



Ministerial Conference on
"Promoting Green Employment: a
Major and Indispensable driver behind
a Successful Transition towards a
Competitive Low-Carbon and Green
Economy", La Hulpe (Brussels),
28-29 September 2010

Greening the labour market:
Challenges and policy responses

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Outline of talk

1. Why “green” the labour market?
2. The green challenge for labour market and training policies
3. Labour market and training policy responses



Part 1 - Why "green" the labour market?



Why “green” the labour market?

- **Transition to sustainable low-carbon growth is urgent**
 - Time running out for climate change mitigation:
 - Global temperature might increase by more than 5° C by end of the century under a business-as-usual scenario - hence need an insurance policy
 - Prompt and comprehensive policy can limit climate change at a modest cost (<5% of world GDP in 2050)
 - Other environmental problems are also approaching critical thresholds (e.g. loss of biodiversity, water shortages)

- **The transition will have to be profound**
 - The next big Industrial Revolution (agricultural ⇒ industrial ⇒ service-based ⇒ **green economies**)?
 - Decoupling production and consumption from harmful environmental impacts requires major changes in:
 - What is produced and consumed (and recycled)
 - The technologies that are used
 - The location of economic activities

Why “green” the labour market? (cont.)

- **Labour markets have a central role in greening the economy**
 - Jobs will be transformed via on-going process of job creation/destruction
 - New types of “green” jobs (e.g. designers and operators of wind turbines) will sprout
 - “Brown” jobs (e.g. extraction and burning of fossil fuels) will disappear
 - Re-engineering of continuing jobs (e.g. construction workers need to become energy-efficiency experts)
 - Workers may also confront changes in:
 - Job-skill requirements
 - Working conditions and job safety
 - Wage rates
 - Commuting patterns



Part 2 - The green challenge for labour market and training policy



The green challenge for labour market policy

- **The green growth transition (GG) will be an important driver of structural labour market changes**
 - Like ICT and globalisation in the past
 - Not a totally new challenge
 - But GG-driven change will be intense and have special features
 - And the policy response is complicated by a high level of unpredictability
- **Impact on total employment is likely to be small**
 - Consistent finding of past empirical studies of the impact of ICT, globalisation and environmental policies on employment
 - But overall employment impact of GG could be larger under certain conditions:
 - Positive net employment impact possible if carbon tax revenues used to reduce existing large labour tax wedge, encouraging greater labour supply - the "double-dividend" hypothesis
 - Negative net employment impact possible if structural unemployment rises because of growing LM mismatches



The green challenge for labour market policy (cont.)

- **A bigger impact on the mix of jobs**
 - **Employment gains in green sectors/activities**
 - Renewable energy, recycling, environmental remediation, etc.
 - Relatively small numbers of “green jobs” (Eurostat and US Commerce Dept. estimate approximately 2% of total employment)
 - The share of green jobs will probably only grow modestly, but this expansion will play a critical role in the GG transition
 - NB – ICT revolution did not require most of the workforce to become ICT workers, but these workers do play a strategic role.
 - **Employment losses in “brown” sectors/activities**
 - Fossil-fuel extraction and combustion, manufacture of SUVs, etc.
 - Tend to be geographically concentrated and can result in large economic losses for the affected workers and regions



The green challenge for labour market policy (cont.)

- **A potentially large impact on job-skill requirements**
 - Possible mismatch between the skills of workers displaced from declining “brown” jobs and the skill requirements of growing “green” jobs
 - Greening of jobs generally may be the biggest impact, as illustrated by the building sector:
 - Architects need to learn energy-efficient designs and the use of new materials
 - Construction workers need to combine previously distinct trades (e.g. roofing, plumbing and electrical skills to install solar panels)
 - Risks of both skill bottlenecks and exclusion of workers with obsolete skills

Part 3 - The labour market and training policy response within a comprehensive *GG* strategy



Labour market and training policy response

- **Good policy can contribute to an efficient, equitable and politically sustainable transition to GG by assuring:**
 - Workers can acquire the needed “green” skills quickly;
 - Workers have sufficient security to change occupations/sectors/regions readily;
 - Workers move smoothly from brown to green jobs
- **Two keys to success**
 - Enhancing continuing vocational training;
 - Reconciling structural adjustment with social protection for workers



Policy response (2): Implications for continuing vocational training (CVT)

- **CVT is a crucial component of life-long learning systems**
 - Crucial role of firm/industry/occupation-specific skills
 - Combination of rapid technological change and workforce ageing implies:
 - Job-skill requirements continually evolving
 - A declining share of newly emerging skill demands can be filled by new school leavers
 - GG and intensified eco-innovation likely to raise importance of CVT
- **Employer-driven system needs public support**
 - Employer-funded CVT is extensive and reflects actual job requirements
 - But one concern is that CVT tends to miss least educated and older workers
 - Another is that skill bottlenecks could hinder green start-ups and innovators
 - Public sector can try to fill gaps, but we don't know much about future green skill demands
- **Need to develop innovative co-financing of CVT**



Policy response (3): Policies to reconcile structural adjustment with social protection

- **“Flexicurity “ is the key concept, but not a rigid template**
 - Flexibility requires:
 - Well-designed regulation (product market and employment protection)
 - Good business management and social dialogue
 - Good workforce skills and responsive CVT
 - Security requires:
 - Income support for job losers (UI/UB etc.) } Linked by “mutual
 - Effective active labour market programmes (ALMPs) } obligations”
 - Easy access to effective life-long learning systems
- **Political support for sustainable development is also at stake**
 - Potential losers need to know they will not be abandoned (e.g. workers in energy-intensive industries)
 - Should rely primarily on general labour market programmes
 - But there is likely to be some role for targeted measures (e.g. a Green Growth Adjustment Fund?)



Thank you