

# Position Paper

## UEAPME's<sup>1</sup> position on the impact of climate change on employment

### I. Introduction and framework's setting

Climate change and its consequences are becoming an increasingly recurrent topic in the economic, environmental and social spheres as well as among European citizens. It should therefore be tackled by decision makers at all levels. However, its scope is very often blurred by the mixing up of several issues closely related to climate change but quite different in nature and requirements.

Therefore, as a starting point, UEAPME is of the opinion that it would be useful to better identify the issue at stake, namely to decide whether it only covers the impact of climate change on employment or if it extends to the area of "green jobs" in general and legislation in the environmental and health fields having also an impact on jobs, such as REACH. This would allow all actors involved in the discussion to refer to the same issue, thus ensuring that some progress is made in taking the necessary decisions on this theme of paramount importance.

The studies available so far indicate that climate change is very likely not to have a huge impact on the global amount of jobs in the EU. The level of occupation might remain more or less the same as nowadays, but we will assist to job losses in one or more sectors which will be compensated by new jobs in the same or other sectors. The challenges related with these changes in employment would be overcome only if the anticipation and management of future skill needs on the labour markets are already integrated in the current and future employment and education and training policies at all levels as stated in the EC communication "New skills for new jobs - Anticipating and matching labour market and skills needs"<sup>2</sup>. The main problem is that often the losses will not be exactly compensated by new jobs and certainly not in the same geographical area or sector.

UEAPME represents at European level craft and SMEs in all sectors, namely both manufacturing companies and firms providing services. Despite the difficulty to establish precisely the impact of climate change on jobs, it is obvious that some SMEs in certain sectors will benefit from that while others in the same or different sectors will lose out. Elaborating proactive strategies based on focused and adequate information for a good anticipation of and adaptation to change should help SMEs seriously considering the risks at stake, taking advantage of them and finally turning them into new opportunities. Moreover, a distinction should be made based on:

- The direct impact of the legislation to fight climate change
- The indirect effects of this activity

<sup>1</sup> UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is 55820581197-35.

<sup>2</sup> COM (2008) 868/3 <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=431&furtherNews=yes>

In this framework, we have first of all to consider that climate change is not only a European, but a global problem. Therefore, a good and fair international agreement negotiated at the United Nations Climate Change Conference in December 2009 in Copenhagen is essential to share the burdens equally and reduce negative impacts on the EU competitiveness.

If we then consider the climate change package adopted by the European Council in December 2008, designed to cut greenhouse gas emissions in 2020 by 20% compared with their levels in 1990, it is clear that the main instrument of the EU strategy is made up by the Directive revising the Emission Trading Scheme (ETS) for the period 2013-2020. UEAPME is aware that the number of its companies subject to the ETS is generally very limited. Therefore, the impact of the EU regulation to fight climate change in this field is not a real direct problem, but has indirect effects on SMEs acting as subcontractors for the companies subject to the ETS (see below).

### **Direct impact:**

Example of SMEs in a sector with potential employment growth due to the EU activities to fight climate change: the building sector because of the legislation to reduce emissions and increase energy efficiency and the use of renewables in buildings.

Example of SMEs in a sector with potential employment fall due to the EU activities to fight climate change: the road freight transport sector because of all the legislation to reduce emissions, noise and traffic and aimed at switching transport mode from road to rail.

### **Indirect impact:**

Example of SMEs with potential employment fall due to the indirect impact of the EU activities to fight climate change: SMEs acting as subcontractors to the big industry subject to the ETS and or to the car industry: the loss of competitiveness of these industries due to the EU legislation to fight climate change and the possible relocation of activities outside Europe may result in a reduction of orders and, thus, have strong repercussions for the survival of these SMEs.

However, it should not be forgotten that there are already many examples of negative repercussions on jobs in SMEs due to climate change independently from the legislation. One example among others is the tourism sector. Small businesses operating hotels in traditional touristic areas (such as ski resorts, seaside, etc) might be at risks of survival due to natural phenomena such as rising sea levels, reduced snow fall, desertification, etc. It is clear that these negative consequences can be reduced thanks to the measures and activities taken place at local level when trying to adapt to climate change. Since SMEs, due to their structure, definitely have higher costs in this area, a specific SME perspective should be developed in the adaptation strategies set up at various levels.

## II. Proposals for solutions to potential problems

The question of change and restructuring, whatever the causes, is a constant feature of a company life. Therefore the work and solutions identified by the European social partners about managing change and their social consequences are also valid for the climate change topic<sup>3</sup>. Moreover when it is about employment consequences, the key issue is to help framing an adaptable labour market fully integrating the flexicurity principles with a strong focus on adaptability of companies and workers and employability. Other important aspects are public authorities' wide dissemination of information on the consequences of climate change and a strong focus on research and innovation, as well as on the commercialisation of their results. These measures would allow businesses, and particularly SMEs, to adopt the best strategy to stay on the market and to turn the challenges of climate change into opportunities as much as possible.

### For SMEs involved in strongly affected activities

As a guiding principle the EU activities to fight climate change should fully integrate the "Think Small First" principle set by the Small Business Act. This means that the results and effectiveness of each activity should be weighed against the impact on the survival of SMEs and their jobs in the different sectors. Basically only when the advantages in terms of reduction of emission outweigh the disadvantages in terms of job losses in SMEs the issue should be pursued. Consequently the existing and pending EU legislation in this field should be screened on the basis of the "Think Small First" principle and amended if necessary.

If, despite this background, the EU legislation results anyway in negative consequences for SMEs in one or more sectors of the EU economy, this legislation should at least foresee specific flanking measures for anticipating change and sufficient time for SMEs to adapt their activities accordingly and for their employees to get prepared for retraining.

In managing these negative consequences, the following principles should be taken as reference according to UEAPME:

Problematic sectors should be identified as soon as possible and should be subject to measures to facilitate transition to adapt jobs to new requirements or to change activity. This is particularly true for SMEs which are the main source of employment in the EU but more fragile than larger businesses. These measures to anticipate problems include inter alia:

- Technical and financial support for specific training and requalification
- Support services to businesses, such as advice and consultancy, tutorship and different forms of financial and tax incentives
- Strong support to innovation towards cleaner activities and green jobs

Moreover, in case of restructuring and mass redundancies in larger companies restructuring measures should also benefit for subcontractors and other indirectly affected small businesses (as foreseen in the EGF). SME owners and their staff should have access to the benefits of all kinds of re-skilling and re-qualifying measures put in place in these cases.

Readjusting and making social protection systems and benefits accessible to all workers. These "social absorbers" should notably be open to small business workers.

<sup>3</sup> [http://www.ueapme.com/docs/joint\\_position/Final%20Orientations%20restructuring%20EN.pdf](http://www.ueapme.com/docs/joint_position/Final%20Orientations%20restructuring%20EN.pdf)

Further implementation of structural reforms by applying the flexicurity principles in all Member States notably to allow more flexibility in contractual arrangements and work organisation, to facilitate transitions on the labour market (from inactivity to work, from one job to another, from employed to self employed) and to foster access to continuous training and promote entrepreneurship through the creation of new activities.

These last measures are particularly urgent in this difficult economic and social period.

### **For SMEs investing in new expanding activities**

In order for SMEs in the rapidly expanding areas to fully deploy their potentialities in terms of impact on employment and on carbon reduction the following aspects should be kept in mind:

The European Commission should make sure that the Member States implement the necessary framework deriving from the EU legislation with no delays:

- The lack of suitable skills and qualifications should be avoided inter alia by:
- Ensuring the availability of trainers and training courses at affordable prices
- Supporting the schools and the training centres offering courses to become operational in new expanding activities
- Providing continuous training to people at work or looking for a job
- Adapting the content of the education systems curricula in order to ensure that young people newly arriving on the labour market will possess the right qualifications requested by companies.

Climate change should belong to the priority topics for a stronger cooperation between universities and SMEs. This would allow SMEs, inter alia, to get access to the latest research results and therefore to increase their innovation potential.

### **For manufacturing SMEs**

- Public authorities should support the initial very expensive investments to develop greener products, which can represent a barrier, through instruments such as tax cuts and other fiscal measures.
- Moreover, a big push to the growth of these enterprises could be provided by fiscal incentives such as granting tax cuts to citizens and companies as well (when purchasing more expensive products, such as new heating, double glazing, etc., which are not “green products” per se, but which can contribute to EU objectives to cut greenhouse gas emissions).

### **For SMEs operating in the service sector**

- National public authorities should focus on allowing the right framework conditions on the market to achieve high levels of employment and environmental benefits and prevent distortions of competition. In this framework, it has to be noted that large companies manufacturing and distributing traditional energy are also active at national level in providing installation, controls and maintenance of equipment aimed at increasing energy efficiency. In this case the highest levels of energy efficiency cannot be reached, since these large companies are mainly interested in selling their traditional energy. Moreover, employment set up by real independent SMEs operating on this market is limited by the presence of these large companies.

### III. What is needed for the next future

#### Political momentum

We are now at a turning point at global and European level. With the new US strategy on climate change, the Copenhagen summit in December 2009, the new elected European Parliament and the future EU Commission and the post Lisbon Strategy after 2010 the topic of climate change will be at the forefront.

Concerning its impact on employment and measures to anticipate and adapt to change, social partners at all levels have a key role to play. This even more relevant now with the economic crisis and the need to ensure a new sustainable growth mainly based on green jobs and more efficient energy policies.

This should also apply for SMEs in declining activities. SMEs are of paramount importance to ensure economic growth, high employment level and social cohesion in the EU. Therefore, they deserve the same attention as large manufacturing sectors.

New EU initiatives are required and notably UEAPME's proposes to strengthen and extend the part of the Competitiveness and Innovation Framework Programme (CIP)<sup>4</sup> currently dealing with the take-up of environmental technologies in order to make it more responsive to the upcoming challenges of climate change.

#### Key elements of an EU framework to fight climate change

It is clear that the specific measures in the area of labour market enumerated above in order to foster the new developing activities and reduce the negative impacts on declining ones can only be successful if embedded in a right EU framework to fight climate change. According to UEAPME this means mainly:

- An international agreement replacing the Kyoto Protocol which is supported worldwide in order to guarantee an equitable and fair burden sharing which does not hamper the EU competitiveness excessively vis-à-vis the other industrialised countries and emerging economies;
- The dissemination of as wide as possible easily understandable information to companies, and particularly SMEs on the consequences of climate change in order to allow them to carry out the best strategy to anticipate and adapt in order to survive and as much as possible develop on the market;
- A strong focus on research, development, eco-innovation as well as on the commercialisation of their results in order to give businesses, and particularly SMEs, the tools to turn the challenges of climate changes into opportunities as much as possible;
- The insertion of a "climate change dimension" in the EU and national public programmes, initiatives and funds, in order to provide the necessary financial support to the big efforts carried out by SMEs to adapt to the existing effects of climate change and to contribute to the mitigation strategy.

According to UEAPME the measures adopted concretely to fight climate change should also be based on a transparent cost/benefit analysis, which can be easily understandable, as well as on the application of the "polluter pays" principle.

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<sup>4</sup> The CIP was set up by Decision N° 1639/2006/EC of 24 October 2006. It is a framework programme covering the period 1<sup>st</sup> January 2007 – 31<sup>st</sup> December 2013 for Community action in the field of competitiveness and innovation, paying particular attention to the needs of SMEs. It promotes, inter alia, eco-innovation, energy efficiency and new and renewable energy sources.

## The role of the EU social partners

Considering the growing economical, environmental and social, impact of climate change, its increasing political importance, as well as the EU Commission's activities to fight it on our society at large, UEAPME strongly calls for a closer permanent involvement of EU social partners on climate change issues at EU level.

The creation of a new setting with social partners and EU institutions should aim at a better monitoring the situation and facilitating exchanges with all concerned services of the EU Commission and the Member States notably in view to:

- Comply with the EU objectives to cut greenhouse gas emissions by 20% by 2020
- Minimise the negative consequences of climate change on jobs and the EU activities to fight it
- Enhance the performance of the winning sectors both in terms of jobs and emission reductions
- Prepare for sustainable growth and new jobs opportunities

Following the commitment taken in the 2009-2010 Social Dialogue Work programme European Social Partners will further work on a better understanding of the phenomenon the development of a joint approach to the social and employment aspects and consequences of climate change policies with a view to identify possible joint actions.

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### For further information on this position paper, please contact:

Guido Lena, Director for Environmental Affairs, [g.lena@ueapme.com](mailto:g.lena@ueapme.com)

Or Liliane Volozinskis, Director for Social Affairs and Training Policy, [l.volozinskis@ueapme.com](mailto:l.volozinskis@ueapme.com)