allows a temporary reduction in employment levels, as discussed earlier, following consultation with the workers' committee and after authorisation by the regional employment administration. All OEMs used the ERE, applying it to a total of approximately 43,000 workers in 2009, with the exception of the VW Navarra plant producing the new Polo, which had been launched in 2009 and was able to benefit from the fleet-renewal schemes introduced across Europe. In the component sector, more than 300 companies took advantage of the ERE on behalf of more than 60,000 workers. Around 5,000 jobs were lost in 2009, mainly through the termination of temporary contracts.

In Sweden, the automotive sector is particularly strong, with two world leaders in the truck market, Volvo Trucks and Scania, two well-known car makers, Saab and Volvo Cars, and a number of prime components suppliers. This makes automotive employment rather high compared to other European countries, as it represents almost 2.0% of total employment. In western Europe only Germany has a higher level of automotive sector employment (Eurostat data for 2007). The impact of the economic downturn has been particularly severe in Sweden because the commercial vehicle sector, which is particularly strong in the country, has been hit heavily by the slowdown in demand – much so more than has the car sector (see above). Moreover, the two main OEMs (which are both subsidiaries of US-based groups, GM owning Saab and Ford, Volvo Cars) have either – in the case of Saab – shared in the economic difficulties of their parent company or, as with Volvo, been regarded as of marginal importance in the parent group strategy. For quite some time both Saab and Volvo had been widely regarded as being up for sale. As with its sister company Opel in Germany, Saab became involved in the wholesale restructuring of GM. Talks were held with prospective investors: first a Swedish investor and later a foreign-owned group, but GM announced Saab's liquidation in December 2009. Eventually GM announced the sale of Saab to Spyker, a niche sports-car producer based in the Netherlands, in late January 2010. The deal was finalised on 23 February and R&D investments in the 2009–2010 period were to be backed by an EIB loan of €400 million signed on the same date. In late December 2009, Volvo cars announced that its new owner was to be the Chinese company Geely. Details of the sale were to be defined in the first quarter of 2010.

Since 2008 the role of industrial relations and collective bargaining in supporting reorganisation and protecting Swedish workers has been particularly important. Job losses and restructuring have affected both OEMs and component suppliers. However, cost-cutting measures and the implementation of a collective agreement on temporary lay-offs are thought to have saved thousands of jobs.

The 2009 sectoral agreement signed by IF Metall on temporary lay-offs has been particularly important (SE0903019I). Other unions criticised the agreement, fearing an erosion of wage levels. IF Metall has strongly defended the initiative, insisting that it is only meant as a temporary measure until March 2010 and ruling out any extension even if employer associations campaign for its routine use as a tool to support company restructuring.

Among the many companies that have used these temporary lay-offs are a number of automotive companies. Volvo Cars, for instance, signed an agreement immediately after the sectoral agreement was finalised in March 2009 (SE0903019I). The scheme proved more controversial at Scania, where unions tried to insist on savings being made through a reduction in shareholder dividends. This was not successful and the unions balloted workers who largely favoured an agreement on temporary layoffs. This was signed shortly afterwards (SE0906019I).

Table 9: Role of industrial relations in managing the crisis

Country	Main instrument to address recession	Role of industrial relations	Actions	Notes
France	Partial unemployment	Medium	Implementation and enlargement of legislative provisions	Key role of public intervention in supporting the sector and providing resources to promote company agreements on partial unemployment
Germany	Short-time work, collective wage freeze agreements and other cost-cutting measures	High	Extension and implementation of measures	Key role of sectoral bargaining in setting the framework and providing tools to be used at decentralised level
Hungary	Working time reductions and other cost-cutting measures	Medium	Definition and implementation of measures	Key role of company policies and relevant company-level bargaining on a number of measures
Italy	Wage-guarantee fund	Low	Implementation of administrative procedure	Low involvement of trade unions in the management of the impact of the crisis so far. The ordinary wage-guarantee fund provided an easy-to-use and non-controversial tool
Slovakia	Working time reductions and other cost-cutting measures	Medium	Definition and implementation of measures	Key role of company policies and relevant company-level bargaining on a number of measures
Spain	Employment Regulation Procedure (Expediente de Regulación de Empleo, ERE)	Low	Implementation of administrative procedure	Key role of company policies, limited role of industrial relations in the ERE procedure
Sweden	Temporary lay-offs	High	Definition and implementation of measures	Key role of sectoral negotiations for temporary lay-offs
UK	Company agreements on temporary stoppages, working time reductions, wage freeze	High	Definition and implementation of measures	Single-employer bargaining entailed a wide diversification of the actual measures

Note: High = crucial role of industrial relations in devising and implementing measures; Medium = prevalence of unilateral company decisions with limited scope for industrial relations; Low = prevalence of legislative instruments with a marginal role for industrial relations.
Source: EIRO

In the UK many collective agreements have tried to address the impact of the economic downturn with measures mainly intended to reduce working hours and labour costs. Reorganisation started early at Jaguar Land Rover, resulting more from the company's acquisition by the Tata Group of the former Ford subsidiaries (UK0804039I), than from the recession. To cope with financial and liquidity problems following the take-over, the company cut 2,500 jobs using a mix of voluntary redundancy, termination of temporary agency work contracts, and lay-offs. Nissan soon followed suit and announced a cut of 1,200 jobs. In both cases, despite trade union concerns, union officials have collaborated with company managers to limit the effects of the crisis on production and employment.

In addition to jobs lost because of changes in company structures, a number of deals introduced ways of reducing working hours to respond to the fall in demand. Ford, for instance, brought in temporary lay-offs and a reduced working week at its Bridgend engine factory and launched a voluntary redundancy programme to reduce the workforce at its Southampton van plant. At the

Mini plant in Cowley, weekend shifts were ended, and Toyota negotiated a collective agreement to cut working time and wages by 10% until March 2010. Honda closed its Swindon factory between January and April 2009, laying workers off on full pay for the first two months and on 60% pay for the following two. When a voluntary redundancy scheme failed to attract the necessary 500 applicants, Honda also negotiated agreement for a temporary 3% pay cut over 10 months. In April 2009, the unions and the Jaguar Land Rover company management agreed on a four-day week and a wage-freeze in exchange for a two-year job security agreement.

Two controversial cases were BMW's decision to lay off 850 temporary agency workers at short notice, and the bankruptcy and closure of the three plants of the Visteon subsidiary in the UK. BMW attracted massive protest from its workers and their unions, while at Visteon workers occupied the company premises and demanded redundancy payments above the statutory minimum. While the unions strongly opposed the company's decision to offer only the legal minimum redundancy terms, they did not endorse the workers' occupation. When Visteon and its former parent company Ford expressed a willingness to increase redundancy payments, the unions invited the workers to end their occupation.

In Slovakia, a joint statement on social dialogue in manufacturing was signed on 19 November 2008 by the union OZ KOVO, the trade association for the automotive sector ZAP, and the two employer associations representing automotive companies, ZSP SR (OEMs and suppliers) and ZEP (component suppliers). The declaration included a common commitment to address the impact of the economic downturn, and this then served as a platform for collective bargaining at company level.

As a result, a number of measures to cope with falling demand and production have been discussed and agreed with the unions in all major companies. These have included collective lay-offs at PSA Peugeot, where 150 workers were affected, the termination of temporary agency work and fixed-term contracts, a reduction of working hours with a decrease in pay in most cases, working time flexibility using 'hour banks', the suspension of attendance bonuses and limited outsourcing.

Commentary

The automotive sector has been badly hit by the economic recession, demonstrated by a fall in production of almost 20% across the European Union. The reduction in new registrations has been remarkable but, at least for the passenger car industry, the short term measures introduced by a number of European governments have helped sustain demand through fleet renewal schemes. At present, it is not possible to quantify the impact of recession on employment although ERM data point to an acceleration of restructuring, and this is supported by some national reports. However, the information collected during this study seems to suggest that – so far – employment levels have been cushioned against the effects of the economic downturn by a combination of public schemes to cope with short-time decreases in demand, such as the Employment Regulation Procedure in Spain, short-time working in Germany, the Wages Guarantee Fund in Italy, and collective bargaining to introduce a number of cost cutting measures. Both have effectively offered an alternative to downsizing.

It can be concluded that good industrial relations have provided important input to adjustment strategies, complementing and enhancing the protection offered by legal frameworks (as in France and Germany) or implementing a joint definition and management of the responses to recession (as was done in Hungary, Slovakia, Sweden and the UK). Only in Italy and Spain does the role of industrial relations seem to have been relatively limited, and there the primary role in facing the consequences of the downturn has been taken by public and administrative schemes and by unilateral strategies adopted by companies. Industrial relations have been 'crowded out' in these two countries, and trade unions have been unable to participate in defining responses to the crisis both at national and local level.

Taking a medium-to-long term view, any assessment of the impact of the recession has to be weighed against some fundamental shifts in the industry: the move towards more environmentally friendly technologies and fuels, reduction of global overcapacity which is particularly acute in the advanced economies, and the emergence of new markets and manufacturers in China and other rapidly growing economies.

Recession has probably not changed the industry's outlook radically although it has certainly accelerated change and made restructuring more urgent. At the same time, however, it has drawn the attention of governments to the problems of the automotive sector and triggered a 'new interventionism' in industrial policy to preserve national production sites and employment levels. While it is probably not possible for such initiatives to halt or hinder the global transformation of the automotive sector, it should be acknowledged that public support schemes can shape the direction of change and may provide a favourable environment to support social cohesion and encourage the joint regulation of adjustment. However, the sector would probably benefit from an EU-level strategy to help it cope with the global challenges facing it, or at least from a close co-ordination of national policies. This could probably be supported by social dialogue to strengthen the competitiveness and potential for innovation of the whole European automotive production system.

Annex – Automotive plants in EU countries

	Production of vehicles (2008)	Total number of plants in Member State (2009)	Passenger cars	Number of plants producing passenger cars	Commercial Vehicles	Number of plants producing commercial vehicles	Bus	Number of plants producing buses	Engines	Number of plants producing engines
Germany	6,040,582	47	VW (8), BMW (4), Daimler (3), GM (3), Ford (2), Porsche (2), Bitter (1), Funke & Will (1), Wiesmann (1)	25	Daimler (4), Fiat (3), MAN (2), Volvo (2), VW (1)	12	*Daimler (3)*, MAN (2)	5	*Daimler (3)*, *Ford (1)*, GM (1), MAN (1), *Porsche (1)*, VW (2)	9
France	2,568,978	38	PSA (5), Renault (4), Daimler (1), Fiat-PSA (1), BKC (1), Matra (1), MDI (1), PGO (1), Toyota (1), Venturi (1), VW (1)	18	Volvo (4), Renault (2), Panhard (2), Daimler (1), Fiat (1), Scania (1), *Fiat-PSA (1)*, *BKC (1)*	13	Fiat (2), *Daimler (1)*	3	PSA (2), Fiat (2), PSA-Renault (1), Renault (1), Volvo (1), *MDI (1)*, *Toyota (1)*, *VW (1)*	10
Spain	2,541,644	15	Renault (2), PSA (2), VW (2), Ford (1), GM (1), Nissan (1), Santana (1),	10	Fiat (2), Daimler (2), *GM (1)*, *Nissan (1)*, *PSA (1)*, *Santana (1)*	8	Irizar (1)	1	*VW (2)*, *Ford (1)*, *Renault (1)*	4
UK	1,649,515	31	Jaguar Land Rover (3), BMW (2), AC (1), Aston Martin (1), Bristol (1), Caterham (1), GM (1), Ginetta (1), Honda (1), Invicta (1), Lotus (1), Manganese (1), Metrocab (1), MG (1), Morgan (1), Nissan (1), Tesla (1), Toyota (1), TVR (1), VW (1)	23	DAF (1), Ford (1), GM (1), LDV (1)	4			Ford (2), BMW (1), Toyota (1), VW (1)	5
Italy	1,023,774	20	Fiat (8), Pininfarina (3), Pagani (1), VW (1)	13	Fiat (4), Fiat-PSA (1), Piaggio (1), Bremach (1),	7				
Poland	950,908	16	Fiat (1), Fiat-GM (1), GM (1), Ukravto (1)	4	MAN (2), Andoria Mot (1), Volvo (1), VW (1)	5	Jelcz (1), *MAN (2)*, Scania (1), Solaris (1), *Volvo (1)*	6	Toyota (2), VW (1), *Andoria Mot (1)*, *Fiat-GM (1)*	5
Czech Republic	945,822	9	VW (3), PSA-Toyota (1), Hyundai (1)	5	Tatra (1), AVIA (1)	2	SOR (1), Fiat (1)	2	Tatra (1), VW (1)	2
Belgium	724,498	9	Ford (2), GM (1), Imperia (1), VW (1)	5	Volvo (1), Van Hool (1), DAF (1)	3	*Van Hool (1)*, VDL (1)	2		0
Slovakia	575,776	3	Hyundai (1), PSA (1), VW (1)	3						
Hungary	346,055	6	Suzuki (1), VW (1), Daimler from 2012 (1)	3			Nabi (1), Ikarus (1)	2	GM (1), *VW (1)*	2
Sweden	309,034	15	Koenigsegg (1), Ford (1), GM (1), Pininfarina (1)	4	Volvo (6)	6	Volvo (3)	3	Scania (1), Volvo (1)	2
Romania	245,308	4	Aro (1), Renault (1)	2	*Renault (1)*, Ford (1), Roman (1)	3	Roman (1)	1	Ford (1), Renault(1), Roman (1)	3
Slovenia	197,843	1	Renault (1)							

	Production of vehicles (2008)	Total number of plants in Member State (2009)	Passenger cars	Number of plants producing passenger cars	Commercial Vehicles	Number of plants producing commercial vehicles	Bus	Number of plants producing buses	Engines	Number of plants producing engines
Germany	6,040,582	47	VW (8), BMW (4), Daimler (3), GM (3), Ford (2), Porsche (2), Bitter (1), Funke & Will (1), Wiesmann (1)	25	Daimler (4), Fiat (3), MAN (2), Volvo (2), VW (1)	12	*Daimler (3)*, MAN (2)	5	*Daimler (3)*, *Ford (1)*, GM (1), MAN (1), *Porsche (1)*, VW (2)	9
France	2,568,978	38	PSA (5), Renault (4), Daimler (1), Fiat-PSA (1), BKC (1), Matra (1), MDI (1), PGO (1), Toyota (1), Venturi (1), VW (1)	18	Volvo (4), Renault (2), Panhard (2), Daimler (1), Fiat (1), Scania (1), *Fiat-PSA (1)*, *BKC (1)*	13	Fiat (2), *Daimler (1)*	3	PSA (2), Fiat (2), PSA-Renault (1), Renault (1), Volvo (1), *MDI (1)*, *Toyota (1)*, *VW (1)*	10
Spain	2,541,644	15	Renault (2), PSA (2), VW (2), Ford (1), GM (1), Nissan (1), Santana (1),	10	Fiat (2), Daimler (2), *GM (1)*, *Nissan (1)*, *PSA (1)*, *Santana (1)*	8	Irizar (1)	1	*VW (2)*, *Ford (1)*, *Renault (1)*	4
UK	1,649,515	31	Jaguar Land Rover (3), BMW (2), AC (1), Aston Martin (1), Bristol (1), Caterham (1), GM (1), Ginetta (1), Honda (1), Invicta (1), Lotus (1), Manganese (1), Metrocab (1), MG (1), Morgan (1), Nissan (1), Tesla (1), Toyota (1), TVR (1), VW (1)	23	DAF (1), Ford (1), GM (1), LDV (1)	4			Ford (2), BMW (1), Toyota (1), VW (1)	5
Italy	1,023,774	20	Fiat (8), Pininfarina (3), Pagani (1), VW (1)	13	Fiat (4), Fiat-PSA (1), Piaggio (1), Bremach (1),	7				
Poland	950,908	16	Fiat (1), Fiat-GM (1), GM (1), Ukravto (1)	4	MAN (2), Andoria Mot (1), Volvo (1), VW (1)	5	Jelcz (1), *MAN (2)*, Scania (1), Solaris (1), *Volvo (1)*	6	Toyota (2), VW (1), *Andoria Mot (1)*, *Fiat-GM (1)*	5
Czech Republic	945,822	9	VW (3), PSA-Toyota (1), Hyundai (1)	5	Tatra (1), AVIA (1)	2	SOR (1), Fiat (1)	2	Tatra (1), VW (1)	2
Belgium	724,498	9	Ford (2), GM (1), Imperia (1), VW (1)	5	Volvo (1), Van Hool (1), DAF (1)	3	*Van Hool (1)*, VDL (1)	2		0
Slovakia	575,776	3	Hyundai (1), PSA (1), VW (1)	3						
Hungary	346,055	6	Suzuki (1), VW (1), Daimler from 2012 (1)	3			Nabi (1), Ikarus (1)	2	GM (1), *VW (1)*	2
Sweden	309,034	15	Koenigsegg (1), Ford (1), GM (1), Pininfarina (1)	4	Volvo (6)	6	Volvo (3)	3	Scania (1), Volvo (1)	2
Romania	245,308	4	Aro (1), Renault (1)	2	*Renault (1)*, Ford (1), Roman (1)	3	Roman (1)	1	Ford (1), Renault(1), Roman (1)	3

	Production of vehicles (2008)	Total number of plants in Member State (2009)	Passenger cars	Number of plants producing passenger cars	Commercial Vehicles	Number of plants producing commercial vehicles	Bus	Number of plants producing buses	Engines	Number of plants producing engines
Slovenia	197,843	1	Renault (1)							
Portugal	175,155	5	VW (1)	1	Daimler (1), PSA (1), Toyota (1)	3	Caetanobus (1)	1		
Austria	150,877	6	Magna (1), BMW (1)	2	MAN (2), Fiat (1)	3		0	GM (1), *BMW (1)*	2
Nether-lands	132,494	9	Nedcar-Mitsubishi (1), Donkervoor (1), Spyker (1)	3	DAF (1), Duracar (1), Ginaf (1), Scania (1)	4	VDL (2),	2		
Bulgaria	-	1	Great Wall since 2011							
Estonia	NA	1					Scania (1)	1		
Finland	18,376	2	Valmet (1)		Sisu (1)				Sisu (1)	

Note: to account for multi-product plants, italics indicates plants already counted under previous production types
Source: ACEA, http://www.acea.be/, data accessed on 24 February 2010

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An estimated 14 million workers across Europe rely on the automotive sector for work. When the current economic downturn began to affect vehicle production, profound changes were already underway in the sector, triggered by the emergence of new markets and the search for lower production and labour costs. This report seeks to illuminate the effects of recession and restructuring on social dialogue within the automotive sector in eight EU countries. The information collected during this study seems to suggest that – so far – employment levels have been cushioned against the effects of the economic downturn by a combination of public schemes to cope with short-time decreases in demand. Good industrial relations have provided important input to adjustment strategies, complementing and enhancing the protection offered by legal frameworks.

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