

Towards a low carbon economy: seizing the opportunities for jobs and incomes

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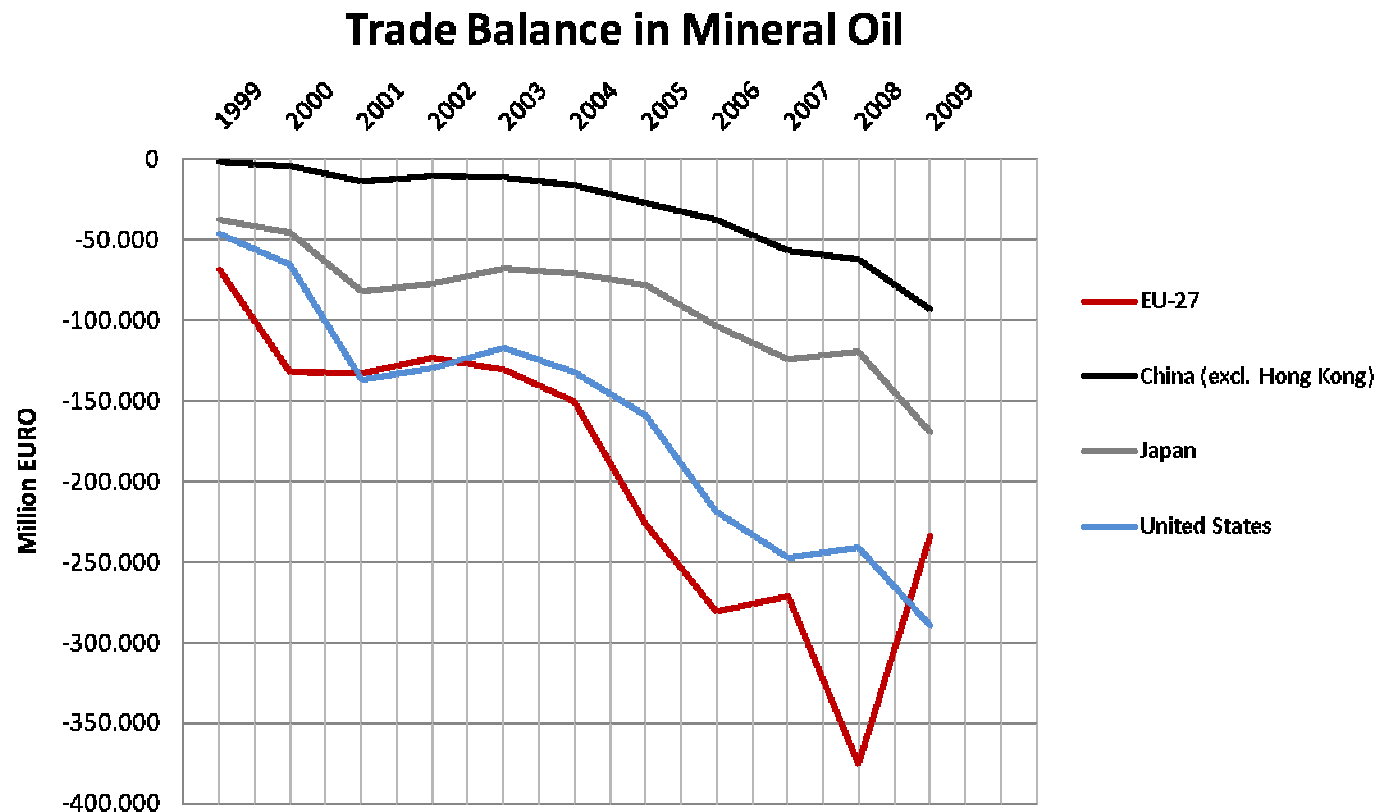
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Outline of presentation

- Potential benefits for jobs and incomes arising from shifting to greener economy
- Meeting 3 key challenges
- Role of green taxes

Lower CO₂-intensive economy: benefits

1. Income gains from lower oil dependency
=> greater investment/productivity



2. Lower unemployment if revenues from green taxes used to reduce labour costs

- a tax of 30 Euro per ton of CO₂ would lead to 0.5 higher employment in 5 years time (IILS)

3. Welfare gains from better environment

Preference for goods with low carbon footprint (e.g. train vs. car, local food vs. oversea food, energy saving lamp vs. ordinary lamp)

Employment in selected high-carbon intensive industries as % of total employment, EU25

Agriculture	4.6%
Coal, lignite and peat	0.2%
Coke , refined petroleum products, nuclear fuel	0.1%
Pharmaceuticals, medical chemicals	0.3%
Chemicals	0.6%
Electrical energy, gas, steam and hot water	0.7%
Non metallic minerals products	0.8%
Basic metals	0.5%
Land transportation services	2.7%
Air transport services	0.2%
Sewage and refuse disposal services	0.6%
Automobiles	1.5%

Three policy challenges

1. Tough but relatively small challenge: downsizing output and employment of “brown” inputs (1-2% of total employment, e.g. coal mining, oil production)
 - Sectoral labour reallocation (difficult for older workers, or when shock s regionally concentrated)
 - New training

=> Sectoral approach, key role of EU social funds

2. Large short-run challenge but not that difficult:
Adjusting technology and skills within high-carbon intensive sectors that have a future (40-45% of employment --e.g. cars, construction sector)
 - Social dialogue
 - Some updating of skills updating
 - Possible loss of competitiveness in short-run but potential for better competitiveness later on!
- => General tools of labour market and skill policies, well-designed employment regulations

3. A new source of jobs and prosperity –though probably small:

Facilitate growth in sectors producing green technology or directly reducing greenhouse gases (2-5% of employment, e.g. wind energy, solar panels)

- Integrated industry-education strategy
- Enhance backward linkages so as to boost employment and productivity opportunities

=> Well-functioning education, enterprise creation and labour market framework

The role of green taxes

- Green taxes key to move to greener economy and can support employment if:
 - Accompanied by solid labour policies (above)
 - Coordinated across countries to avoid short-run competitiveness effects
 - Budget neutral : by shifting taxation away from labour income to the taxation of carbon intensive products
- Distributional concerns can be addressed via allowances for basic energy consumption
- Green taxes exist in countries like Denmark, Finland, Germany, Netherlands, Sweden, UK

Taxes on Labour vs. Environmental Taxes (as % of GDP) Denmark

