EGRUiEN Policy Brief on social dialogue lessons from past transitions[1]

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Social Dialogue, Job Protection and Potential for a Fair and Green Accelerator Act

Europe, like the world, is undergoing a fourth *industrial revolution*, or period of rapid change, in economics, politics and society, characterized by rapid disruption through introduction of green and digital technologies (Xu et al. 2018). These new technologies are undermining old production processes and introducing new ones, requiring firms to rapidly adapt to survive. This moment of intensified *creative destruction* (Schumpeter,1950), feeds growth potential from adoption of new technologies and the unfolding socio-technical changes, but also leaves in its wake destroyed industries, communities and human lives. We ask the question can industrial policy and social dialogue guide the process to facilitate the change, but prevent or mitigate the damage?

The Draghi report and consequent discussion of the Industrial Accelerator Act signal a possible method to manage the transition, with a return to serious industrial policy in the European Union. Dramatic geopolitical realignments and technological changes mean that relying on markets to readjust Europe's industrial base is no longer adequate. Historical moments of industrial technological revolution drive rapid and revolutionary change in economics, politics and society, presenting many dangers, but also opportunities. Industrial policy may be necessary, but history is also littered with examples of failed industrial policies, serving as a warning that if coherent vision and state capacities are lacking, expensive industrial policy mistakes are easy to make. Industrial policies must serve European society's goals, in this case to ensure the Green and Digital transition creates many good, sustainable jobs in Europe – i.e. the policy should support a return to European technological leadership. Adequate industrial policy and funding are needed to ensure just transition (Galgóczi, 2024), but if vision and coherence are lacking, industrial policy may just funnel public support towards the firms with the best political access – likely to the fossil fuel industry and major incumbent producers. Social dialogue is a way to guide this process, and ensure its social sustainability, but are the European trade union institutions sufficient to bear this weight of responsibility? Or will it just result in attempts to support existing incumbent firms and processes, for example by propping up fossil fuel dependent jobs and firms.

There is a dilemma, since unions must be more proactively engaged in order to ensure that the Green and Digital transition happens, and that it is fair. But it raises the question: Do unions have the needed capacity, foresight, and strategic independence from management to fill a role in this social dialogue? The European labour movement is riven by national, firm, and production site divisions. It is weakened by decades of decline in membership numbers. Reactive behaviour is natural and understandable in a time of uncertainty, but labour's return to defense subordinance cedes "creative" part of "creative destruction" to management, leaving workers with little influence to shape a worker-friendly, green and socially sustainable future. We know from history it is not impossible for unions to aspire to large more ambitious plans, to envision new positive futures – the welfare state is arguably one accomplishment of such thinking (Therborn,1984).

Negotiating through disruptions

To address these questions, we examined industrial change negotiations cases from recent history, in nine European countries, identifying major shifts in industries and related job losses.

We focused on locally significant industries that have undergone substantial change in recent years and assessed how social dialogue has functioned in these cases. We based the analysis on selected case studies in each country of union-management negotiations of a major disruption. For brevity's sake, on this policy brief we only draw on selected examples, but extensive reports on all cases are available here.

We define *social dialogue* broadly; the term is often used to describe only tripartite negotiations; e.g. closed structures with the state, as well as the social partners, as explicit negotiation parties (Galgóczi, 2020). On other occasions it is used to describe *change negotiations* or *strategic negotiations*, in which management and the union(s) discuss long-term fundamental structural changes such as redundancies, factory closures, mergers, and major changes for production processes and working rules (Cutcher-Gershenfeld et al., 1995). Our definition is flexible, since in firms and local production facilities, the role of the state, as well as other social actors, is variable and contingent: we therefore think of social dialogue as *change negotiations with a public interest*. State actors are often involved, but not always, and if so, generally in a disaggregated way.

Our findings indicate that social dialogue is widely used as a mechanism for negotiating workplace change. However, these negotiations tend to prioritise short- to medium-term solutions that support workers facing immediate redundancy, preserve existing production, or maintain union influence at the workplace level. This focus is understandable, as unions represent the immediate interests of their members, and management responds to these pressures in its concessions. Nevertheless, it raises concerns about the capacity of social dialogue to support socially sustainable Green and Digital transitions.

In some of our cases, unions sought to preserve employment in sectors such as automotive manufacturing and coal mining, despite clear long-term decline or transformation. Workers in industries affected by technological or regulatory change often perceive such transitions as threats to employment, mechanisms for deregulation, or attempts to weaken collective representation and reduce wages. These concerns are frequently justified. However, regardless of the underlying motives, the outcome is often negative for both workers and unions. Ideally, in situations of industrial decline or restructuring, stakeholders would adopt a longer-term perspective that considers the future of industries and needs of the workforce more broadly. In practice, this is difficult when the situation and the structure of representation assure that affected groups experience the transition primarily as a loss.

When addressing disruptive industrial closures, ideally the focus should expand beyond the individual firm and its workforce, to a broader consideration of sectoral and regional dynamics. Factory closures and large-scale layoffs signal structural economic change and should be treated as such. This calls for social dialogue processes that engage multiple actors in addressing the long-term implications of industrial transformation.

Policymakers and stakeholders generally view economic and technological change positively, as they are associated with growth and rising living standards. The concept of creative destruction captures the idea that innovation drives renewal by displacing less efficient activities. However, when such processes result in significant job losses in local communities, attention shifts towards mitigating immediate negative effects rather than enabling long-term renewal. This is understandable, as deindustrialization affects not only employment but also

community identity, social stability, and trust in institutions. Policy responses should therefore balance short-term mitigation with stronger emphasis on long-term restructuring and the creation of new economic opportunities.

A key challenge in this context is overcoming path dependency. Many industrial regions have developed around historical advantages such as natural resources, infrastructure, workforce, and regulatory environments. While some of these assets may support future development, new industries often require different capabilities. Efforts to preserve existing industrial structures may therefore have limited effectiveness. Instead, the transformative effects of the Green and Digital transition should be addressed with a focus on anticipating future demands and supporting the development of relevant skills and industries.

Case studies show reactive union responses

Our research show that labour union in many cases often adopting a reactive and oppositional approach to major layoffs and structural changes across industries. The following examples illustrate different union strategies to do this and offer lessons for future action.

In the *PGE lignite mining* case, we investigated the planned exit of the Polish PGE power company from the coal industry. It is an example of an attempt at integrative bargaining, which highlights both trust and power as a critical element in just transition negotiations. As plans to close the lignite mine were developed, negotiations involved labour unions, employers, and the state as the majority owner. A local just transition plan acknowledged the inevitability of job losses and emphasized the need for investment in renewable energy, worker retraining, and the development of alternative industries and SMEs to replace lost jobs. However, the plan remained largely declarative, and its implementation remains uncertain. The negotiation process was also highly contentious: labour unions initially resisted the closure through protests before reaching an agreement with employers and the state. The final agreement included extensive social protection and a clear timeline for closure. At the same time, unions signaled that broader industrial action would follow if commitments to replacement jobs and transition measures were not fulfilled. This case underlines that successful transitions require credible institutional commitments, concrete long-term planning, and active involvement of all social partners. It also highlights that trust is a central condition for effective integrative bargaining – the long timeline, and continued mobilizing capacity of the unions gave them the confidence to make agreements. Labour unions should therefore assess the level of trust with employers and consider how compliance with agreements can be ensured when employment is reduced.

The Norwegian *Equinor* case examines a merger between two energy companies that led to workforce reductions in oil extraction. It illustrates how unions developed mid-term solutions in a highly unionized context by building alliances with other unions pursuing similar objectives. The merger was implemented in two phases. In the first phase, unions were actively involved in planning the changes together with management. In the second phase, however, cooperation weakened as employers introduced a new operating model across offshore oil platforms, which unions opposed due to safety concerns. The unions adopted a defensive stance, strongly protecting core workers' rights while paying less attention to the outcomes for peripheral and temporary workers. Public support for the unions' position proved beneficial, helping them secure favourable severance packages, early retirement options, and voluntary

relocation schemes. The case suggests that cooperation across local, sectoral, and European-level unions can strengthen preparedness for industrial change, but also highlights the limits of solidarity when interests diverge within the workforce.

Similarly, the *Eesti Energia* case illustrates the challenges of unifying collective agreements across different groups of workers, including oil shale miners, power plant employees, and service unit staff. Diverging interests within the workforce initially encouraged union representatives to seek common ground and build a shared identity. However, language barriers between Estonian management and predominantly Russian-speaking workers and poorly structured negotiations hindered progress, and a united agreement was ultimately not achieved. Instead, union structures were reorganized, and priorities shifted from improving working conditions to protecting existing benefits in the face of employer-led reductions. Through this process, unions developed new negotiation strategies, strengthened their credibility, and gained greater independence from employers. The case also highlights the importance of recognising linguistic, cultural, and organisational differences between local workforces and centralised management when designing negotiation processes.

The *Valmet Automotive* contract car manufacturing case from Finland illustrates how the labour union primarily focused on protecting jobs and workers in the face of potential labour cuts. At a surface level, there appeared to be a shared interest between management and employees in maintaining production, which in this case means obtaining contracts from OEMs or other clients requiring automotive assembly, or similar types of production. However, the relationship ultimately proved asymmetrical, with management clearly in the dominant position. The labour union appears to have accepted its dependence on management's ability to secure manufacturing contracts with Finnish and international customers, reacting to hiring and redundancy decisions as they arise rather than shaping them proactively.

In contrast, the closure of the Finnish *Voikkaa paper mill* shows a case in which local management and employees jointly sought to keep the mill operational. Together, they developed credible long-term cost-reduction plans, only to face disappointment when top management decided to proceed with closure regardless. Nevertheless, cooperation between the labour union and local management demonstrated a more proactive and creative approach to identifying alternative solutions to sustain employment in the region. Following the Voikkaa paper mill closure, government departments and local level authorities developed a system in preparation for possible significant factory closures, to initiate negotiations between employer, workers and local authorities. In practice, however, this system has often focused on negotiating short-term compensation packages and local measures to support employment. Early retirement is a key instrument. While effective in mitigating immediate impacts, such measures run counter to broader policy objectives aimed at increasing labour force participation and do little to support long-term economic renewal. Although the system is proactive in responding to crises and has succeeded in cushioning local shocks, its capacity to generate sustainable new growth and employment in the longer term remains open to question.

Several of the cases analyzed illustrate how global companies operate at a distance from local economies, often exhibiting weaker social attachment and responsibility towards the communities in which they operate. Expectations of corporate social responsibility alone do not guarantee fair or forward-looking transitions. Instead, effective outcomes require proactive

policies and advance planning to build trust, reduce uncertainty, and create broader social value.

Some case studies demonstrate that close cooperation and active union involvement in company operations can lead to positive and mutually beneficial outcomes. The Slovak *Chirana* medical equipment manufacturer, for example, survived multiple crises – including privatization, economic recession, and company restructuring – with strong union engagement. Labour unions were able to coordinate protective measures to keep the factory operational, including recruiting new clients when previous orders were cancelled. Achieving such outcomes required shared objectives, mutual trust, and responsiveness from both management and employee representatives, but largely demonstrated proactivity on local union representatives' part.

As structural economic change compels firms to adapt, labour unions should adopt a more proactive and forward-looking role. This includes developing assessments of future labour market needs and identifying ways to secure sustainable employment within their sectors. The cases show that regulatory changes can rapidly reshape industrial trajectories, but also that legislation can be used to protect and improve working conditions. Labour unions can influence political decision-making and should avoid pursuing short-term, fragmented strategies that prioritise immediate gains at the expense of long-term resilience.

Suggestions for future negotiations

Labour unions have some leverage to influence the goals and methods of the Industrial Accelerator Act, to ensure decent work in Europe for the future, but are confronted with the dilemma that in supporting adoption of certain technologies, such as green and digital manufacturing technology, they may also be undermining the viability incumbent firms where their members are working. European labour unions should strengthen cooperation to influence the content of the Accelerator Act and its eventual possible implementation, not merely defensively but also to jointly promote a positive vision for the future. Goals such as maintaining internal combustion engine manufacturing long enough for older workers to reach retirement may seem like a socially responsible outcome, but the price of this will be selling out Europe's industrial future, by hindering the green transition in European automotive manufacturing. It disregards the needs of younger industrial workers in the future, which depends on Europe being a leader in the new emerging disruptive technologies.

The dilemma is that the source of leverage unions have in incumbent firms under threat of evaporating as their jobs begin to disappear. There is no way they can ensure that "green jobs" and "fair transition" promises will be kept: as the historical examples show, this is why they quite rationally seek to get what they can when they can, and to protect the jobs they have now. As Green and Digital innovation-driven industrial change leads to job losses, all social actors – including labour unions – should consider the broader implications of each crisis and seek to secure workers' interests over the longer term. Effective solutions to create new jobs to replace old ones require joint cooperation and future-oriented plans; such solutions are obviously better for society, but they require trust.

Workers and unions have no reason to trust in long term promises, unless they have continued power to hold firms and governments to them – the logic of the transition means such power

will quickly fade. Where trust cannot be established, robust mechanisms are needed to ensure fair enforcement of transition agreements; decades of neoliberalism in Europe have left a legacy of mistrust that will be hard to overcome.

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