

Why the EU's patchy 'just transition' framework is not up to meeting its climate ambitions

Mehtap Akgüç, Kalina Arabadjieva and
Béla Galgóczi

Mehtap Akgüç

is a senior researcher
at the European Trade
Union Institute (ETUI)
in Brussels, Belgium.

Kalina Arabadjieva

is a researcher at the
ETUI.

Béla Galgóczi

is a senior researcher
at the ETUI.

Policy recommendations

- The social dimension of the European Green Deal remains underdeveloped. The social and employment-related challenges of the green transition span many dimensions, such as job losses and employment transitions, reskilling and upskilling of the workforce, distributional effects of decarbonisation policies, the protection of social rights and citizen participation. Climate mitigation measures are likely, without other action, to exacerbate social inequalities.
- Initiatives to address those challenges remain fragmented. The Just Transition Mechanism and proposed Social Climate Fund, which have limited scope and purpose, and the proposed non-binding Council Recommendation on ensuring a fair transition towards climate neutrality do not offer the comprehensive policy platform that the EU needs to deal with the impacts of the transition on affected workers, regions and vulnerable individuals.
- A robust EU just transition framework should, among other things, provide for legislation on the anticipation and management of change, with meaningful workers' participation and citizens' involvement, as well as an expanded Just Transition Fund to support workers in transitions to new jobs with measures targeted to specific sectors.
- It should promote social dialogue and stakeholder involvement at all levels, and ensure that new green jobs are good jobs in line with the ILO Decent Work agenda and the European Pillar of Social Rights. A proper Social Climate Fund should deal with a broader range of the distributional effects of climate policies with targeted measures against energy and transport poverty, supporting and facilitating the affordability and accessibility of low carbon technologies to lower income households.

The Fit for 55 climate policy package launched by the European Commission in 2021 removed fears that the European Green Deal would be just a declaration of ambitious objectives, not followed by concrete action. Concrete action is clearly visible now and – apart from some uncertainties in implementation – it seems that the Commission is taking the climate emergency seriously. In just one year, the Commission tabled over a dozen proposals for legislative measures to achieve binding climate targets laid down in the European Climate Law. This includes revisions of existing legal instruments – such as the Emissions Trading Scheme Directive and the Renewable Energy Directive – and establishment of new ones, such as the Regulation setting up a Carbon Border Adjustment Mechanism. These measures are intended to drive forward the most significant economic transformation in the European Union (EU) since the Industrial Revolution.

But what about the social dimension of this transition? Climate change, as well as mitigation and adaptation measures, will create winners and losers, exacerbating social inequalities. Recognising this, the announcement of the European Green Deal in 2019 included pledges to ‘leave no one behind’. The Just Transition Mechanism and the proposed Social Climate Fund, another element of Fit for 55, are some of the main EU measures announced to date intended to mitigate the impact of the transition on the most affected regions, vulnerable individuals and businesses. The Commission has also proposed a non-binding Council Recommendation on ensuring a fair transition towards climate neutrality to provide guidance to Member States on how to tackle the social and employment effects of the transition. It is a welcome sign that the employment and distributional aspects of climate change mitigation have been recognised at the highest policy level.

This is all still very far, however, from the comprehensive just transition framework that the EU needs. Unlike the far-reaching and coordinated set of hard-law environmental measures, the social elements of Fit for 55 are fragmented, and the proposed Council Recommendation does not have binding legal effect. In this policy brief, we set out the main issues in the social and labour sphere that arise from the transition to net-zero. We argue that the patchy efforts at EU level to ensure that the transition is ‘just’ or ‘fair’ to date are not up to the huge task of addressing the social challenges ahead on the way to achieving a net-zero carbon economy. We also outline the elements that are missing for a genuine and comprehensive just transition framework.

What issues matter most for just transition in the EU context?

The unprecedented restructuring that economies need to go through over the next few decades to achieve net-zero emissions is a policy-driven process that will have disparate effects on people with different socio-economic characteristics. Policymakers have a significant responsibility to address them. A just transition means that addressing both the employment and the distributional effects of a shift to a net-zero economy should be seen as an integral part of the package

and not only as supplementary corrective measures. These issues span many dimensions, such as the distributional effects of decarbonisation policies, jobs losses and employment transitions, the protection of basic social rights and the inclusion of citizens in decision-making, to name a few.

Jobs and skills – sectoral effects

Climate policies will have a major effect on the world of work. Millions of new jobs are expected to be created in the transition to a net-zero carbon economy, but a large number of jobs will also disappear. The majority of jobs will go through a fundamental transformation. This unprecedented wave of restructuring will have unequal effects on many fronts, including skills, gender, age, economic activity, sector and region. The energy and automotive sectors will be the ones most affected by the decarbonisation drive from climate and environmental regulations at EU and national levels. In the coal-based power sector, which makes up an estimated 0.15 per cent of EU employment, most jobs will disappear in a decade and the regional effects will be harsh (Alves Dias et al. 2018), as over 90 per cent of coal jobs are concentrated in ten NUTS 2 regions, four of them in Poland.

With a more than 5 per cent share of total EU employment, the automotive sector is a key employer, with more than 14 million jobs. For the car industry, the demise of the combustion engine and the electrification of the powertrain will result in manufacturing job losses estimated at up to half a million by 2030 and in a major transformation of millions of jobs with new competences, skills and forms of work organisation (Bauer et al. 2020). The renewable energy sector, construction and low-carbon infrastructure are expected to deliver most of the job creation (Asikainen et al. 2021). Transitional policies should consider the local dimensions of the transition, however; the places where jobs are lost and created are not necessarily the same, and relocating workers is not straightforward.

Climate change policy will also have a major impact on jobs, their skill contents and how they are performed. The transition will come with increasing demand for skills in the renewable and cleaner energy sector, energy and resource efficiency, digital competences, STEM knowledge to trigger innovation and breakthrough technology, greener construction methods, city planning and design, technical competences in adaptation, waste management, maintenance and repair technologies to reduce resource demand, as well as to boost the circular economy, to name a few (Cedefop 2021).

To match the rising demand for specific skills and competences for the green transition, training programmes and education curricula need to be adapted to the needs of the labour market. The public sector and businesses could cooperate to adapt training and education programmes. Training, reskilling and upskilling should be made available to the wider workforce and in a flexible format to the widest extent possible (for example, online or with flexible hours) to ensure that nobody is left behind. Active labour market policies should be expanded to attract new talent to green jobs, which can help to alleviate the skill gaps that are a major concern in certain sectors, regions or Member States.

Distributional effects

Effective climate policies must be based on a comprehensive and balanced policy framework that includes regulation, standards, taxes and market mechanisms. While market mechanisms – such as the EU’s Emissions Trading Scheme – that send price signals for market actors are one important element of this in changing investment and behavioural patterns, they can have the desired effects only in well-functioning markets. These market signals themselves have significant regressive distributional effects, however, disproportionately affecting low-income households (Cabrita et al. 2021). Poorer households also have less capacity to change to low- or zero-carbon options (electric vehicles, rooftop solar panels, and so on); while these options have low operating costs, they tend to have high upfront capital costs, which presents a hurdle for households with little access to cheap capital (Galgóczi and Akgüç 2021).

Certain vulnerable groups are likely to be affected more than others during the transition. For one thing, climate change is likely to have unequal effects on men and women. To take an example, men are disproportionately employed in polluting sectors such as coal mining, and are therefore more likely to suffer job losses as activity in these sectors is eliminated or reduced. While it may result in an overall reduction of household income, it could entail mitigating effects on women and encourage them to enter paid employment. There are some concerns about job quality, however. There is also wide evidence pointing to disproportionate vulnerabilities of women as a result of climate change, as women tend to have fewer resources at their disposal, reduced access to education, and are frequently excluded from information and decision-making processes during the green transition.

Another group with vulnerabilities is migrants. Most foreign-born workers are employed in relatively low-paying and polluting sectors and have no or only limited access to training to upskill towards transition to a low-carbon economy. For example, the share of migrant workers in construction in the EU is above 10 per cent (sometimes higher, depending on the sector) and the working conditions can be abysmal (Bérestégui 2021). Other people from ethnic minorities, such as Roma communities, have also been disproportionately affected by climate change and environmental harm (Heidegger and Wiese 2020).

Age and disability are other dimensions to consider. The share of young people is significantly lower than that of older workers in carbon-intensive sectors such as mining, energy and transport, implying significant challenges for the elderly in the transition (Galgóczi and Akgüç 2021). Disabled people will also be disproportionately affected by climate change, as they generally live in greater poverty and require special assistance during the climate emergency to access food, shelter and transport (Liebmann 2021), as well as to retain their jobs or upskill to new ones during the green transition.

Citizen participation

A key challenge for the green transition is to ensure that the public, especially the most affected communities and citizens, have an opportunity to participate in decision-making. Climate protest movements such as Fridays for Future, and

the thousands of people who took to the streets during COP26, have made it clear that citizens want to have their voices heard when it comes to climate change. Participation is a means of empowering and fostering cooperation with affected communities, and contributing to better outcomes and increased democratic legitimacy. In the labour context, this means meaningful participation by workers and social dialogue.

Climate citizen assemblies in France, the United Kingdom and some other European countries are gaining popularity as a forum for public debate on climate change. But a forum is not enough by itself – decision-makers also have to listen. Transparency, information and capacity-building are crucial to meaningful involvement, as are active steps to include marginalised groups and to ensure diversity in representation. Just transition requires careful thinking about how new forms of environmental democracy and democracy at work might be implemented at different levels of decision-making and workplaces.

Fundamental rights and just transition

The environmental, social and economic effects of climate change and related mitigation policies threaten fundamental human rights (UNEP 2015). These include basic civil and political, but also social and economic rights, widely recognised in international and European human rights instruments and national constitutions. They constitute entitlements to basic conditions for a decent human life, without which it is impossible to speak of a ‘just’ transition. Many of these rights concern labour and working conditions. Discussion of fundamental rights as such is, however, largely absent from the European Green Deal. Reference is made to the European Pillar of Social Rights, but no link is made to the EU’s own Charter of Fundamental Rights, nor to other international legal norms and long-standing frameworks, such as the European Social Charter or the core Conventions of the International Labour Organization.

Both the distributional and the employment consequences of climate change policies could affect various basic social and labour rights protected by these instruments, such as the right to work, to just working conditions, to an adequate standard of living and to protection from poverty and social exclusion. Disparate impacts of policies along the axes of gender, ethnicity, disability or other protected statuses could impinge on the right to equality and non-discrimination. Threats to fundamental rights in global supply chains arise in the context of delivering the resources and technology necessary for decarbonisation, a fact often overlooked by European countries relying on resources for the green transition extracted overseas.

At the same time, fundamental rights can provide a normative framework for the basic elements – *necessary but not sufficient* – of just transition policy. Aside from the rights mentioned above, ensuring respect for rights to vocational training, fair remuneration, social security, equal opportunities, collective bargaining and others could constitute the foundations of a strategy to address the impacts of the transition on workers and citizens more broadly. Human rights have, furthermore, served as a basis for challenging states’ inaction with regard to climate change in litigation – such as the *Urgenda* case

against the Dutch government – and could also provide an avenue for ‘just transition litigation’ (Savaresi and Setzer 2021).

What is on offer for just transition policies?

The European Green Deal recognises that just transition policies should be an integral element of a transformation strategy that leads us from a fossil fuel-based resource-depleting linear economic model to a sustainable zero-carbon circular economy. While the European Green Deal can be seen as a ‘moon-shot’ project, the Fit for 55 package provides the policy details for implementation.

But where is the social dimension? The fact is that social and employment policy initiatives remain fragmented and ad hoc. This shortcoming became very clear with the announcement of the Fit for 55 package in July 2021. The EU now has a Just Transition Fund (with limited resources), dedicated mainly to helping coal regions manage the social and employment effects of coal phase-out. This is very important but reaches only a small fraction of the people affected by decarbonisation. The newly announced Social Climate Fund has a very specific target, namely to fend off the detrimental distributional effects of a new emissions trading system for buildings and transport (ETS 2), but even for that purpose it may not be enough (Galgóczi 2021). Its €72.2 billion capacity spread over seven years will be insufficient to address the problems ahead, and its administration is likely to pose challenges for the institutional capacity of some Member States. Sectors that are strongly affected, such as the automotive sector and energy intensive industries, do not have dedicated instruments or a fund.

The proposed Council Recommendation on ensuring a fair transition is a ‘toolbox’ for Member States to help them manage the outlined employment and social effects, based on existing tools. Implementation will be monitored via the European Semester. It recommends that states take measures to provide active support for quality employment, and to ensure access to quality and inclusive education, training and lifelong learning; the fairness of tax and social-benefit systems; and access to affordable essential services and housing. It emphasises the position of vulnerable groups and the need to involve social partners.

This sounds good in theory, but how will Member States with very different capacities and levels of willingness achieve this? The instrument is not legally binding, and implementation depends on political pressure via the Semester. The recommendations are vaguely formulated and leave wide discretion to Member States, which as the case may be have the option of complying in a relatively minimal way. They point to existing funding mechanisms such as the Just Transition Fund, Social Climate Fund, Emissions Trading Scheme and tax revenues, but foresee no new funding instruments for what are likely to be very significant and costly initiatives. There are also other notable omissions. The document refers to ensuring the affordability and accessibility of sustainable mobility, but not of low-carbon technologies in general. Although mentioned, there is little emphasis or detailed recommendations on measures to involve the public meaningfully in the development of climate policies. There is no recognition of the social impacts of decarbonisation beyond the EU, particularly in the Global South.

The social dimension of the European Green Deal therefore remains significantly underdeveloped compared with the other hard-law Fit for 55 initiatives. Circumscribed EU competence to act in the social and employment field – that is, the fact that the Union can only adopt minimum standard Directives in the areas provided for in Article 153 TFEU, some of which require a unanimous vote in the Council, or other legal bases in the Treaty – is only a partial explanation. European-level labour market and social policy initiatives should provide more substantial guidance to Member States in their effort to manage change, including through legislation. In this context, ‘leaving no one behind’ should be more than just a slogan and be translated into concrete measures. In contrast to the various declarations, just transition policies are not yet an integral part of the European Green Deal agenda or of the more concrete Fit for 55 policy package.

Drawing the line: what should be included in a genuine and comprehensive just transition policy framework?

Considering the above and in light of the demands of the ETUC (2021), a robust just transition framework requires at least the following elements:

- (i) More analytical work is necessary to map existing and expected developments and the effects of decarbonisation on regional and local labour markets.
- (ii) A legislative framework should be developed for the anticipation and management of change in the context of just transition with meaningful workers’ participation and citizens’ involvement, anchored in respect for fundamental rights.
- (iii) The Just Transition Fund needs to be extended in its scope, scale and resources to provide support for workers in the transition to new jobs with measures targeted to specific sectors (automobile, energy intensive industries and so on) tailored to national and regional specifics.
- (iv) A proper Social Climate Fund should go beyond being a corrective tool for the ETS2 and deal with a broader range of the distributional effects of climate policies, implementing targeted measures against energy and transport poverty, supporting and facilitating the affordability and accessibility of low carbon technologies to lower income households.
- (v) Regional development initiatives are needed to help carbon intensive regions towards a sustainable low-carbon economy.
- (vi) Social dialogue and stakeholder involvement at all levels (EU, national, regional and plant level) in managing change towards a zero-carbon economy should be promoted.
- (vii) It should also be ensured that newly created green jobs are also good jobs in terms of contract type, social security, wages and working conditions in line with the ILO decent work agenda and the European Pillar of Social Rights.

Russia's assault on Ukraine has brutally exposed Europe's fossil energy dependence, reinforcing the case for speeding up the energy transformation. But soaring energy prices are putting enormous pressure on poorer households locked into fossil energy traps, and the resulting social crisis threatens to derail the green transition. A large part of the workforce is in fear of change, a concern that is justified in a labour market environment characterised by increasing precariousness. As long as 'change' instils fear, the biggest transformation since the Industrial Revolution cannot succeed. Backing away from change or opting for a slow transition cannot be a solution. Inclusive and comprehensive social, labour market and economic policies are therefore essential for securing social justice, resilience and sustainability.

References

- Alves Dias P. et al. (2018) EU coal regions: opportunities and challenges ahead, Luxembourg, Publications Office of the European Union. <https://publications.jrc.ec.europa.eu/repository/handle/JRC112593>
- Asikainen T. et al. (2021) The future of jobs is green, Luxembourg, Publications Office of the European Union. <https://publications.jrc.ec.europa.eu/repository/handle/JRC126047>
- Bauer W., Rieder O. and Hermann F. (eds.) (2020) Employment 2030: effects of electric mobility and digitalisation on the quality and quantity of employment at Volkswagen, Stuttgart, Fraunhofer Institute for Industrial Engineering IAO. https://www.volkswagenag.com/presence/stories/2020/12/fraunhofer-studie/6095_EMDI_VW_Summary_um.pdf
- Bérestégui P. (2021) Labour exploitation of migrant workers in construction and forestry. <https://www.etui.org/news/labour-exploitation-migrant-workers-construction-and-forestry>
- Cabrita J., Demetriades S. and Fóti K. (2021) Distributional impacts of climate policies in Europe, Luxembourg, Publications Office of the European Union. <https://www.eurofound.europa.eu/publications/report/2021/distributional-impacts-of-climate-policies-in-europe>
- Cedefop (2021) Digital, greener and more resilient: insights from Cedefop's European skills forecast, Luxembourg, Publications Office of the European Union. https://www.cedefop.europa.eu/files/4201_en.pdf
- ETUC (2021) ETUC position for A Just Transition Legal Framework to complement the Fit for 55 package. <https://www.etuc.org/en/document/etuc-position-just-transition-legal-framework-complement-fit-55-package>
- Galgóczi B. (2021) Is Europe socially fit for the 'Fit for 55' package?, Social Europe, 19 July 2021. <https://socialeurope.eu/is-europe-socially-fit-for-the-fit-for-55-package>
- Galgóczi B. and Akgüç M. (2021) The inequality pyramid of climate change and mitigation, in Benchmarking Working Europe 2021: Unequal Europe, Brussels, ETUI, 108–131. <https://www.etui.org/publications/benchmarking-working-europe-2021>
- Heidegger P. and Wiese K. (2020) Pushed to the wastelands: environmental racism against Roma communities in Central and Eastern Europe, Brussels, European Environmental Bureau.
- Liebmann D. (2021) The intersection of disability and climate change, Harvard Graduate School of Education. <https://www.gse.harvard.edu/news/21/03/intersection-disability-and-climate-change>
- Savaresi A. and Setzer J. (2021) Mapping the whole of the moon: an analysis of the role of human Rights in climate litigation, 18 February 2021. <https://ssrn.com/abstract=3787963>
- UNEP (2015) Climate change and human rights, Nairobi, UN Environment Programme. <https://www.unep.org/resources/report/climate-change-and-human-rights>

All links were checked on 24.03.2022.

ETUI publications are published to elicit comment and to encourage debate. The views expressed are those of the author(s) alone and do not necessarily represent the views of the ETUI nor those of the members of its general assembly.

The ETUI Policy Brief series is edited jointly by Nicola Countouris, Jan Drahokoupil, Philippe Pochet, Aída Ponce Del Castillo, Kurt Vandaele and Sigurt Vitols. The editor responsible for this issue is Nicola Countouris, ncountouris@etui.org

This electronic publication, as well as previous issues of the *ETUI Policy Briefs*, is available at www.etui.org/publications. You may find further information on the ETUI at www.etui.org.

© ETUI aisbl, Brussels, April 2022.
All rights reserved.
ISSN 2031-8782



The ETUI is financially supported by the European Union. The European Union is not responsible for any use made of the information contained in this publication.