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From: General Secretariat of the Council
To: Permanent Representatives Committee/Council

Subject: Key messages from EMCO and SPC on the implementation of the Council Recommendation on ensuring a fair transition towards climate neutrality
- Endorsement

Delegations will find attached the key messages from the Employment Committee and the Social Protection Committee on the implementation of the Council Recommendation of 16 June 2022 on ensuring a fair transition towards climate neutrality to be endorsed by the Council (EPSCO) at its session on 27 and 28 November 2023.

The Country specific conclusions of the EMCO PAG Review can be found in the Addendum to this document.

**EMCO and SPC reviews of the implementation of
the Council Recommendation on ensuring a fair transition towards climate neutrality**

Key Messages

1. Introduction

The Employment Committee (EMCO) and the Social Protection Committee (SPC) are tasked with monitoring the progress made in the implementation of *the Council Recommendation on ensuring a fair transition towards climate neutrality*. The Recommendation, adopted in June 2022 as an integral part of the ‘Fit for 55’ package, aims to ensure that the Union’s transition towards a climate-neutral and environmentally sustainable society at the latest by 2050 is fair and leaves nobody behind. In this context, Member States agreed to adopt and implement, in close cooperation with social partners, comprehensive and coherent policy packages that address the employment, skills and social aspects of the green transition.

The Recommendation refers to the role of the Committees to monitor its implementation in their respective areas of competence, based on adequate reporting and multilateral surveillance activities. At the end of October 2023, the EMCO Policy Analysis Group (PAG) carried out multilateral reviews assessing the progress made by each Member State in relation to the provision of active support to quality employment within the context of the green transition¹, while SPC held a thematic discussion on the role of the tax-and-benefit and social protection systems in the green transition.² In addition, both EMCO and SPC assessed horizontal issues, such as the uptake of a “whole-of-society” approach. These *Key Messages* draw on the findings of both reviews, with the *country-specific conclusions* of the EMCO PAG review included in the Addendum to this document.

¹ EMCO PAG also assessed relevant employment-related tax-benefit measures, such as the provision of unemployment benefits and shifting taxation away from labour.

² Other relevant provisions, such as those related to skills, will be further discussed in upcoming reviews.

2. Active support to quality employment

The green transition entails significant labour reallocation and skills needs, with greater impacts for the energy intensive industries (EII).

The present review aims at assessing Member States' programmes and measures to provide active support to quality employment and innovative job-to-job transitions in the context of the green transition, notably measures on employment services, courses, incentives to accompany (job-to-job) transitions, promoting entrepreneurship, access to finance, impacts on occupational safety and health, public procurement practices and active involvement of relevant stakeholders, including social partners.

Overall, most Member States have implemented to a certain extent measures and projects addressing the employment and social impacts of the green transition. Member States largely base their policy responses with a strong reliance on existing programmes, policies, and structures, while only one country has put in place a dedicated strategic and institutional framework for a fair transition. Several Member States reported the lack of a common understanding of the adequate policies and definitions and encouraged the promotion of a structured exchange of best practices.

Labour shortages in critical sectors, like energy, manufacturing, construction, and professional services, are growing concerns, demanding increased attention. Most Member States rely on existing Public Employment Services (PES) facilities to address new challenges, including those related to the green transition. At the same time, a smaller number of Member States have initiated employment programmes with a focus on green jobs, which - though in progress - are at an early stage and will require further assessment in the years to come. Some Member States are actively targeting vulnerable groups or workers in specific sectors and regions with phasing out industries - such as coal - that are considered among those most in need of support. In a complementary fashion, certain Member States are developing employment support programmes focused on specific and high-demand sectors, such as construction, renewable energy resources, and the circular economy. When it comes to the implementation of these measures, several Member States reported using current or future EU funds for this purpose, such as the Just Transition Fund (JTF) and Cohesion policy funds.

Reskilling and upskilling measures for the green economy have been reported to be at the forefront of all Member States' agendas, despite not being directly included in the scope of the current review³. This showcases a stronger focus put on these measures and not on other initiatives to promote an active support to quality employment (i.e. job-to-job transition measures, such as transition allowances). In this context, a recurring issue reported is the need to further develop analytical and monitoring tools which would help design comprehensive policy packages and to track the efficacy of these programmes. In particular, Member States have highlighted the absence of a universal operational definition of green jobs and skills and argued that this can hinder the revision of training programs and curricula, including vocational education and training. Nevertheless, a few Member States consider their existing training programmes adequate to address also challenges related to the green transition, notably due to a preventive approach based on addressing upcoming job dismissals.

³ Only 'courses for the target group (tailored to jobseekers) that also target green and digital skills where appropriate' are included. Skills-specific matter will be covered in future reviews.

When it comes to incentives to accompany labour market transitions and mobility across sectors and regions, including innovative job-to-job transitions, most countries have established general schemes and measures, with few best practices being implemented, such as “job transition allowances”.

One common theme among the Member States is the imperative to foster a fair transition through social dialogue and collective bargaining. In recognizing the importance of an active involvement of social partners, various Member States have sought to leverage existing social dialogue mechanisms to address labour market and social challenges stemming from the transition. Workers’ involvement strategies, particularly in the context of restructuring, have been implemented by many countries, enabling a collective approach to the changing economic landscape. The transition towards a greener economy carries significant implications also at the regional and local level, necessitating public acceptance and strong ownership of policies and investments. Accordingly, beyond social dialogue, involving national, regional, and local actors, including civil society, via a whole-of-society approach is paramount.

In general, there is a growing awareness of the need to promote green entrepreneurship and social entrepreneurship. While targeted support measures addressing workers affected by the green transition remain limited, entrepreneurial support, coupled with access to finance for innovative green ventures, is becoming a focal point in several Member States to steer entrepreneurship and innovation in alignment with the green transition. Moreover, public procurement policies have been introduced in most Member States, though there is a clear need for more substantial efforts in some countries to make effective use of strategic procurement with a view to supporting a fair transition.

To address the growing health and safety risks associated with sectors affected by climate change, some Member States are also enhancing the functioning and operations of labour inspectorates, with an increasing focus on green-related sectors, as well as the challenges emerging from climate change, such as heat exposure and stress in some countries.

3. Social protection and benefits

Most countries are taking measures to improve their existing social protection systems addressing employment and social challenges, though only few countries explicitly address how these systems account for the challenges of the green transition. There was a strong call for a comprehensive and structured exchange of best practices with the support of the Commission.

More systematic changes, which clearly reflect the new challenges of the green transition could be warranted in adjusting the existing systems of social protection. The measures to adjust existing social protection systems vary widely in scope and timing. Some countries consider that existing systems are sufficient in providing social protection for individuals affected by the green transition and should remain sustainable. Moreover, only few countries implement measures to improve risk reduction and risk-transfer solutions to shield households and enterprises, and measures differ widely in terms of access and affordability of insurance solutions. Further efforts would be needed for a more efficient reduction of climate protection gap, i.e. the share of non-insured economic losses in total losses due to a climate-related catastrophe event, such as floods, wildfires or droughts.

In a number of Member States, there is scope for further shifting taxation away from labour towards other sources more supportive to environmental goals. However, environmental taxes may have adverse distributional effects, by putting comparatively higher burden on lower-income households. Little information is available on how Member States intend to use public revenues from energy and environmental taxes to offset adverse social and distributional impacts of climate change policies. The use of revenues for more targeted social benefits which provide relatively more support to poorer households can improve the distributional outcomes of green tax reforms such as carbon pricing measures.

Nearly all Member States have already implemented or plan to implement reforms to improve the access and quality of long-term care and healthcare services and/or childcare, which are key for vulnerable households most affected by the green transition. Most reforms include a strong focus on reducing regional inequalities in quality and access to care and/or measures to reduce emissions, such as energy efficient renovations or constructions of care facilities. A follow up on these plans needs rigorous monitoring structures and impact assessment.

Finally, and despite not being directly covered in the current review, almost all Member States have reported temporary measures, mainly in the form of benefits and allowances, to households most affected by inflation in energy prices caused by Russia’s war of aggression against Ukraine and the ensuing period of high inflation. In this context, many countries enacted targeted and temporary direct income support, notably to people and households in vulnerable situations, to mitigate adverse income and price developments. Most of them applied temporary specific allowances to compensate for increasing prices, with some examples of temporary adjustments to existing benefit or pension levels.

4. Conclusions

Overall, Member States have started navigating the complex challenges stemming from the green transition, with significant differences across countries regarding the policies implemented. While all maintain a strong political commitment towards ensuring a fair green transition, most of them are in the early stage of implementation of the Recommendation, with the overall progress showing a heterogeneous situation across the EU. Steps forward are being made in all Member States, despite strongly focusing on existing mechanisms and policy frameworks. There is still scope for a more systematic, coordinated, and coherent approach in tackling challenges to a fair transition, including efficient targeting.

The first review pointed out that due to its depth and potentially different interpretation of fair transition policies, the exercise was found to be difficult to coordinate at national level, leading to different levels of granularity of inputs from the Member States. There is still a scope to reinforce the intragovernmental cooperation within Member States. Furthermore, Member States encouraged the promotion of a structured exchange of best practices facilitated by the Commission. Mutual learning at EU level could contribute to improve national systems and coordinate various policy developments supporting further progress in ensuring a fair green transition.

The reviews conducted by EMCO and SPC revealed several apparent common challenges, from defining green skills and occupations to addressing labour shortages and implementing effective taxation and subsidy policies. In this light, challenges in all areas of the Recommendation will require a constant focus in the years to come. In particular, in many Member States, policy coordination on the issues of fair and green transition should be strengthened, including to ensure an effective and active involvement of social partners. It should also encourage a whole-of-society approach, via a wider participation of the civil society in the green transition at all levels. Stronger national coordination mechanisms, such as indicating dedicated responsible authorities and national platforms, have emerged as potential solutions to mainstream environmental targets across different strands of policymaking.

Looking ahead, further monitoring and evaluating fair transition measures will be crucial for guiding future policy decisions. The monitoring of the existing and planned actions should therefore be continued, with further work to strengthen the evidence-base and improve the monitoring process, including by promoting a common understanding of key concepts, such as green jobs and skills, and involving social partners, civil society and citizens. The adequate governance and monitoring of this Recommendation, where relevant, in the context of the European Semester, including in the framework of the relevant committees, within their respective fields of competence, is key for tracking and promoting progress towards implementation of this non-binding instrument.

Furthermore, a robust allocation and effective use of available EU funds – from Cohesion Policy to the Just Transition Funds and the Recovery and Resilience Facility – can support Member States in tackling challenges and achieving the related goals, against risks of lagging behind in relation to the investment needs to facilitate a fair green transition. Most significantly all EU funds provide for the setting up of adequate systems for monitoring and evaluating the use and effectiveness of the measures implemented, in accordance with EU regulations. Member States should also ensure coherence with the National Energy and Climate Plans and be ready to make the best use of the resources made available in 2025 via the Social Climate Fund to mitigate the possible negative impact of the extension of the Emissions Trading System to buildings and road transport.