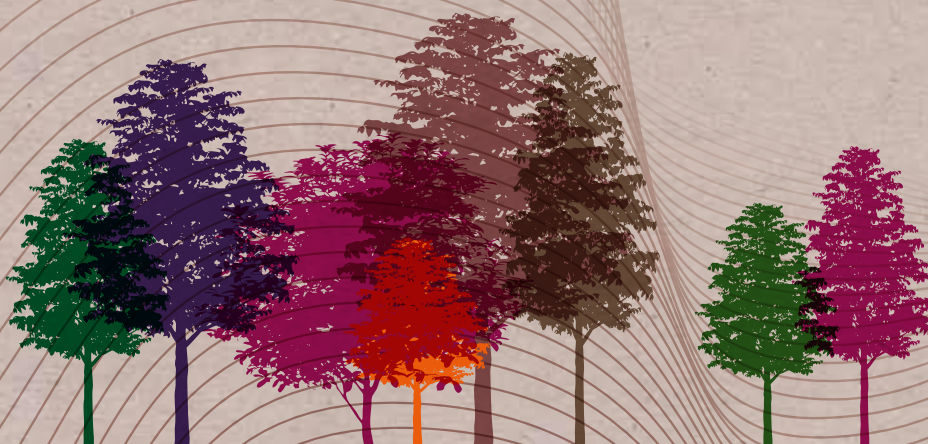


SUMMARY



International  
Labour  
Organization



# WORKING TOWARDS SUSTAINABLE DEVELOPMENT

Opportunities for decent work and  
social inclusion in a green economy



A REPORT BY  
THE GREEN JOBS  
INITIATIVE

In collaboration with  
the International Institute  
for Labour Studies



# **Working towards sustainable development:**

Opportunities for decent work and  
social inclusion in a green economy

## **Executive Summary**



# Executive Summary

## **The current development model is unsustainable, not only environmentally, but also from economic, employment and social perspectives...**

The resource-intensive development model of the past will lead to rising costs, loss of productivity and disruption of economic activity. Estimates based on the ILO Global Economic Linkages (GEL) model suggest that in a business-as-usual scenario, productivity levels in 2030 would be 2.4 per cent lower than today and 7.2 per cent lower by 2050. This is in line with the findings of a number of studies assessing economic damages due to environmental degradation and loss of basic ecosystem services (see chapter 1).

The current development model is also inefficient as regards productive employment and decent work. It has failed to create sufficient decent work opportunities and has generated increasing systemic instability induced by the financial sector, which has high costs for enterprises and workers in the real economy.

There are also important social costs associated with environmental degradation above and beyond those associated with job destruction and income loss resulting from the overuse of natural resources. If the business-as-usual scenario continues to dominate, wasteful production and consumption patterns along with continued soil degradation, deforestation, overfishing and climate change will result in increasing water shortages and escalating prices for food, energy and other commodities. This will exacerbate problems such as poverty and inequality as well as malnutrition and food insecurity. This is due to the fact that low-income households spend a significant and disproportionate share of income on energy and food and related items. These trends will impose massive social and economic costs.

## **... whereas a greener economy and more sustainable enterprises is creating tens of millions of green jobs...**

The report documents evidence that for countries at all levels of development the drive towards environmental sustainability and greener economies is gaining momentum. Already, tens of millions of green jobs have been created. For example, employment in environmental goods and services in the United States in 2010 was 3.1 million (2.4 per cent) and growing. Similar levels and dynamics are seen in other countries, such as in Brazil, where 2.9 million green jobs (6.6 per cent of formal employment) were recorded in 2010 in sectors aimed at reducing environmental harms.

Job growth has been particularly strong in the renewable energy sector, increasing globally at a pace of 21 per cent per annum. As a result, renewables now employ close to 5 million workers – more than double the number employed only a few years ago (see chapter 5). Energy efficiency is another important source of job creation, particularly in the construction industry, which has been hit particularly hard by the financial and economic crisis (see chapter 8). Large numbers of jobs also exist in the area of ecosystem services: for example, in the European Union, 14.6 million direct and indirect jobs protect biodiversity and rehabilitate natural resources and forests. And China has created over a million new jobs in its forestry programmes.

### **... and there is significant potential to create more decent work opportunities ...**

The shift to a greener economy is creating employment across a range of sectors. In fact, an increasing number of assessments are showing that net gains are possible. Most studies indicate gains in the order of 0.5–2 per cent, which would translate into 15–60 million additional jobs globally. More ambitious green growth strategies could result in even stronger net gains in employment by triggering a wave of new investment into the real economy, as suggested by studies of Australia and Germany (see chapter 10). A significant potential also exists in emerging and developing countries. For example, targeted international investment of US\$30 billion per year into reduced deforestation and degradation of forests (REDD+) could sustain up to 8 million additional full-time workers in developing countries (see chapter 3).

Concerns over job losses caused by greening the economy are therefore exaggerated. While job losses are expected to occur in some parts of the economy, the numbers appear to be manageable. In industrialized countries, which stand to see the biggest impacts on their labour markets, the transition between sectors of the economy is likely to affect only 1 per cent of the workforce. Movements of workers between enterprises are expected to be ten times larger, but would still be small compared with the shifts associated with globalization experienced in recent decades.

An important finding from the modelling undertaken for this report is that outcomes for employment and incomes are largely determined by the policy instruments used and the institutions which implement them, rather than being an inherent part of the shift to a greener economy.

Outcomes are also country specific, pointing to the need for more country-level assessment. While this has started, with support from ILO and others, most analyses are still for developed economies or a few emerging economies. However, net gains in employment are likely to be highest in emerging and developing countries; these countries have the opportunity to leapfrog in a number of areas, notably as regards the use of technology, thus avoiding the costs associated with replacing obsolete legacy infrastructure and related employment substitution.

### **... and improve social inclusion.**

A greener economy can also make a major contribution to poverty reduction by improving incomes. This is particularly the case for over 400 million smallholder farmers in developing countries. There have been some encouraging examples. Investment to enable farmers to adopt practices that have a much lower environmental impact but which are more productive and



provide better market access has been very effective in countries such as Uganda and Madagascar (see chapter 2). Similar outcomes are possible for 15–20 million informal waste pickers currently in precarious and hazardous jobs with incomes often below the poverty level. Experiences from Colombia, Brazil and other countries show that the formalization and organization of these workers and their integration into a modern recycling system has significant economic, social and environmental benefits (see chapter 7).

Greening the economy also offers the opportunity to improve social inclusion by addressing the challenges of energy poverty and of lack of access to energy. In most countries, the poor spend a disproportionate share of their income on energy and an even higher share on related goods and services, such as food and transport. For instance, in much of Asia, Africa, Latin America and parts of Europe, the proportion of expenditure on energy by poor households is three times – and can be as much as 20 times – that of richer households. The situation is aggravated by the fact that many poor households have no access to energy-efficient housing or transport.

Some 1.3 billion people in developing countries have no access to clean modern energy at all. Greater efforts to promote affordable renewable energy can make a major contribution to overcoming energy poverty and the lack of access to energy. Moreover, they can also create badly needed employment and income opportunities in the production of energy and even more so through the use of that energy. For instance, a programme in Bangladesh initiated by the NGO Grameen Shakti has taken clean electricity to over 1.2 million poor rural families through small solar household panels, providing direct employment to several thousand women and some 60,000 new jobs in downstream activities, particularly for youth (see chapter 5). A greener economy could thereby also lead to greater gender equality. Women would be the main beneficiaries from improvements in smallholder agriculture and in recycling, for example. Access to clean energy, to energy-efficient social housing and to transport would all alleviate current burdens on women and open up new opportunities.

**In the context of a greener economy, it is important to note that transformation will be greatest among a number of key sectors.**

While changes in employment and incomes will be seen throughout the economy, eight key sectors will undergo major changes: agriculture, forestry, fishing, energy, resource-intensive manufacturing, recycling, buildings and transport (see chapters 2 through 9). Between them these sectors employ around about 1.5 billion workers worldwide, approximately half of the global workforce.

- *Agriculture* is the largest employer globally with over a billion workers, including a large number of poor rural workers and subsistence farmers (notably women). Strong investment in skills, rural infrastructure and organization to enable smallholder farmers to adopt greener and more productive farming practices could boost food security, lift tens of millions out of poverty and prevent accelerated rural–urban migration (see chapter 2).
- In the *forest industries*, unsustainable practices have already led to job losses, sometimes on a very large scale. Sustainable forest management provides both essential

environmental services and renewable raw material to other sectors while also providing quality jobs (see chapter 3).

- The *fisheries sector* faces a major, albeit temporary, transition challenge due to overfishing. Of particular concern is that the vast majority (95 per cent) of the 45 million workers employed in fishing are mostly poor artisanal coastal fishermen in developing countries. Temporary reductions of catch are needed in many fisheries to avoid the collapse of fish stocks and to allow their recovery for sustainable food production and employment (see chapter 4).
- In the *energy sector*, rapid employment growth in renewable energy, improvements in energy efficiency and enhanced access to energy can lead to major gains in employment and income opportunities, as well as in significant environmental benefits. Fossil energy generation is likely to see job losses, calling for policies that ensure a just transition for workers and communities (see chapter 5).
- *Resource-intensive manufacturing* has seen a decline in employment for decades, in which the environment has been a minor factor. However, a green economy could increase demand for products from these industries, contributing to improved competitiveness while protecting existing employment and even creating new jobs (see chapter 6).
- *Recycling* is critical for energy efficiency, avoidance of waste, safe treatment of hazardous waste and recovery of valuable materials. Employment could be increased significantly by improving recycling rates, and there is major potential to improve social inclusion and reduce poverty through formalization, as the majority of waste pickers, notably women and child labourers, are concentrated in informal employment (chapter 7).
- Energy- and resource-efficient *buildings* have the largest potential to reduce greenhouse gas emissions and resource use. There are also significant opportunities for employment creation in new, green buildings, and even more opportunities in retrofitting the large estate of older buildings. A successful strategy hinges on skills development and on preparation and upgrading among the small and medium-sized enterprises (SMEs) which dominate the sector (see chapter 8).
- *Transport* is central to the functioning of modern economies and for development, but it has also been the most rapidly growing source of greenhouse gas emissions. However, substantial gains in employment can be created by a shift to mass transportation and to more energy-efficient vehicles (see chapter 9).

To ensure that the momentum towards a greener economy is sustained, and a new sustainable development model realized, a comprehensive policy approach is needed. The approach must recognize the country-specific and sector-specific challenges while ensuring that opportunities for decent work and social inclusion are achieved. This requires a three-pillared strategy:

## 1. Provide the right mix of incentive structures and support to encourage the greening of the economy

A greener economy requires sustainable production and consumption patterns; these will trigger modifications to practices in most enterprises and structural change across the economy. The shift needs to create not only the incentives for enterprises to invest but also the capability for them to adopt the new mode of production. A greener economy can be mutually reinforcing, with good labour market and social development outcomes, but this is not automatic. It will hinge on the right policies and on institutions capable of implementing them.

- **Introduce environmental tax reform, in particular an eco-tax, that shifts the burden to resource use and pollution and away from labour.** A successful strategy is one that links the dimensions of sustainable development in a way that generates positive outcomes in all areas. For instance, the GEL model indicates that if an eco-tax is combined with employment-support measures, by 2020 multi-factor productivity would be 1.5 per cent higher than if green taxes are not used to support employment, and by 2050, it would be 5 per cent higher. Growing evidence indicates that the net impact on employment is also likely to be positive. At the global level, if a tax on CO<sub>2</sub> emissions was imposed and the resulting revenues were used to cut labour taxes, then up to 14 million net new jobs could be created.
- **Encourage investment in a greener economy.** Efficient product markets will be essential, but current market signals do not mobilize and channel sufficient investment in the right direction. Investment has been grossly insufficient in many areas, including clean and modern sources of energy, resource-efficient housing, manufacturing and transport, sustainable smallholder agriculture and rural infrastructure, and the rehabilitation of ecosystem services. In addition to adjusting economic incentives, targeted programmes, including public works schemes, which have already proven effective, will be needed. Transfers such as those envisaged for REDD+ will help developing countries to create much-needed employment through investment in environmental services.
- **Provide targeted support to enterprises, notably SMEs.** The role of SMEs in the transformation to a green economy will be critical for successful greening of the economy, especially in terms of improved employment and social outcomes. Indeed, SMEs provide two-thirds or more of all employment and are also the biggest source of new job creation and innovation. Cooperatives, business associations and partnerships along value chains can play an important role in supporting SMEs to grow and become sustainable, but policies which enable SMEs to successfully navigate the shift to a greener economy and seize the opportunities will be essential. This applies in particular to the construction, energy, resource-intensive industries, transport, agriculture and fisheries sectors. The creation and growth of SMEs are particularly sensitive to a number of factors, including a generally enabling regulatory and institutional environment – one which makes it easy for businesses to start and grow as part of the formal economy – and access to information, green markets, skills programmes, technologies and finance.



Environmental regulation, research and development as well as public procurement need to be mindful of the needs and limitations of SMEs.

## 2. **Ensure that employment, decent work and social inclusion are integral parts of any sustainable development strategy**

A sustainable development approach which puts people, the planet and fairness at the core of policy-making is urgently needed and eminently possible, but a greener economy is not inclusive and socially sustainable by default. Leveraging the opportunities and achieving a just transition which buffers the downside risks requires social and labour market policies to complement economic and environmental policies.

- ***Put in place social and labour market policies, which are essential for sustainable development with social inclusion.*** Efforts are needed to strengthen social protection, active labour market policies, in particular skills development, and targeted programmes for disadvantaged groups. Income-support measures such as unemployment benefit and transfers will be central and need to be linked with other measures, such as assistance with job search and matching through employment services. While most of these policies are relevant to any type of structural change in labour markets, they need to be tailored for the shifts and dynamics that are specific to the greening of enterprises across the economy and which vary between sectors. They may also have to be location specific, and combined with economic diversification where labour market shifts are concentrated in particular regions and industries. This will require strengthening, and in some instances creating, labour market institutions. Unlike in other structural transformations, those associated with a greener economy can to a large extent be anticipated. Early identification of the opportunities and potential risks and losses is possible with the help of assessment methods and modelling tools, as well as through dialogue with employers' organizations and trade unions.
- ***Place emphasis on skills and education policies to facilitate job transition and improve employability.*** This is critical because without skilled workers and competent enterprises the shift to a greener economy will be neither technically feasible nor economically viable. A greener economy will see the emergence of some new occupations, but it will mostly require new competencies in existing jobs and shifts in demand for occupations. There is ample evidence from around the world that it is both possible and necessary to anticipate future skills needs and make adjustments in education and training systems. These can be an important stepping stone for giving youth, women and other disadvantaged groups access to the job and income-generation opportunities that will be created in a green economy.
- ***Ensure equitable outcomes for women and men.*** The potential positive outcomes for women are no more automatic than the other social outcomes of greening the economy. They will require targeted programmes, and will often need legal reforms, for example of tenure and ownership rights, equal access to skills and employment opportunities and more representation of women in decision-making.

- **Leverage social protection for sustainable development.** The value of social protection floors in attenuating the impacts of economic shocks on individual households and the wider economy has been well documented. The same mechanisms at work in periods of crisis can also facilitate green transitions, for example by protecting redundant workers as they look for new opportunities or undergo retraining. They can be an important part of a package of measures to help the poor in developing countries affected by climate change, to pay the poor for environmental services and to address energy poverty.

The power of social protection to build rural productive capacity and climate resilience is demonstrated by the large-scale investments under the National Rural Employment Guarantee Act in India and the Expanded Public Works Programmes in South Africa. Successful examples of income-support schemes paying poor households for environmental services they provide by protecting forests and marine life are the ‘green grant’ programme in Brazil and the Plan Nacional de Quisqueya Verde in the Dominican Republic. Furthermore, they can provide access to energy and energy-efficient housing as well as serving to compensate for energy price increases resulting from subsidy reforms or pricing of emissions. These would otherwise hit poor households disproportionately hard, a fact that has often led to protests and has stalled necessary reforms in a number of countries.

### 3. Place social dialogue at the centre of policy making to improve coherence and to ensure a successful shift to a new development model

Social dialogue aims to promote consensus-building among the major stakeholders. Effective dialogue can help resolve crucial socio-economic issues and improve economic performance. Given that the transition towards a greener economy will entail profound changes in production processes and technologies as well as reallocations of jobs, close cooperation between government and the social partners will be central to the success of this transformation.

- **Social dialogue will lead to better and more sustained outcomes.** The programme of renovation of buildings for energy efficiency in Germany has mobilized about €100 billion over the past decade, making it the largest such programme worldwide. The programme was originally proposed to the government by the German trade unions and employers’ organization as a ‘pact for the environment and employment’. It is reducing energy bills, reducing emissions and providing around 300,000 direct jobs per year. The report documents many such cases where social dialogue is making a vital contribution to greening the economy, ranging from individual enterprises to large-scale national programmes.
- **Tripartism will ensure that job quality is at the heart of a green economy.** A greener economy does not automatically create high-quality, decent jobs. Job quality needs to be monitored and measures taken to ensure labour legislation is applied and that workers and employers can organize and make use of collective bargaining. In this regard, International Labour Standards provide both a legal and institutional framework and practical guidance for work in a greener and more sustainable economy. Similarly,

while a green economy is very likely to be healthier and safer for workers and the public, care is nonetheless needed to prevent possible new occupational hazards.

- ***Effective social dialogue is necessary to ensure that policies are coherent and that change is adopted.*** Well-informed and coherent policies that result from broad support and active commitment among stakeholders and in society will be essential to ensuring that the shift towards a greener economy is sustainable. These can only be achieved through active dialogue with stakeholders, particularly with employers' organizations and trade unions, as key actors in the labour market. Major national programmes and policies have, for example, been implemented with the help of social dialogue under the Grenelle de l'Environnement in France, the climate strategy in Brazil and the Green Economy Accord in South Africa (see chapter 10).

Sustainable development with social inclusion and a transition to a greener economy is indispensable, but the time frame is short. This report lays out a wealth of policy lessons, good practices and successful programmes, many on a large scale. It demonstrates that a green economy with more and better jobs, poverty reduction and social inclusion is both necessary and possible. The earlier the transition to sustainable development and to a greener economy starts, the more this transition can be managed to avoid the economic and social cost of disruptive change and to seize the opportunities for economic and social development.

