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OECD

Promoting a just and inclusive green transition

OECD

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G7 GERMANY

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Berlin, 30 Nov.–1 Dec. 2022

Outline



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1. Unequal impact of climate change
2. Distributive impact of climate mitigation policies
3. Policies to promote a just and inclusive green transition



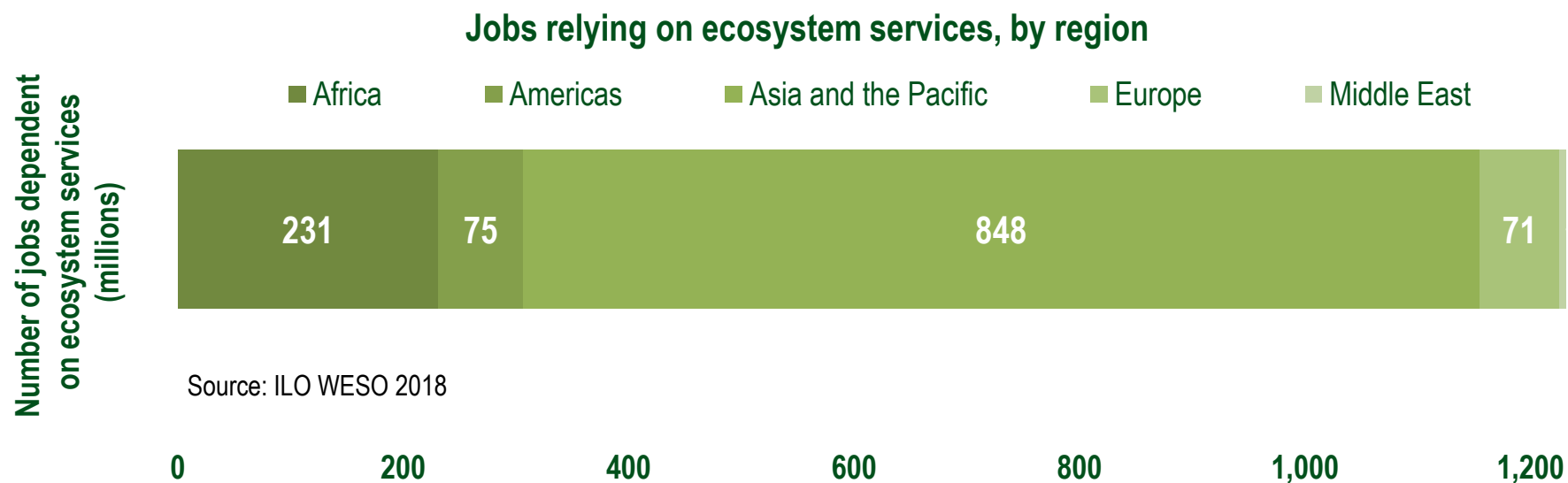


G7 GERMANY

1. Unequal impact of climate change



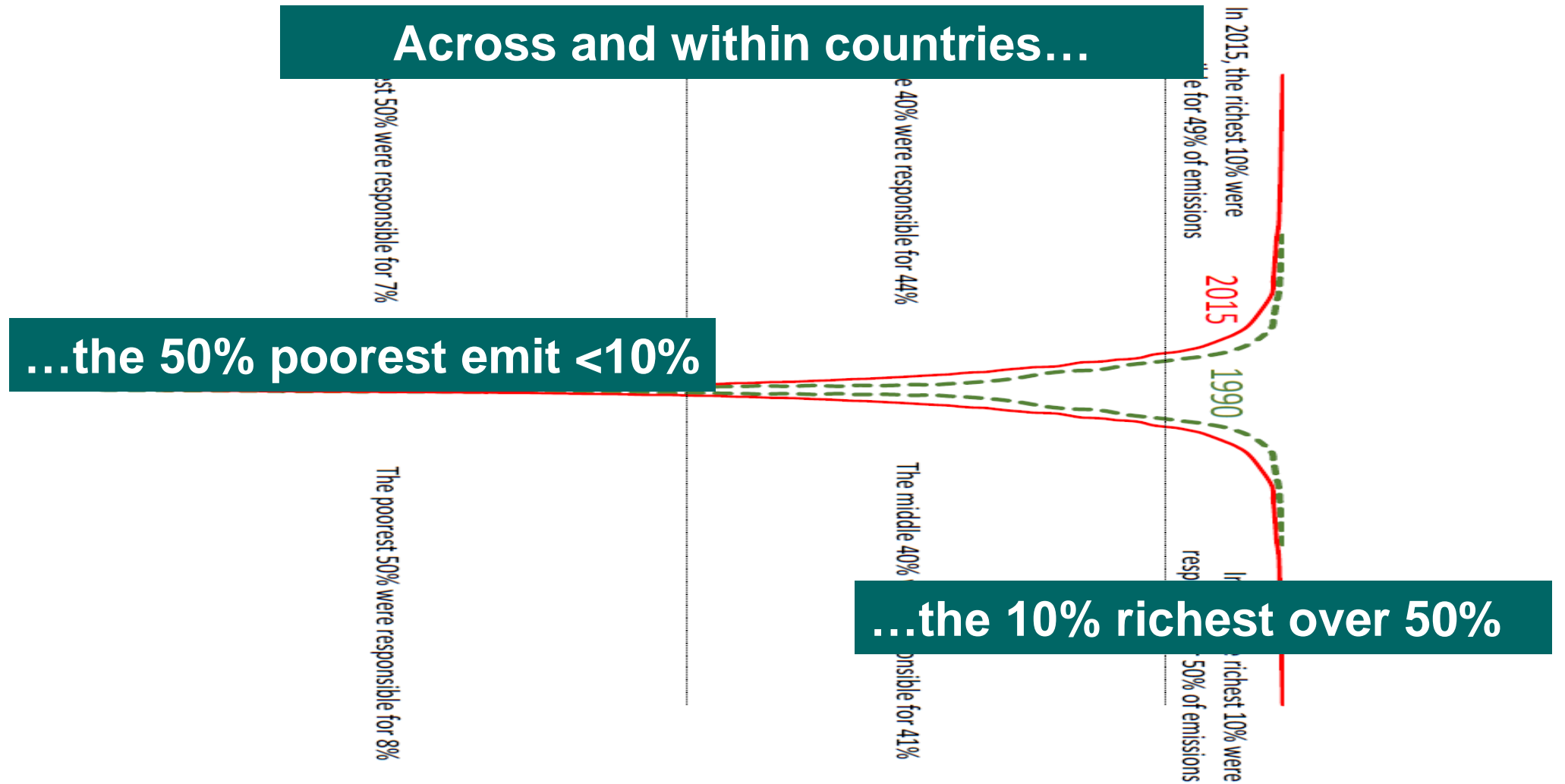
The most impacted are 1.2 billion workers which rely on nature, majority are working poor = 40 % of global labour force...



- G7 is indirectly impacted through global food system/supply chains and climate migration



...underlying is carbon, energy and income inequality:



A progressive carbon price, akin to progressive income tax, could reduce carbon inequality



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2. Distributive impact of climate mitigation policies



Climate mitigation policies and income inequality

- A common set of policies to cut GHG emissions are **market-based environmental policies** (e.g. carbon taxes, charges, subsidies and incentives for low carbon investments, and tradable permits).
- However, if not well-designed, **market-based environmental policies can amplify income inequality**, through two main channels:
 - ❑ First, poor households tend to spend a higher share of their income on energy compared to richer households.
 - ❑ Second, poor households often face barriers to credit, making them less able to make the necessary initial investments to greening their consumption.



Climate mitigation policies, employment and skills inequalities

- Climate mitigation policies will lead to job substitution, transformation and to reallocation as jobs.
- The extent to which poorer workers and households will be disproportionately adversely affected from this transition, will depend on several factors:
 - ❑ Job losses as a result of the green transition may be geographically concentrated.
 - ❑ Green technologies tend to favour higher skilled technical and engineering skills.
 - ❑ In the absence of adequate skills to transition towards green jobs, lower skilled workers may become unemployed, be stuck in polluting industries, or find employment in low-productivity, unregulated, low-skilled services.



Climate mitigation policies and “environmental justice”

- For instance, road pricing and curbside parking may relocate traffic across different city areas.
- Tradable permits, such as the Emissions Trading Scheme (ETS) in the European Union, relocate high-intensity carbon production across firms and thus geographical areas.
- Ensuring an equitable financing of climate mitigation policies is also needed. This should take into account the unequal distribution of contributions to greenhouse gas emissions.



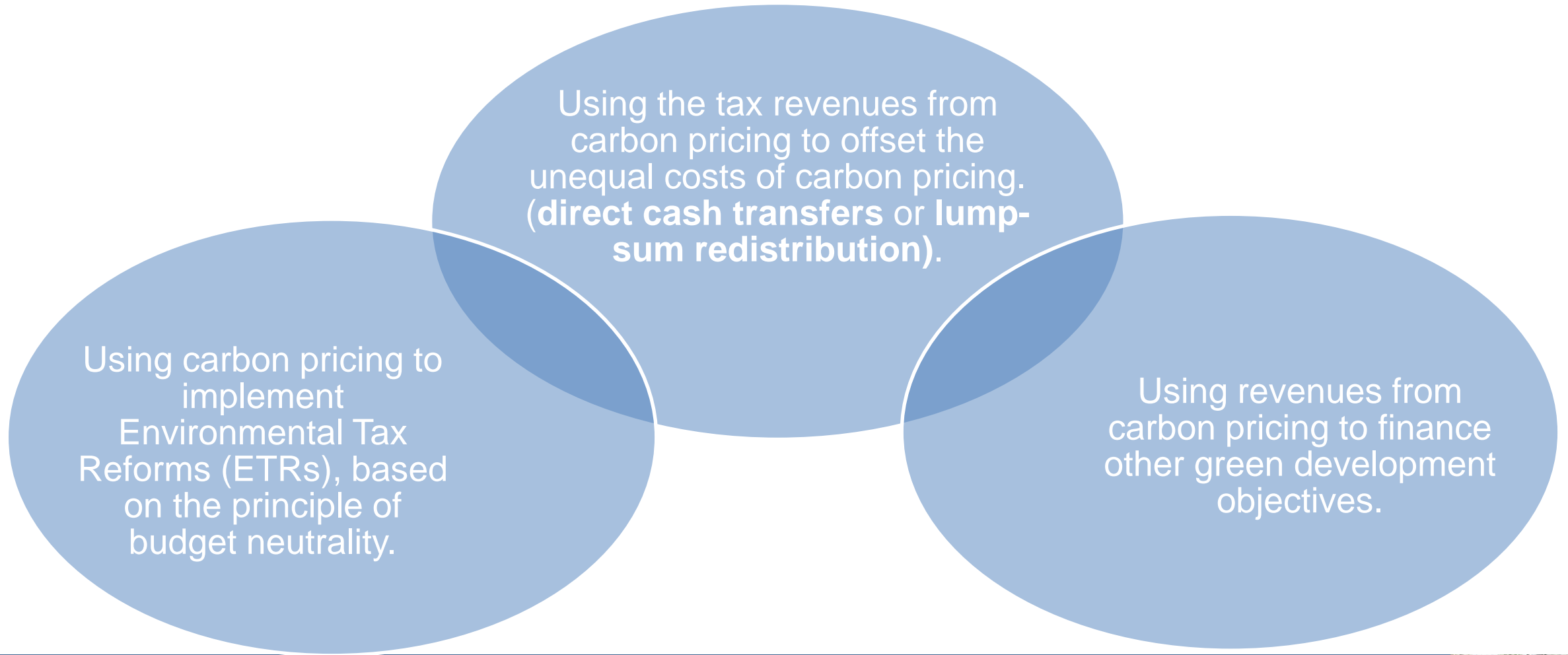


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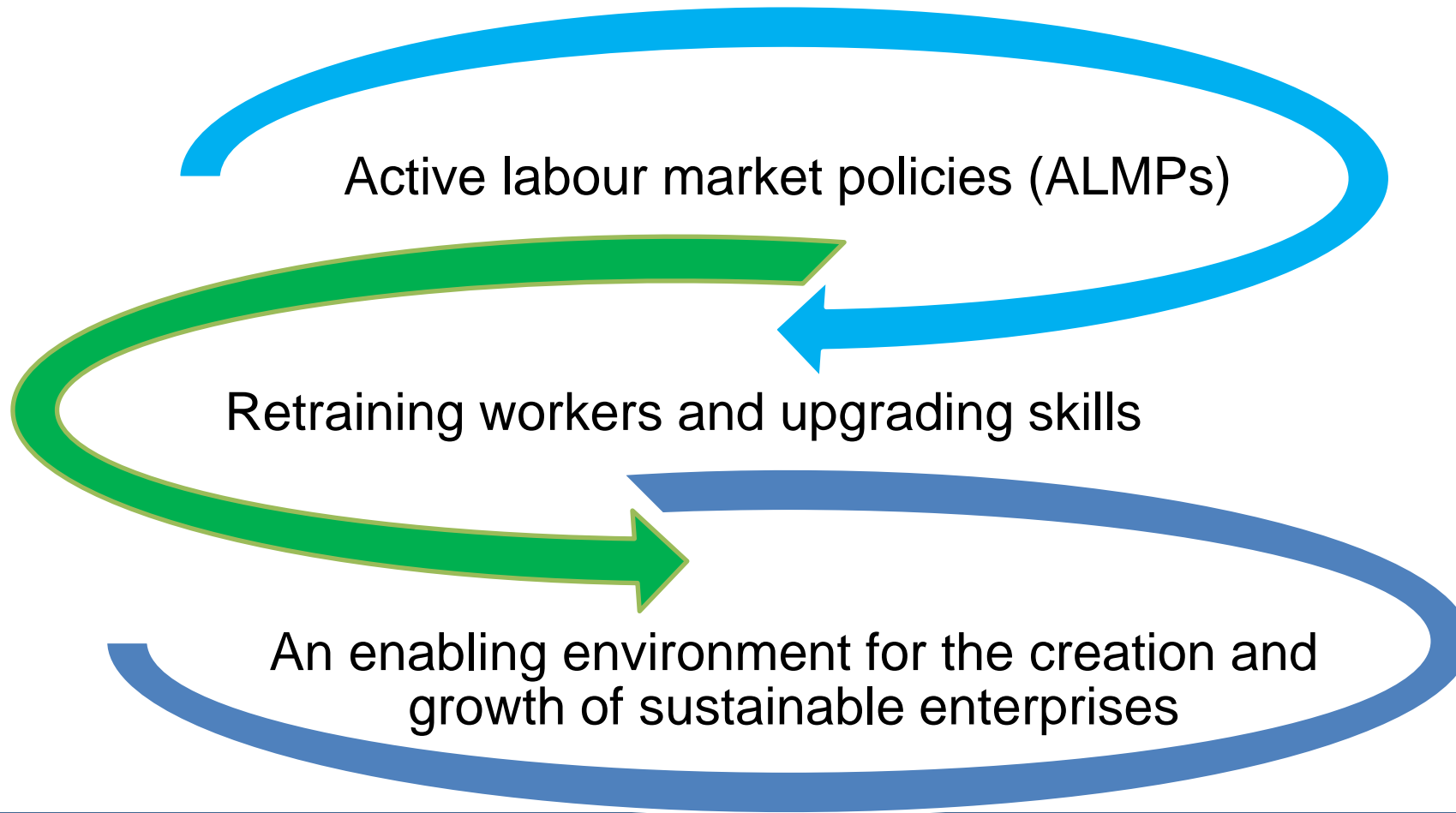
3. Policies to promote a just and inclusive green transition



Mitigating the unequal effects of climate mitigation policies



Fostering access to, and the creation of, productive employment in the green economy



Preventing exclusion

- Preventing exclusion relies on robust **social protection systems** that enable a just green transition.
- The use of **employment guarantee schemes** and public works.
- **Wage insurance schemes** are also part of this arsenal and may encourage workers displaced from higher wage jobs such as coal mining to accept lower paid jobs in greener activities.



Addressing geographical inequalities and fostering green structural change

- **Economic diversification and transformation** of regions are also key considerations for a just and inclusive green transition.
- Improving **access to low-cost housing**, streamlining administrative procedures for building permits, and lowering the transaction costs of buying and selling real estates (e.g. stamp duties, acquisition taxes).
- In addition, providing **assistance and advice for critical services** (e.g. education, health) will be important to facilitate the relocation for workers and families.



Changing behavioural preferences towards sustainability

Sending home energy report letters comparing electricity use to that of neighbours is as effective as a short-run electricity price increase of 11-20%

Providing independent information disclosure, such as vehicle and appliance energy-efficiency ratings, to help catalyse private sector innovation.



Strengthening governance for a just and inclusive green transition

- ❑ Long-term planning, through for example low greenhouse gas emission development strategies (LT-LEDS).
- ❑ Formulating and implementing gender-sensitive just transition strategies and policies enable comprehensive and well-coordinated policies and institutional mechanisms for a just transition.
- ❑ Need for a whole-of-government approach.

EU Cohesion Policy 2021-2027
Just Transition Fund
Agreed: 10/12/2020

€ EUR 17,5 billion

#EUinmyRegion

Priorities

- Support transition towards climate neutral economy by 2050 within the Green Deal
- Alleviate major social and economic costs in regions with carbon intensive industries
- Support diversification of local economies, create new jobs and reskill affected workers

European Commission | Regional and Urban Policy



Policy recommendations

1. Design Just Transition policies ex-ante to accompany climate policies (in Social Dialogue)
2. Enact a progressive carbon price for a Just Transition Fund at national and global level
3. Invest in green skills training systems, social protection, enterprise development and OSH



Thank you!

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