



## *Embedding Just Transition in Long-term Decarbonization Strategies: Why, What, and How*

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*All the interpretations and findings set forth in this expert perspective are those of the author alone.*

Most countries face the challenge of simultaneously creating quality jobs and reducing their greenhouse gas emissions. This challenge is exacerbated by the fact that expressions of social support for climate action remain limited. As a result, climate policies have tended to be deprioritized when seen as opposing other policy goals. While this difficulty is widely documented and accepted, very few governments have actively sought to better integrate labor and social policies with climate objectives, or to design and implement strategies to support and engage workers and communities that will be affected by the low-carbon transition.

Just Transition (JT) strategies should be understood as a package of policies and actions aimed at (a) anticipating the impacts of climate policies on employment; (b) protecting and even improving workers’ livelihoods (health, skills, rights); and (c) supporting their communities. In a nutshell, they are tools for furthering climate ambition.

### I. JUST TRANSITION INTERNATIONAL GUIDANCE: FROM UNFCCC PARIS AGREEMENT TO ILO GUIDELINES, KEY POLICY OPTIONS AND ELEMENTS FOR SUCCESS

Several discussions took place among governments, trade unions, and other stakeholders following COP14 in Poznan, Poland,<sup>1</sup> on the need to address the impacts on the world of work arising from climate disruption, or actions to stop it, and to build stronger support from workers as advocates for climate action. The transition to a zero carbon society implies seeing some jobs disappear, others emerge, and others transformed; experience shows that uncertainty in the way those impacts will be dealt with leads important parts of society to resist the necessary change. In the context of the Paris Agreement negotiations, it was important for governments to express their commitment to be proactive in anticipating and, when necessary, preventing negative impacts.

These discussions led to the adoption of Just Transition language in the Paris Agreement: “Taking into account the imperatives of a Just Transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities.”

In parallel, the International Labour Organization (ILO) held a first discussion on Just Transition in 2013 at the International Labour Conference, which led to the adoption in 2015 of the *Guidelines for a Just Transition Towards Environmentally Sustainable Economies and Societies for All*.

The *Guidelines* introduce a series of policies that should be considered to ease the transition from a social standpoint. If Just Transition strategies indeed aim to be broad and all encompassing, the diversity of the world of work and the challenges faced by countries and regions in the transition make the task of defining a single approach difficult.

The *Guidelines* set a bar for what is needed from the international community to achieve results

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that are even better than past transitions. Key recommendations include macroeconomic, sectoral, and enterprise policies; rights and occupational safety and health; social protection; skills development; active labor market policies; and social dialogue and tripartism.

Macroeconomic, sectoral, and enterprise policies

There is a need for a massive, coherent, and proactive approach to investments, economic policy, and enterprise-level transformation. New jobs must be created in low emissions sectors both in new companies, which could belong to cooperatives or models related to the so-called social economy, and within old ones. Sectoral policies setting long-term targets for emissions and social progress are also needed. Past experiences in countries today leading the energy transition show that investments could be driven, in the initial phase, by public sector policies, including procurement, sustainable infrastructure projects, and public regulations. Just Transition policies would also encourage the deployment of job alternatives in regions that will face job declines related to climate policies.

Rights and occupational safety and health

The quality of the jobs created and the perceived gaps in terms of working conditions between fossil fuel-based jobs and new ones must be addressed. Efforts must be taken to ensure green sectors are appealing and provide decent incomes and secure, safe working conditions.

Social protection

If people feel vulnerable, they may be reluctant to support change. Social protection schemes, which could take the shape of social security systems and/or feature social insurance and public employment guarantees, are key to ensuring justice during the transition. A certain number of policies will need to be promoted to avert or minimize job losses, to provide income support, and to improve the employability of workers in sensitive sectors.

## Active labor market policies

Active labor market policies include those helping enterprises and workers anticipating changes by facilitating access to jobs and strengthening employability. They focus on unemployed workers and workers at risk of unemployment, delivering employment services and providing information, guidance, and matching services. Along with skills-training policies, active labor market policies are the operational arm for accompanying workers into the new economy.

## Skills development

Supporting workers in their efforts to gain skills that allow them to obtain better and more sustainable jobs is key to building a constituency for climate action. Ensuring the adequacy of skills development portfolios, which in many countries are outdated or do not match labor market opportunities, is fundamental. Strengthening this in developing countries, where many working in fossil fuel-related infrastructure have had limited access to education, is critical for avoiding widening inequalities during transitions.

## Social dialogue and tripartism

*Social dialogue* is the term used for describing institutional processes of discussion among trade unions, employers, and governments, as well as communities and all other relevant community groups.

Building an institutional setting where those affected by the transition can discuss, decide on, and be provided with resources to design responses to the challenges of the transition is a fundamental tool for strengthening democracies and building more social support for change.

## Community renewal/economic diversification

Cities and territories have dynamic connections to companies in the fossil fuel-based economy. Companies not only provide direct jobs and generate indirect ones, they also contribute to public budgets and, depending on the country's system, they may be key funders (through taxes

and philanthropy) of education, health, and infrastructure. Just Transition policies need to help anticipate losses in revenue and economic activity in communities that are highly dependent on fossil fuel-related work sites. They must also empower these communities so that investments are oriented toward options the community supports. History tells us that even when workers affected by closures are protected, the economic life of the community does not survive the change, leading to further inequalities and injustice.

## II. BUILDING ON SHORTER-TERM PLANS: HOW EMBEDDING JT IN NDC COULD CONTRIBUTE TO A VIRTUOUS CIRCLE OF SOCIAL AND ECONOMIC PROGRESS

Some elements of Just Transition strategies could be included in national climate plans and inform nationally determined contributions (NDCs), showing the willingness of governments to implement climate policies in a socially sound manner.

Ideally, any NDC process should be informed by an assessment of the employment impacts—positive and negative—as well as an indication of the measures that will be taken to ensure a Just Transition for workers, as indicated in the Paris Agreement. Here is an example of possible language:

**Template 1.** Our country's NDC has the potential to create  $x$  number of jobs in (cite sectors).  $X$  number of jobs in (subsector) might need to transition into more sustainable employment options. Our country will put in place Just Transition measures for these workers and communities, including strengthening job relocation services, extending unemployment benefits, securing pensions, and creating a fund for local economic diversification. These policies are being designed in collaboration with social partners (unions and employers), communities, and local/regional representatives.

In countries where this assessment has not yet been made, governments could pledge to do so, as follows:

**Template 2.** The policies and actions contained in the NDC will have impacts on jobs and livelihoods. An institutionalized dialogue mechanism will be put in place, bringing onboard social partners (trade unions and employers), as well as community and regional/local representatives. This “Just Transition” forum will ensure an early assessment of potential for job creation and therefore skills needs, as well as potential job losses. It will also define the social accompanying policies needed to ensure that impacted workers and communities are given all possible means to participate in the country’s shift toward a low-carbon economy.

Developing countries could also consider mentioning the need for support in developing and deploying Just Transition policies.

Initial emission reductions objectives are likely to drive employment growth in many sectors. Deploying Just Transition policies at these early stages, when the opportunities for job creation will be bigger than the challenges of dealing with potential changes and losses, could build up the trust required to address the harder and more complex challenges that lay ahead.

Long-term decarbonization strategies (or long-term strategies [LTS]) require addressing the challenges of rethinking production and the world of work. Creating the conditions for a positive, cooperative dialogue between governments, companies, unions, regional authorities, and communities is key. This will depend, among other things, on the capacity to build bridges and opportunities before fear and economic difficulties make it hard to take the time to collectively imagine a future scenario, mobilize the required resources, and implement a strategy. This is why bringing Just Transition into the NDC is key to successfully implementing the LTS.

### III. INCLUDING JUST TRANSITION ELEMENTS IN LTS: INDUSTRIAL POLICY, SOCIAL PROTECTION, SOCIAL DIALOGUE

A 1.5°C-compatible long-term decarbonization strategy implies massive shifts in the ways our societies function. Such changes will imply profound

transformations in the world of work, which is already having to deal with long-term trends, such as automation, migration, and rising income inequalities. How can the LTDS act as a driving force toward a more equitable, fair, job-rich world of work? How can a better integration of these issues support the setting of more ambitious goals?

The Just Transition policies described in Section I are all pertinent and should be mainstreamed into LTDS. Three areas, however, require further development in this context: connecting investments to sustainable industrial policies, adequately anticipating workers’ needs for social protection, and developing social dialogue mechanisms that ensure the prior two areas receive solid social support.

#### Sustainable industrial policy

Sustainable industrial policies can stimulate innovation and profound changes in technologies and processes by raising resource productivity and recycling the benefits into wages and working conditions, reconnecting workplaces with communities, reestablishing a closer loop in terms of production and services and revitalizing local employment, among others. In countries trapped by low-wage, low-skilled, highly polluting supply chains, industrial transformation allows for whole economy thinking and opens up opportunities for a different integration into those supply chains. If planning has been sidelined in many countries, a transition, such as the one we are trying to build and speed up, requires a series of measures:

*At a minimum, set the right targets and prevent the wrong ones from continuing*

Giving the country a direction by setting key goals is fundamental to steer change and give clear guidance on the way forward. Aligning LTDS with the Sustainable Development Goals (SDG) could strengthen strategies grounded in other policy aspects that can serve as markers for coherent industrial transformation in a country.

At a minimum, governments should avoid directing public resources to policies that contradict long-term goals and should develop stronger social protection systems to prevent opposition from vulnerable

populations who might suffer from the transition (e.g., when fossil fuel subsidies are removed).

### Targeted support

Targeted interventions to promote public support—such as subsidies for increased efforts to recycle materials in production units, market interventions that support specific sectoral constraints (e.g., a feed-in tariff for renewable energy generation), and promotion of learning and skills development in sectors that will contribute to reaching goals—are among the options available to a government willing to support sectoral changes.

### Partnership with leaders, sticks for laggards

The relationship with companies in this process is far from straightforward. Policy responses by public authorities need to address the huge diversity among business leaders, from ones who understand the necessity to change their model to others deploying incredible efforts to block any progress. Sustainable industrial transformation requires public authorities to support those engaging in innovation, research, and dialogue with employees in planning a transition for their companies. It also requires setting minimum standards for laggards.

### Proactive labor market policies/social protection

Anticipation should be a core component of LTS. Adequately assessing and addressing the future needs of workers in sectors that require dramatic transformation to secure zero emission pathways are attained is a must. From transport/mobility to agriculture/food, from energy to buildings and industry, there is considerable uncertainty as to how these sectors will change to comply with ambitious LTS. The thinking leading to implementation of the LTS should take into account future social protection systems, including policies to strengthen workers' ability to build sustainable careers, such as lifelong learning and reskilling strategies, investments in job orientation systems, and strengthened pension schemes for those affected by decline in some industries.

### Social dialogue

In order to build the best possible assessment of potential opportunities and challenges, as well as better define accompanying policies, new dialogue mechanisms need to be designed to bring to the table representatives from the world of work. This will also increase buy-in for the strategy as a whole, as it will be seen as the outcome of a collective effort, making it less vulnerable to political shifts at the governmental level.

Placing Just Transition policies at the heart of the LTDS will open the way for more sustained and stronger social support for long-term objectives. It will also better connect climate-ambitious pathways with other social and development objectives, enabling better coherence and a higher likelihood of attaining objectives.

## CONCLUSION

Just Transition policies, understood as policies that facilitate socially fair outcomes arising from the transition to a zero emission economy, are desirable not only because of their positive social impacts. They also need to be understood as enablers of more ambitious climate policy. Our societies are complex and pursue multiple goals. There is thus a need to address social concerns related to climate policies, so that long-term goals are seen as desirable and supported by working people.

In addition, aligning long-term strategies with the Sustainable Development Goals not only “grounds” the strategies in communities and across supply chains but also provides additional reasons to collectively imagine and deploy Just Transition strategies in the future.

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1. For a more detailed historical description of Just Transition references, see Anabella Roseberg, “Strengthening Just Transition Policies in International Climate Governance,” Policy Analysis Brief, Stanley Foundation, April 2017, <https://www.stanleyfoundation.org/publications/pab/RosebergPABStrengtheningJustTransition417.pdf>.