

March 2010

OECD Green Growth Strategy: Green Jobs

A BIAC perspective

I. Introduction

BIAC welcomed the launch of the OECD Green Growth Strategy at the June 2009 OECD Ministerial Council Meeting. Similarly, the Leaders Statement of the G20 Pittsburgh Summit stated that efforts would have to be made “to move towards a greener, more sustainable growth”.¹ BIAC appreciates these initiatives and has taken up the issue of green growth as one of its central priorities. The BIAC Discussion Paper ‘OECD Green Growth Strategy - Beyond the Crisis’, which was discussed with OECD leadership and Council members during our annual consultation with OECD Ambassadors last December, summarises our key messages on green growth and should therefore be read in conjunction with these comments.

OECD efforts to combine economic recovery and environmental protection as mentioned in the Declaration on Green Growth (C/MIN(2009)5/ADD1/FINAL) are commendable. Like the OECD, BIAC remains concerned about the double challenge of restoring and maintaining economic growth and addressing sustainability challenges. We have noted in OECD follow-up documents issued after the Declaration that there is a strong focus on green jobs, and would therefore like to take the opportunity to submit more specific comments on this important issue. The purpose of this paper is therefore to present business views in the specific area of “greening” and “green jobs”. While underlining that the greening of jobs across sectors will be of major importance, we would like to voice concerns on considering so-called “green jobs” in isolation and offer recommendations for future OECD work in this area.

¹ Leaders’Statement: The Pittsburgh Summit
http://www.g20.org/Documents/pittsburgh_summit_leaders_statement_250909.pdf

II. Key business considerations

Taking into account definitional difficulties

Defining what exactly constitutes a “green job” is a difficult task. It is BIAC’s belief that considering so-called “green jobs” in isolation would not be helpful as it does not recognize the links with other sectors. While there are undoubtedly growth opportunities in a number of sectors, creating economically sustainable employment opportunities will not take place suddenly. Rather, it will occur gradually. We therefore believe that it is important to make a distinction between the greening of jobs (the process) and “green jobs” as such. BIAC’s strong preference would be to give more consideration to the former - the overall greening of jobs - which recognizes that all economic sectors have the potential to develop green approaches and which focuses on how to make all jobs, rather than a select few, more environmentally sustainable.

Considering interactions among sectors

It is important to remember that there are close links between conventional and new industries. While certain jobs are considered “green”, they will still rely on conventional industries. For example, building and maintaining railways, hybrid cars, solar panels and wind turbines all necessarily rely on traditional industries such as steel, chemicals, transport and manufacturing. The role of traditional industry should not be neglected when planning a new generation of jobs, since they are mutually reinforcing. The links between conventional and new industries must therefore be borne in mind and taken into consideration in any discussion about the greening of jobs.

Overall, we call upon the OECD to avoid any artificial separation between “green” and “brown” jobs, which could lead to policies encouraging one category and wanting to do away with the other, without taking fully into account that these sectors rely on each other. A more proactive approach would be to look at the creation of new jobs, while at the same time assessing opportunities for “greening” throughout the economy. New jobs – green or otherwise - are mainly created by the market and market needs. The issue of “green jobs” should be embedded in a wider concept of sustainability, and recognise the need to develop more sustainable products and processes that will ensure job creation becomes more environmentally focused, rather than planning per se.

Focusing on long-term sustainability of jobs

In response to the crisis, many government stimulus packages introduced in the past year have rightly included a considerable focus on environment, including jobs. Whilst BIAC welcomed the rapid and concerted action that governments took in response to the crisis, it does believe that the issue of long-term sustainability of jobs needs to be given more attention. It is important that so-called “green jobs” be long-term, rather than based on merely temporary measures. Short-term public sector support measures should not be seen as a substitute for long term job creation through the market.

BIAC would support further work and research in this area, focusing on assessing the long-term sustainability of newly created jobs, so that a distinction can be made between jobs created “by the market” and jobs which rely on targeted public support measures. We believe that the OECD would be ideally suited to shed further light on this issue by assessing and distinguishing between employment effects in the short term triggered by support measures and sustainable job creation through the market over the longer term, while considering the net employment effects across all sectors of the economy.

Fostering training and education

It is expected that over the longer term, innovation and the development of new technologies will create new opportunities for investment and growth, both in traditional and new business sectors. Skills shortages would undoubtedly have major implications for the greening of the economy. Jobs in the area of research and development of low-carbon technologies, but also in traditional jobs, which in future are likely to be geared increasingly towards green growth, will require new skills. The greening of jobs relies on specialist knowledge and expertise, especially in the fields of science, technology, engineering and mathematics (STEM). These areas are vital in the process of making the transition from traditional to more environmentally sustainable jobs, and will ensure against shortages of skilled workers in key economic sectors.

The employment market is changing quickly, therefore BIAC believes that education systems should shift to a greater emphasis on vocational and educational training (VET) and employability skills to more effectively respond to rapidly changing labour market needs. Close cooperation between education institutions, teachers and head-teachers, governments, and the business community will be essential in order to ensure that education learning outcomes equip individuals with the skills necessary to be competitive in a greening job market. In any future work on the greening of jobs, we strongly recommend that the OECD Education Directorate remains actively involved.

Encourage innovation-led green growth and job creation

Innovation is a “must” for productivity growth, addressing global challenges and advancing on a green growth path. Innovation will be indispensable for fostering green growth and remains a crucial determinant of continued competitiveness. We need innovation in a wide range of technologies. This requires major progress in the development and deployment of all key technologies, better use of existing knowledge and technologies across sectors and geographical boundaries, and increased international and public-private co-operation. In this context, the artificial separation between so-called “green” and “brown” jobs could lead to the exclusion of certain technologies. Therefore, building the international foundations that enhance innovation – non-technological and technological across sectors – as well as job creation is indispensable.

A country’s innovation capacity increasingly depends on taking advantage of human capital. Therefore, green growth, innovation and job creation must go hand in hand with growth and

job creation across sectors. Governments should encourage innovation broadly across sectors, avoid choosing winners and losers, and refrain from using regulations that benefit certain sectors to the detriment of others. In this context, particular attention needs to be paid to small and medium-sized enterprises (SMEs), some of which face particular challenges, including in the area of access to finance, which is needed for making the necessary investment. It is also important to ensure that the broader tax policy framework supports the policy objective of green growth and sustainable development.

Create a better understanding of overall employment impacts

There is a need for concerted efforts at the international level to have a clearer picture of the employment implications arising from the implementation of policies that are aimed at achieving green growth. It is important that such policies and measures take into account national circumstances in an appropriate manner. In addition to macro-economic analysis, BIAC believes that such analysis should take into account transitional as well as local and sectoral issues that can arise and address challenges in the areas of labour market flexibility and mobility. “Frictionless” re-allocation of labour is not a reality. It cannot be assumed that displaced labour can readily move from one sector to another and can immediately find employment in new jobs, and/or at equal wages. Our understanding would be enhanced by proper assessment of social and employment impacts to generate a better understanding of transitions required and projected costs.

III. Recommendations for future work by the OECD

In light of the above remarks, BIAC urges the OECD to address this issue in a balanced manner, focusing on the “greening” of jobs in the economy broadly, recognizing that sectors rely on each other. Environmental protection is far more complex than the concept of so-called “green jobs” suggests. The focus should be on sustainable job creation, rather than jobs merely created by temporary subsidies. BIAC strongly recommends that the issue of green jobs be addressed with great care, and would suggest the following issues for future OECD analysis.

- **Broaden the focus from “green jobs” to the “greening” of jobs:** Recognizing the definitional difficulties, OECD research should explore opportunities that exist in the range of business sectors of the economy, taking into account the linkages that exist between sectors.
- **Consider and assess long-term viability of new jobs:** The OECD analysis could assess to what extent jobs have been created in response to economic stimulus measures and differentiate between job creation based on direct support measures and job creation driven by the market.
- **Identify education and training needs:** It is essential that the provision of education and training should be closely aligned to the needs of the employing community. For

the greening of jobs, investment in training and skills will be indispensable, both at the level of schools and with regard to upgrading of skills to suit new labour market requirements. We therefore encourage the Education Directorate to remain actively involved in these discussions.

- **Foster innovation-led green growth:** All sectors and technologies should be considered when fostering innovation. In this context, human capital is key. We encourage the OECD, in follow-up to their Innovation Strategy, to continue work on analysing the links between human capital and a country's innovation capacity.
- **Take into account micro-economic and structural considerations as well as national circumstances in the analysis of overall employment impacts:** In addition to macro-economic analysis of overall employment impacts, analysis should be refined, taking into account transitional, local and sectoral issues, lack of flexibility in the labour market, barriers to mobility, etc.

The OECD has an important and continuing role to play in helping to ensure that policy makers have the best information at hand. In this regard, good quality, careful and well-balanced research is needed to create the necessary tools to monitor and report on employment impacts and the potential for greening of jobs in the economy broadly as it evolves.