

## International Labour Office (ILO)<sup>1</sup>

### Submission on Section E of the Cancun Agreement: Economic and social consequences of response measures

According to *Par 94*: Invites Parties and relevant intergovernmental organizations to submit to the secretariat, by 28 March 2011, **their views on the issues referred to in paragraph 93** above for consideration by the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation at their thirty-fourth sessions;

*Par 93*. Further decides to provide a **forum on the impact of the implementation of response measures**, and to that end requests the Chairs of the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation to convene such a forum at the thirty-fourth and thirty-fifth sessions of these bodies, **with the objective of developing a work programme under the subsidiary bodies to address these impacts**, with a view to adopting, at the seventeenth session of the Conference of the Parties, modalities for the operationalization of the work programme and a possible forum on response measures;

#### Introduction

The ILO welcomes the opportunity to share its views on the issue of economic and social consequences of response measures, in particular on i) the forum on the impact of such measures and on ii) the development of a work programme under the subsidiary bodies to address these impacts.

ILO's contribution will center on the importance of **promoting a just transition of the workforce, the creation of decent work and quality jobs** in accordance with nationally defined development priorities and strategies, and contributing to building new capacity for both production and service-related jobs in all sectors, promoting economic growth and sustainable development recognized by Parties in the introduction of subsection E of the Cancun Agreement<sup>2</sup>.

In ILO's view, in order to achieve a truly sustainable development, a **just transition** should be ensured for all those whose livelihoods and jobs are at stake or will need to change due to climate change or response measures, as well as providing opportunities for decent and green jobs for all through a development path which protects the climate and promotes social inclusion.

As recognized in paragraph 10 of the Cancun Agreement, *"addressing climate change requires a paradigm shift towards building a low-carbon society that offers substantial opportunities and ensures continued high growth and sustainable development, based on innovative technologies and*

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<sup>1</sup> The International Labour Office is the permanent secretariat of the International Labour Organization which is responsible for drawing up and overseeing international labour standards. The mission of the ILO is the promotion of Decent Work for all. It is the only 'tripartite' United Nations agency that brings together representatives of governments, employers and workers to jointly shape policies and programmes.

<sup>2</sup> Page 15: <http://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=2>.

*more sustainable production and consumption and lifestyles, while ensuring a just transition of the workforce that creates decent work and quality jobs”.*

Our economies and societies are undergoing major shifts towards a low-carbon and more sustainable world. The needed changes in the production and consumption patterns to reduce the GHG emissions have far-reaching and long-lasting consequences in labour markets, enterprises and workers in both developed and developing countries, and therefore impacts and opportunities on the world of work should be considered when designing and implementing climate policies.

Climate policies and measures can be **beneficial in terms of job creation** and are capable of meeting social challenges such as unemployment, poverty and social inequalities provided they are designed and implemented in a coherent manner. Both socio-economic challenges and opportunities need to be better understood and anticipated in order to maximize benefits for development and achieve a socially fair transition. However, if **labour, employment and incomes are not included** among the socio-economic information taken on board when defining and implementing mitigation measures, these measures may become drivers for increasing already existing vulnerabilities. This would exacerbate the difficulties that many countries are already facing in providing decent work for all, which is fundamental for achieving a truly sustainable development.

## **Forum of implementation of response measures**

In the ILO's view, the forum described in paragraph 93 should be based on paragraph 91 which affirms that *Parties should cooperate fully to **enhance understanding** of the economic and social consequences of response measures, taking into account the **need for information** from those affected, and evidence of actual impacts, and of both positive and negative effects.*

The ILO believes that two main approaches are helpful to this end: dialogue and socio-economic impact assessments:

- **Dialogue** with relevant actors related to response measures which are:
  - Decision-makers, including but not only, labour and employment ministries and related institutions such as labour inspectorates, occupational health officials and vocational training institutions;
  - Employers' and workers' organizations, who are the first witnesses of these socio-economic consequences, have an in-depth understanding of implications and options and play a key role for the effective implementation of mitigation policies and measures;
  - Technical experts in academia, international organizations and others.

This type of dialogue is being used in several countries in different forms: inter-ministerial committees like in India, social dialogue round-tables with unions, employers associations and labour, environment and industry ministries like in Spain, local, regional and national stakeholder conferences on climate change and sustainable development like in Brazil or in a green economy like in South Africa. Knowledge-sharing platforms are a way to better understand socio-economic impacts of climate change policies; a good example is the Nairobi Work Programme under the UNFCCC dealing with adaptation to climate change.

Dialogue may be applied to identify impacts at the international and national level.

Regarding ‘the need for information’, the ILO believes **comprehensive socio-economic impact assessments** should be developed to identify well in advance potential negative impacts as well as opportunities in social outcomes such as health, gender, employment and incomes and migration.

## Work programme

Regarding the work programme under the subsidiaries bodies, ILO’s experience in member countries suggests that the following issues should be included in order to achieve a just transition of the workforce and the creation of decent work and quality jobs:

- **Labour market impact modelling**, that should be part of broader socio-economic assessments:
  - Labour market and employment assessment methodologies should be applied as modelling and mapping tools of the effort of mitigation policies;
  - Assessing current and future socio-economic consequences of response measures should include **both economic sectors** (agriculture, tourism, energy, etc) and **social groups** (workers in the formal and informal economy, women, youth, etc);
  - Regarding impacts on enterprises, special attention should be paid to **Micro, Small and Medium sized** enterprises because of their dominant role in job creation and income generation;
  - The broader socio-economic assessment should include among others the following areas: impacts on employment, incomes and livelihood, health, education, gender and migration;
  
- **Economic diversification programmes:**
  - Policies to mitigate climate change create an incentive framework designed by governments to guide entrepreneurs and workers to develop certain areas more than others. The policies with same climate benefits and **larger co-benefits in terms of employment** creation, social inclusion, and poverty reduction **should be identified and emphasized**. There is a growing body of evidence for the potential to achieve this;
  - Greening of enterprises: ways to minimize emissions level to keep enterprises viable and hence reduce the need for transitions of existing enterprises including cost-effective workplace-cooperation;
  - In order to enhance positive impacts of **economic diversification programs**, they should count on the capacities of **local workforce**<sup>3</sup>, as well as using to the extent possible labour-based technologies. The ILO has extensive experience with this approach;
  - **Providing with appropriate skills** and training programmes to help redundant workers and enterprises at risk to reconvert to greener sectors. This is a key issue to achieve

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<sup>3</sup> An **employment intensive investment and local resource-based approach** applies a needs-based, inclusive and participatory approach using appropriate technology, often minimizing capital-intensive equipment and applying environmental friendly construction methods. These approaches can contribute to environmental and private / public infrastructure preservation and improvement, soil conservation, or offer social services – both in rural and low-income informal urban settlements – in and out of times of crisis. They can also provide support to local SME contractors, offer community contracting tools and build effective local organizations for the management of these programmes.



stable social support for different programs and policies, avoiding a backlash while assuring social stability;

- **Enterprise development programmes**, including among other measures: the promotion of economic diversification, supporting enterprises to enter new markets, establishing institutional mechanisms for diversification and transitions, defining roles of governments, employers' and workers' organizations, developing tools and approaches for responsible restructuring of sectors, value chains and enterprises.
- Recognition of the **world of work actors** (workers, employers and labour-related institutions) as relevant actors and agents of implementation climate policies.
- Distributional effects of mitigation policies on different types of households and **compensation measures** needed to address these effects. Climate change policies can be designed to provide sufficient protection to low-income households by introducing compensation strategies<sup>4</sup>.
- Fundamental role of **social security policies, including basic social protection** is a well established mechanism for risk sharing with regards to loss of income in particular in times of transition. This aligns with the need of most developing countries to strengthen their social protection schemes as is reflected in the UN Social Protection Floor Initiative that promotes universal access to essential social protection and services. Social protection can be enhanced through mechanisms such as public works programmes and employment guarantees and cash transfer, as these can be effective in rural and low-income areas.

The ILO remains at the disposal of Parties to expand on the information of above areas, sharing experiences and contribute to an enhanced understanding of the social consequences of response measures and ways to deal with them in any form that Parties consider appropriate.

For further information: <http://www.ilo.org/greenjobs>

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<sup>4</sup> Such as income transfers, access to energy efficient housing, targeted subsidies (public transportation) or shift in burden tax (reducing labour cost). Using part of the revenues from carbon pricing with a redistribution objective is one of the most efficient ways to deal with the regressive effects on low-income households.