

# Transformation towards a low carbon economy – challenges for workers representatives

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## Conflicting objectives in the post-crisis period

Short term, mid term and long term objectives in conflict:

**Short term:** minimising social and human cost during crisis, preserve human resources for the post-crisis times (stimulus packages, employment policies)

**Midterm:** revise growth model; de-leveraging; debt consolidation; try to restore economic equilibrium (in national and international terms)

**Long term:** above all face the challenge of climate change, the **Great Transformation** of the next decades will be the transition to low carbon economy

## Conflicting objectives: the trilemma

It is not just the time horizon, but the dimensions of sustainability that are in conflict with each other

One thing is in common: **a new growth model is needed**

Economic sustainability has also different angles, dimensions: fiscal, structural, distributional and can be seen on different levels (enterprise, national, international)

Just a reminder: the roots of the crisis were imbalances (excessive debt financing, growing inequality, international imbalances).

# Trilemma: Different dimensions of sustainability in contradiction with each other

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## Features of the trilemma

In the basic scenario, you can pursue economic efficiency to the detriment of social and environmental aspects

- This is what happened in the last decades: balance between capital and labour was shifted as the share of labour within the accumulated wealth (GDP) has shrunk in all major economies; depressed wages were substituted either by credit based consumption (US, UK, IE, ES, Baltics) or export driven growth (Germany) where exports were largely financed by debt
- Environmental resources were seen as external factors that are free and unlimited (irreversible climatic processes were launched with a catastrophe scenario...)

## The transition to a low-carbon economy – promises, declarations but not much progress

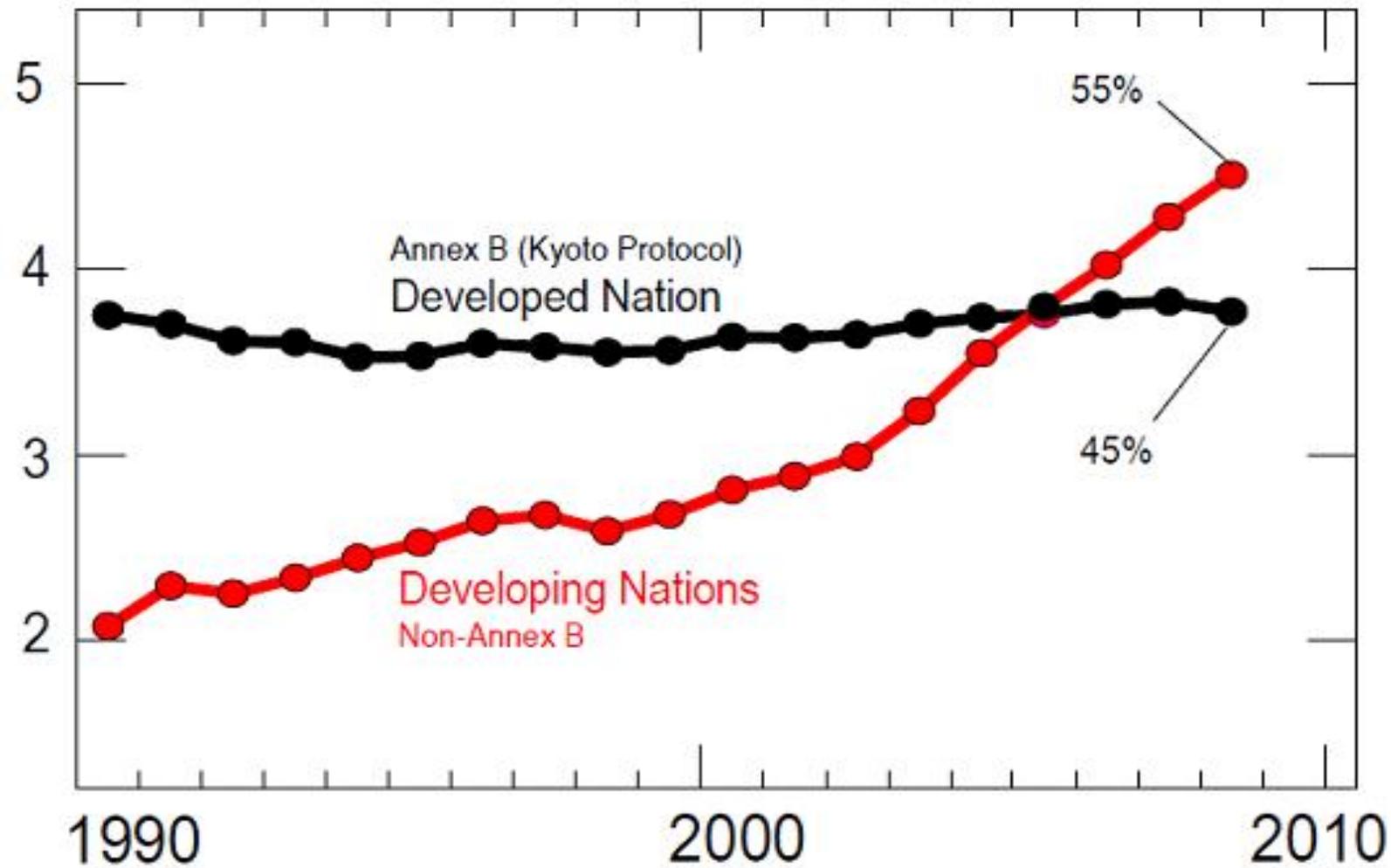
Although the targets of climate change mitigation policies are based on a broad consensus now, these will only then be effective, if appropriate economic tools transmit the objectives to the economic actors – these are however largely missing now

The next graphs show that even though commitment is there, past performance – even in Europe – is not convincing

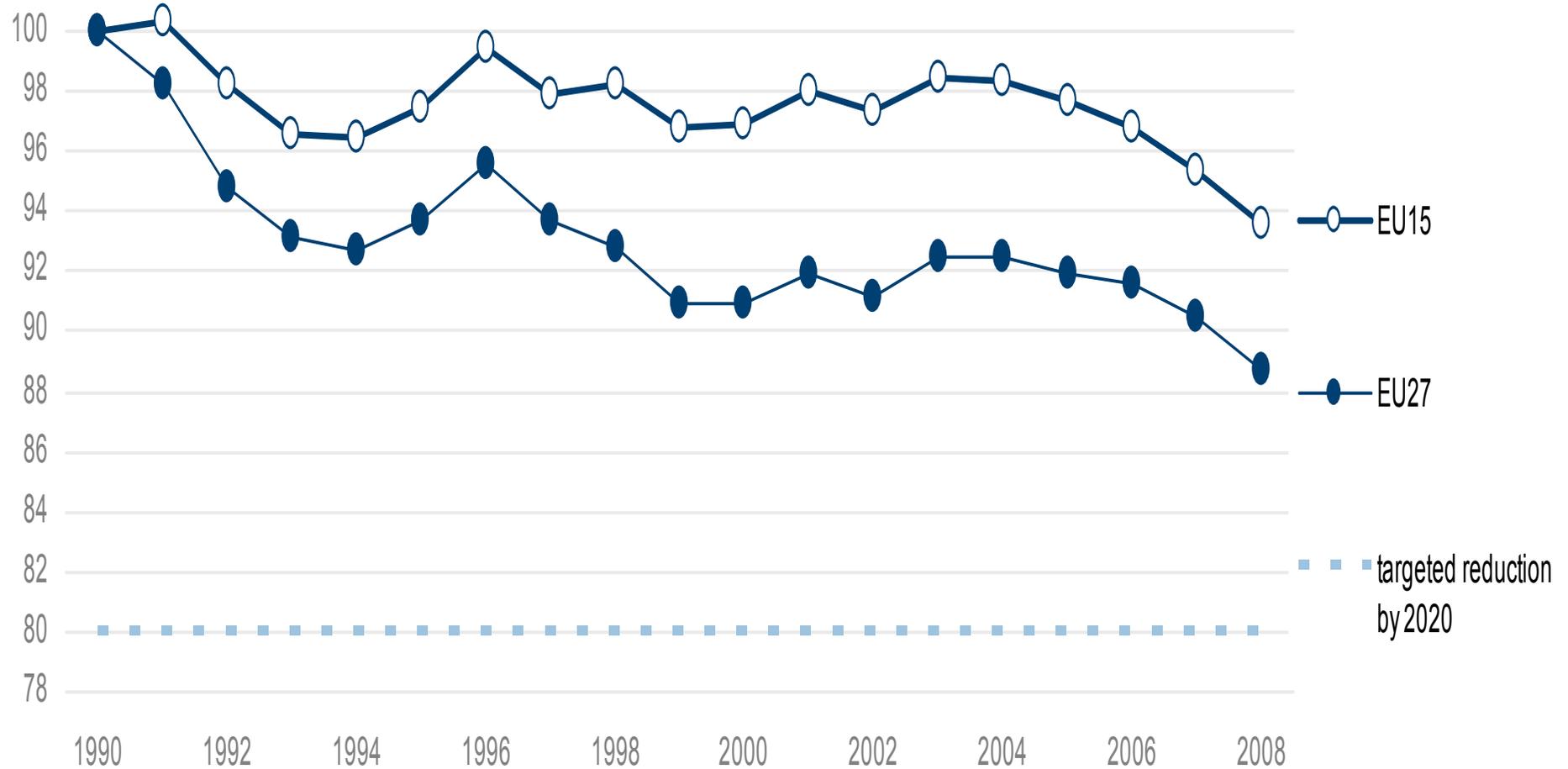
Ghg emission reductions up to now were more due to crises than to systematic implementation of climate policy

No paradigm change yet

## Lack of progress: Co2 emissions from fossil fuels between 1990 and 2008 on global level: + 41%

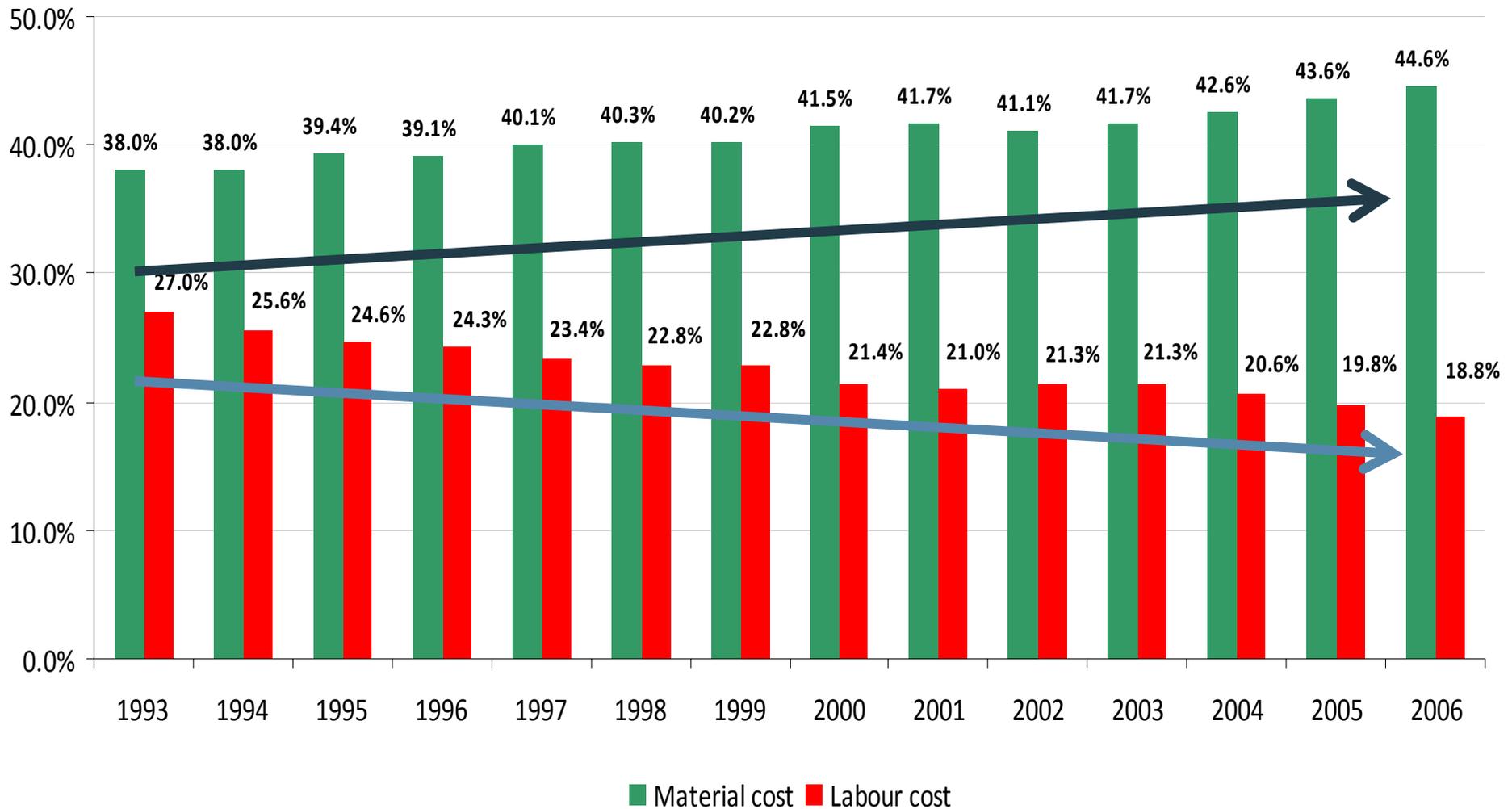


# Greenhouse gas emissions in % of emissions in the base year 1990

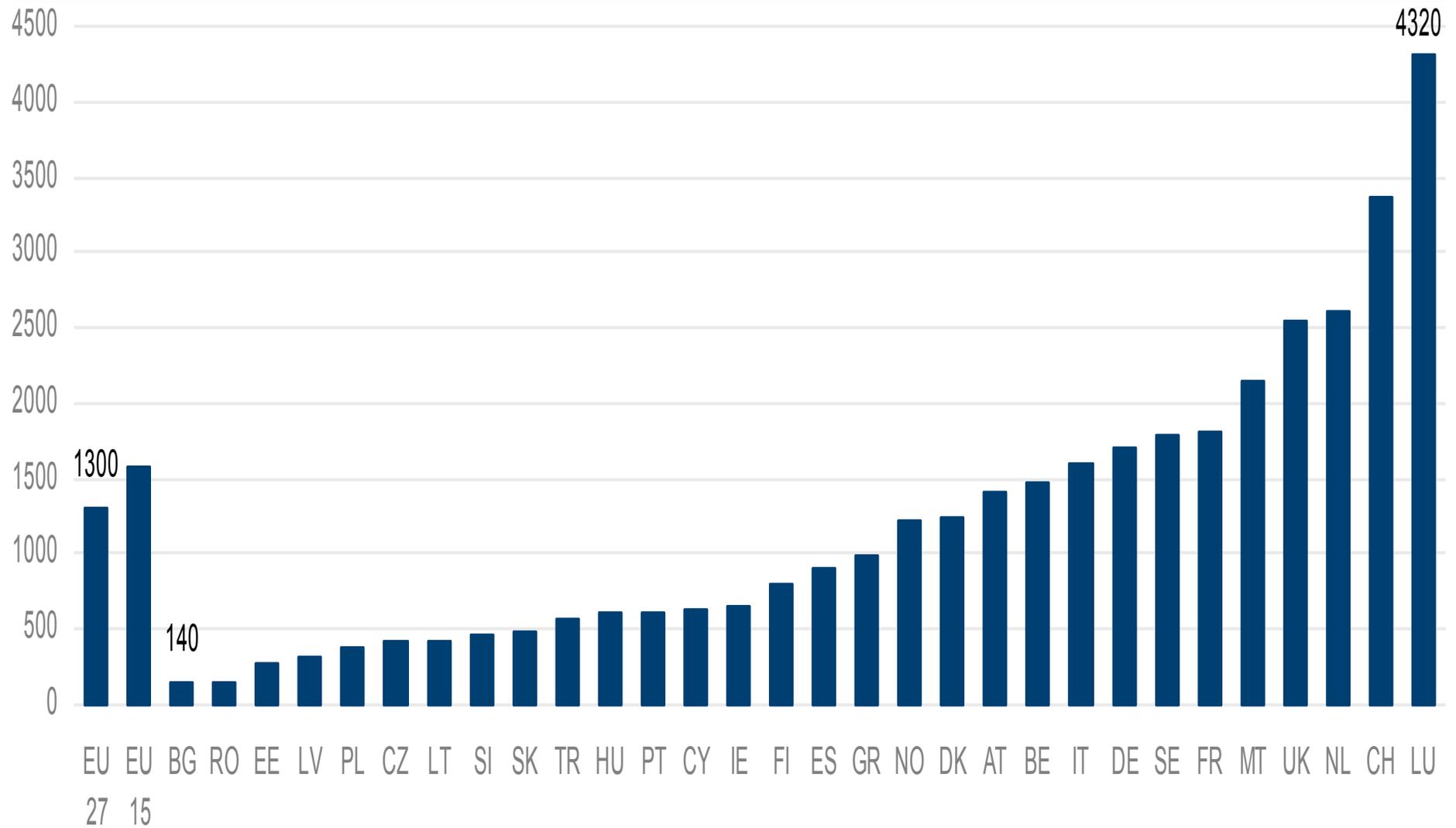


Data source: EEA dataservice

# No paradigm shift in resource efficiency (yet): Material vs Labour Costs in the German Manufacturing Industry



## Resource productivity 2008 – Value added generated (EUR) by one ton of resource input



Data source: Eurostat

## The crucial role of economic instruments

The applied economic policy instruments (and their timely schedule) for reaching climate change targets in Europe – cap and trade policy like the ETS, carbon tax, direct state involvement through targeted subsidies and redistribution policies – are crucial for the implementation

BUT these are not fully functioning yet – this creates uncertainty – effective carbon price in future is crucial

The impacts will be transmitted via:

changing cost structures of economic activities, changing trade and investment patterns,

changing demand by consumers and investment

**The major social impacts will appear on employment and inequality – as different employee/income groups will be effected differently**

## The bulk of the adaptation is still to come

Once we have a comprehensive climate policy in Europe that is indeed being implemented, its effects will be also harsher than what we see now.

Still we have a number of open questions:

What happens to energy intensive industries in Europe:

- Downscaling or improve energy efficiency (we need to make sure the second option will apply)
- Address carbon leakage
- Future of automobile industry in Europe (it is not just about cleaner cars; what will be the future role of individual transport within modes of transport)
- Clarification is needed

## Green transition

It will be a **restructuring process that is directly induced and shaped by explicit policy targets**

In case of previous restructuring waves, policy decisions (e.g. liberalisation of trade and markets, deregulation) played a more indirect role and no explicit policy targets were involved.

This is why `anticipation` of change attached to this new restructuring wave can be more straightforward and explicit, and accompanying measures to tackle its `side effects` (above all related to employment effects) can even be planned and integrated into the policy framework right at the outset.

# The challenge of the transition to a low-carbon economy on industrial jobs in Europe

## **Implementing climate targets will genuinely transform industrial jobs, in quantitative and qualitative terms:**

There is a broad consensus in the literature that although climate policies would have no major aggregate impact on the number of jobs,

a massive redistribution of jobs is to be expected:

- - New jobs are being created,
- - Existing jobs will be transformed (`greened` jobs in existing industries)
- - Jobs will also disappear

With huge differences by region, branch and LM segment!

## The challenge of the transition to a low-carbon economy on industrial jobs in Europe

Take account of the expected effects of economic policy instruments to be applied for reaching climate change targets in Europe (ETS, carbon tax, subsidies) on industrial employment

Mapping the attached employment and social effects

Assessing targeted labour market policy instruments to facilitate transition to a low carbon economy at the least possible social cost

A socially responsible and just transition to a low carbon economy is a vital interest for trade unions but posing also huge challenges for all actors managing this process including workers representatives.

## Strengthen existing workers representation structures to meet the challenge

We have seen positive examples in the past:

managing restructuring on enterprise level especially in countries with strong workers participation patterns (Pacts for Employment at a number of German enterprises)

During the crisis employer/employee co-operation (with help of publicly funded short-time work schemes) have contributed to saving a large number of workplaces (Germany with 5% GDP contraction did not suffer employment loss).

The Green Transformation is the most comprehensive restructuring process we have ever faced and this will remain with us in the following decades

## Crucial role of workers participation institutions

The tools and the structures are there (not in all countries and especially not in all economic sectors) and we saw good practices of managing change

The one-sided current policy focus is unfortunately providing a very unfavourable framework

It will be a test for Europe, but also for enterprises how the structural change towards a low carbon economy will be managed – how the necessary labour market transitions will be handled, what regional and industry policy measures will be applied and how social partners will be involved