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and Jan Philipp Rohde

# The Socio-Ecological Transformation of the European Economy

Trade Union Perspectives

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*»Limiting global warming to below two degrees centigrade is not compatible with an economy oriented exclusively towards growth [...] Politically, it is much more of a challenge to share what we already have more fairly than to turn a blind eye to climate change and exploit the environment.«*

*Reiner Hoffmann,  
Chair of the German Trade Union Confederation (DGB)  
22 August 2019 (Hoffmann 2019)*

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## 1

# INTRODUCTION

## GREEN TRADE UNIONS? WHY THE TRADE UNION MOVEMENT IS BACKING AN AMBITIOUS CLIMATE POLICY

In the press, trade union opinions on sustainability are often reduced to the social and economic aspects. The conventional wisdom is that trade unions aim first and foremost to hang on to the rights that they have fought so hard to gain for their members. And if it comes to it, they make deals with industry to prevent the closure of coal-fired plants. Instead of promoting climate protection in the general interest, it is claimed, trade unions live in the past and defend jobs in traditional industries that don't have a future in any case. So much for the legend.

The reality, however, is more complex than a pros and cons discussion on phasing out fossil fuels. We have to tackle the climate issue in terms of what it is, namely a *social* issue. In the current debate, in other words, it is not a matter of *whether* we need to get serious about climate policy, but rather *how* we shape it and how we can manage to get a broad majority of the public on board in the fight against climate change. To that end, the European trade unions have been supporting a socio-ecological transformation of the economy for many years now.

The discussion on stepping up climate targets within the framework of the *European Green Deal* is characteristic of EU climate policy. In many places, concrete measures are lacking, and it remains to be seen how the conditions can be created for achieving the climate targets. In response, the European Trade Union Confederation (ETUC) and the DGB have clearly declared themselves in favour of a fairer approach to structural transformation – quite apart from ambitious climate targets – oriented towards protecting employees and social equality, not to mention offering them new prospects.

There are three main reasons why the trade unions are clearly committed to an ambitious European climate policy:

- (i) *There is simply no alternative to a resolute fight against climate change.* Global warming and environmental destruction are threatening our natural basis of life at an unprecedented rate. Millions of people are already suffering from the consequences of rising temperatures and extreme weather conditions. A commitment to a viable future for the many can no longer be considered to be independent from the climate issue, and so the trade unions stand alongside all those taking up the fight against climate change.
- (ii) *If we invest in a bold energy, transport and economic transition without delay we can turn the transformation into an opportunity.* As inevitable as the transformation of the economy in the direction of sustainability and resource conservation is, we can use it as an opportunity to bring about a more just and also socially sustainable future. The climate crisis has laid bare the failure of late capitalism in all its facets. The fact that we are heading towards a fatal global warming is the product of (seemingly) unlimited growth and concentration of wealth, blind pursuit of profit and the exploitation of humanity and nature. On the other hand, our efforts to avert catastrophe also indicate that capitalism's functional logic can be turned the right way up again: in an economy that is aware of its natural limits, prosperity has to be distributed more fairly, and living and working conditions have to be made more human. In other words, we face an unavoidable change, but it is up to us whether this change takes place *by design or by disaster*. If we take this transformation into our own hands and try to shape it actively and boldly, we can not only avert the climate catastrophe, but also make our ways of working and how we do business fairer over the long term.
- (iii) *The European economy will be able to assert itself in global competition only if it takes full advantage of its first mover advantage in clean energy and sustainable forms of production.* For a long time the European Union was a pioneer in the development of green innovations – but the competition in the rest of the world has not stood idly by. The European trade unions are thus keen that the EU does not lose its grip and that the key technologies of the twenty-first century are developed in Europe. This is where the close connection between global competitiveness and an ambitious climate policy becomes clear: sustainable modes of production and clean energy sources will play a decisive role in the markets of the future – long term, this is where the best deals will be made and the most jobs created. It is therefore in the vital interest of the European trade unions to help strengthen Europe in the area of green innovation and prioritise the transformation of the economy. The public and private investments required for this are already opening up new prospects for workers and their future careers.

But what will this often-invoked economic transformation look like? What policies and what new instruments will be needed? Furthermore, what concrete measures have to be taken to implement this vision? We shall try to answer these and other questions on the following pages.

## 2

## THE EUROPEAN GREEN DEAL

### WHAT IS BEHIND THE EUROPEAN COMMISSION'S PLAN AND WHAT CAN WORKERS EXPECT FROM IT?

The fight against climate change was one of the main issues of the European election campaign in 2019. As a result, the European Commission under President Ursula von der Leyen has made it one of the priorities of its mandate. Under the banner of the *European Green Deal*, a long series of legislative proposals, investment plans and targets have emerged, which the European Commission, the European Parliament and the Council of Europe intend to work with up to 2024 and beyond. The Recovery and Resilience Facility *Next Generation EU*, adopted to combat the Covid-19 crisis, and the new Multiannual Financial Framework (MFF) have made available further billions to fund climate protection. Many of the proposed measures and action programmes, however, amount merely to announcements, some of which the trade unions have criticised (DGB 2020). We shall now take a look at what European workers can expect from this agenda and what the details of the *European Green Deal* are.

The *European Green Deal* envisages an Action Plan:

- to promote more efficient use of resources through a transition to a cleaner and circular economy; and
- to restore biodiversity and combat environmental pollution (European Commission 2019 A).

The plan presents which investments are needed and how they can be financed. It explains how a more just and inclusive transition can be achieved. The EU would like to be climate neutral by 2050. In 2020, the European Commission proposed a European climate law in order to convert this political commitment into a legal obligation (European Commission 2020 A). This will require strenuous efforts on the part of all political actors and economic sectors:

- investments in new, environmentally friendly technologies and support for innovative industries;
- the introduction of more environmentally friendly, economical and healthier forms of private and public transport;
- decarbonisation of the energy sector;
- increases in the energy efficiency of buildings;
- cooperation with international partners to improve environmental regulations worldwide.

The question of what specifically workers can expect from these ambitious-sounding plans is unclear and the Green

Deal's Achilles Heel. This became clear in the impact assessment of the European Commission's climate target agreed in December 2020 (reduction of greenhouse gas emissions by 55 per cent by 2030). Although it does analyse employment effects, it does so only at an aggregate macro-level, coming to the conclusion that cumulatively only marginal employment effects are to be expected. These range from –0.26 per cent to +0.45 per cent compared to the baseline. In order to come up with a more differentiated view of which sectors and regions will be particularly affected by the employment consequences, however, a thorough analysis is required, not just an aggregated view.

Without knowing what effects are to be expected at regional and sectoral level, the necessary accompanying measures cannot be taken beforehand. Only measures embedded in an overall strategy oriented towards social equality, decent work and fairly distributed prosperity can achieve acceptance of climate targets and thus make a success of the *European Green Deal*. We can already see that there is movement between regions and sectors, including shifts in employment. In response to this, the trade unions are calling for an equitable approach to the economic transformation. It must be ensured that these shifts are accomplished in a positive manner and, where necessary, underpinned by social measures to prevent structural fractures.

The European Commission planned to support those hit hardest by the transition financially and with technical assistance (European Commission 2020 B). To that end, it provided for an upgrading of the mechanism for a just transition (the Just Transition Fund) to cushion the social and economic effects of the transformation (European Commission 2020 C). However, these financial resources were significantly curtailed in the negotiations for the Multiannual Financial Framework and *Next Generation EU*. That means that the following financial resources will now be available for the period 2021–2027:

- the *Just Transition Fund* amounts to 17.5 billion euros;
- within the framework of the new instrument *InvestEU* (successor programme to the Juncker Plan) a further 8.4 billion euros will be made available;
- the European Investment Bank is to make 10 billion euros in loans available to the public sector in order to mobilise 30 billion euros in investments.

A further component of the *European Green Deal* is regulation of the private financial sector in respect of sustainability, as well as environmental and social governance (*Environment, Social Governance – ESG*). For this purpose, the European Commission has implemented the Taxonomy Regulation, which sets out the framework of a common classification system (or »taxonomy«) for sustainable economic activities. Four criteria are laid down that economic activities need to meet in order to be considered sustainable (European Commission 2019 B):

- (i) they contribute substantially to at least one of the environmental targets;
- (ii) they »do no significant harm« to any of the other environmental targets;
- (iii) they comply with technical screening criteria to be adopted under the Regulation; and
- (iv) they are carried out in compliance with minimum social and governance standards.

The environmental targets include: climate protection; adaptation to climate change; sustainable utilisation and protection of water and marine resources; transition to a circular economy; avoidance and mitigation of environmental pollution; and protection and restoration of biodiversity and ecosystems.

As far as the European Commission is concerned, the Regulation needs to achieve two goals: first, the taxonomy should help to foster private and public investments in order to fund the transition to a climate-neutral, green economy by diverting capital into sustainable economic activities and projects. Second, it shall provide security for investors to enable them to actually invest in sustainable activities. This should prevent the marketing of financial products as »sustainable« when they are not (so-called »greenwashing«).

The trade unions take a critical view of the taxonomy as it stands because social criteria do not play the central role they should. This concerns in particular the transformation of traditional fossil fuel sectors, in which codetermination is highly developed. What is needed is the redirection of investments into climate-friendly modernisation rather than disinvestment taking the form of outsourcing or firm closures. Many of these sectors contribute key components of the environmental transformation of the economy (such as the chemical industry for batteries and solar cells, and the steel industry for wind turbines). Thus, social minimum standards have to be a conditionality to direct private capital flows into the right direction and to further build on them (Melzer 2020: 22). Without such a reorientation, the trade unions believe, the EU taxonomy will not function as a suitable regulatory instrument for the financial markets.



## 3

## TRADE UNION COMMITMENT TO A JUST TRANSITION

### WHAT ROLE ARE THE TRADE UNIONS PLAYING IN THE SHAPING OF SOCIO-ECOLOGICAL CHANGE IN EUROPE? MEMBER STATE PERSPECTIVES

Climate and social policy are inextricably linked to each other. This goes beyond societal acceptance of particular measures: apprehending the climate issue as a *social issue* also entails recognising the socio-economic premises of effective climate policy.

In order to bring about a permanent reduction in CO<sub>2</sub> emissions, there must be massive public investment in fundamental research and infrastructure. This will not be possible without much greater contributions by the wealthy, and safeguarding state revenues through taxation rather than via the financial markets. However, the battle will be far from won even if the state coffers were better equipped. Bringing new technologies and production processes to the market requires a highly skilled workforce: without more investment in training and reskilling, innovations will never get off the drawing board. It is thus essential to accompany the *European Green Deal* with ambitious economic, social and labour market policies. The European trade unions are at the forefront of shaping the transitions to a climate-neutral economy, together with employers and the state. One thing, however, is non-negotiable: employees who contribute to the transformation of the economy must not be left to bear the costs of this undertaking, in the form of unemployment, precarious working conditions or loss of purchasing power.

That is why for many years now the trade unions in Europe have backed a Just Transition to a sustainable economy. The initial conditions for this differ widely across member states: while in some countries trade unions are closely involved in managing structural change, they encounter significant obstacles in others. Historical experiences with processes of structural change are also widely divergent, leading to different policies. In what follows, we analyse four examples of national strategies and options for trade union involvement in a Just Transition.

#### GERMANY

In Germany, the energy sector is responsible for 328 of the 905 megatonnes of CO<sub>2</sub> emitted each year, a considerable proportion of which is due to coal-based electricity. There

has been broad social consensus on ending coal-fired electricity production for many years now, but 35 per cent of German energy generation and 80,000 jobs directly or indirectly depend on coal extraction. In this context, the newly created Commission on Growth, Structural Change and Employment (KWSB) was tasked in 2018 with coming up with a proposal for a regulated phasing out of brown coal. The Coal Commission included representatives from politics, the economy, non-governmental organisations and the trade unions.

The road map developed by the KWSB for phasing out coal by 2038 was largely adopted by the federal government in May 2019 and the Bundestag enacted the Fossil-fuel Phase-out Act (*Kohleausstiegsgesetz*) and the Structural Reinforcement of Coal Regions Act (*Strukturstärkungsgesetz Kohleregionen*). The trade union involvement in this process helped to shape the phase-out in terms of a Just Transition and in a socially sustainable way. While the consistent expansion and promotion of renewable energies by the state is supposed to ensure the security of supply and affordability of electricity, the Commission's report also envisages substantial investments in the local economy in coal regions, which will create new prospects for workers. Thus, the jobs lost in the mining sector will be replaced by new and decent employment in other sectors.

While the coal compromise represents an example of successful trade union involvement in the political process, the German trade unions confront substantial problems at company level. The share of employees who have access to effective codetermination mechanisms has been shrinking continuously for a good many years. This increasingly threatens workers' protection in transformation processes, especially in sectors with high energy use, such as steel or paper production, as well as in sectors facing major transformations, such as vehicle manufacturing.

#### FRANCE

French employers have often used the Covid-19 crisis as a pretext to curtail workers' rights. On top of that, the system

of vocational training has for years been plagued by spending cuts by the employers' organisation MEDEF. This happened despite the fact that the decarbonisation of the economy will increase the demand for further training and reskilling. Under these circumstances, the French trade unions advocate for linking the resources of the EU Recovery Plan to investments in decent jobs and meeting climate targets.

Although codetermination remains relatively strong in big companies, trade union structures in France's small and medium-sized enterprises (SMEs) are facing severe difficulties since many years. They are often excluded, for example, from strategic decision-making. Furthermore, although increasing workplace digitalisation has given rise to home office regulations that protect jobs, this individualisation of the workforce has tended to erode solidarity, leaving the unions out in the cold when the big decisions are made.

When it comes to the sustainable transformation of the economy and negotiations on the national recovery plan in response to the Covid-19 crisis, the state appears to have no interest in involving the social partners. Instead of engaging with organised civil society to come up with the best solutions, the French government prefers to opt for direct democracy. In 2019, for example, the *«Convention nationale pour le climat»* (National climate convention) was convened, a group of 150 citizens chosen randomly. The French president seemingly wants to replace social dialogue with this instrument: The idea is that citizens' conventions unblock stalled negotiations or legitimise the government's own measures. However, since these randomly selected citizens pursued their own agenda without substantial democratic legitimacy, the government regarded their 149 non-binding proposals as unlikely to gather a consensus or as too expensive for disadvantaged groups, not to mention the state. Some of these unelected citizens seized the opportunity to use their media coverage to become a political force in their own right. The government has already announced that it will not (or only partly) implement most of the proposed initiatives (Beytout 2021: para 2). As a result, the citizens' agora convened to serve as a figleaf to legitimise government policy has become a problem for democracy.

## THE NETHERLANDS

The Netherlands have a lot of experience with structural change. In the 1960s, gas reserves were found in the region of Groningen, giving rise to a transition from coal to gas heating. By as early as 1968, only five years after the discovery of the gas resources, 80 per cent of Dutch households had converted to gas heating, a societal achievement that enjoyed great popularity because gas is not only a *«cleaner»* source of energy, but also much more convenient to use than heating coal.

The discovery of gas reserves in Groningen signalled the beginning of the end for coal mines in the Limburg region. With a view to replacing the jobs set to be lost in the coal

industry, the Dutch government moved a number of administrative offices to Limburg and created financial incentives to set up factories and workplaces there. Because of a recession, however, all efforts to ensure employment in the region proved insufficient. Many employees were driven into unemployment, work incapacity or early retirement. Young people sought work in Germany or Belgium, leaving behind an increasingly impoverished region. In retrospect, it seems that the transition to a new energy source was carried out too quickly and without sufficient planning.

Given that coal as a heating source has been confined to history since the 1960s, the last coal-driven energy plants will be shut down soon. The Dutch government decided to end coal-fired generation some years ago and the first coal-driven power plant was disconnected on 1 January 2020. The Dutch Trade Union Confederation FNV had gone all out for a *«coal fund»* to support workers hit hard by the closures, and after tough negotiations had obtained 22 million euros to set up this fund. With the help of the *«coal fund»*, FNV was able to establish a *«mobility centre»*, which advises workers and provides training and support for job search. This trade union-led institution is a good example for the active role trade unions can play in shaping just transitions.

## CZECH REPUBLIC

In the Czech Republic, as in many other Central and Eastern European member states, the debate on decarbonising the economy is particularly contentious. The Czech economy is more dependent on low energy costs than other economies, and for many years coal-fired energy has secured not only thousands of jobs in heavy industry, but also affordable electricity for Czech households. At the same time, progressive civil society movements advocating environmental and climate protection are far less influential in the Czech Republic than in neighbouring Western European countries.

Under these circumstances, the Czech government, too, established a so-called *«Coal Commission»*. In contrast to the German version, however, the relevant stakeholders were not sufficiently involved in its activities. Furthermore, the government was unable to offer credible employment prospects for coal industry workers. There is no plan to use European funds for this purpose either.

It is clear to the Czech trade unions that employees and citizens must be more closely involved in the policymaking process in order to bring about social acceptance of structural change. Long- and medium-term plans are needed to implement the transformation in accordance with the characteristics of the Czech economy.

Trade union participation in this process is key, especially because company codetermination in the Czech Republic remains weak. The trade unions are calling for workers' rights to be upgraded, fearing that otherwise many workers will turn their backs on the *European Green Deal*.

## 4

## INVESTMENTS AND INNOVATIONS

### WHY INVESTMENTS IN TECHNOLOGY AND INFRASTRUCTURE MUST GO HAND IN HAND WITH UPGRADING WORKERS' QUALIFICATIONS AND STRENGTHENING SOCIAL SECURITY

The starting point of the socio-ecological transformation is a twofold insight: on the one hand, we need to acknowledge that we can only decarbonise the economy without income losses for the many if European industries come up with new technologies and innovations. The ways in which we produce and work today are in many places not sustainable. If our response to this is not to result in stagnation or regression, then global value creation has to be redirected towards CO<sub>2</sub>-neutral modes of production. The second acknowledgement builds directly on the first: in order to foster new technologies that replace existing ones (so-called *disruptive* technologies), we need massive investment in research and development. The state has a key role to play in this because private investors tend to shy away from funding very risky basic research. A strong, self-confident state (or federation of states), by contrast, can shoulder the initial risk and use its investments to lay the foundation for tomorrow's economy (Mazzucato 2014).<sup>1</sup> »Crucial in this is a new conception of the state and of value: (use-)value is created collectively in our economy and the state needs to play a much stronger role in creating this value« (Borgnäs/Bercht 2020: 32).

The transformation must not stop here, however. The restructuring of the economy, to the extent that it is driven by bold investments in innovation, creates risks not only for investors but also for workers. The public debate tends to underestimate how closely linked these uncertainties are to the success of the decarbonisation of the economy. This is not merely a matter of societal acceptance. Equally crucial will be workers' capabilities to meet the needs of tomorrow's economic model and to provide it with skilled labour.

In order to remain competitive in the new sectors of value creation – renewable energies, e-mobility, green steel – the European economy will rely on a highly skilled workforce. The labour market of the future will necessitate increasing mobility of workers: in other words, workers will no longer be able to spend 90 per cent of their working lives in the

same firm, but more than ever before have to change jobs or take a new career direction. The trade unions are adamant that this evolution towards a more flexible labour market must not take place at the expense of the employees. It is a matter of justice, but also one of economic necessity: a dynamic economy undergoing constant transformation must be able to rely on a workforce that embraces mobility and change. The *European Green Deal* must therefore also constitute a social and labour market policy agenda.

If employees are expected to embrace a high degree of labour market mobility, they must have more security. Only those who know that they need not fear to lose their accustomed living standards in the event of changing or losing their job are likely to regard increasing flexibility as something positive. Inherent in this assumption is the notion of *employment security*, which – in contrast to job security – is aimed at keeping people in decent work during periods of change, rather than just promising them to safe their unsustainable job. In order to improve employment security in Europe we need, on the one hand, common EU minimum standards for active labour market policies, and on the other, more investment in improving workers' qualifications in regions and sectors affected by structural change. The newly created European Just Transition Fund, which largely comprises resources from the recovery instrument *Next Generation EU*, represents a first important step in this respect, aiming to finance the »training and upskilling of employees, support in job search and the active integration of job seekers« (European Commission 2020 C: para 4.).

Besides more employment security, a changing labour market also requires more *income security* for people who, despite every effort, will lose their jobs. Unemployment insurance – a traditional labour market policy instrument – can play a key role here. In recent years, net replacement rates, periods of entitlement and coverage rates of national unemployment insurances have been curtailed in EU member states, often on the grounds of »austerity« policy. This demands an urgent paradigm shift. Unemployment insurance creates income security and considerably alleviates new risks to which employees might be exposed on the labour market. In that way, it increases their willingness to take on

<sup>1</sup> Besides public investments the state must also steer private investments more effectively. One possible approach in this regard are *Carbon Contracts for Difference* (see p. 11).

the risks linked to the transformation processes. Qualification measures during job search and active policies to integrate job seekers into the labour market are prerequisites for this strategy to succeed.

The role of unemployment insurance in cushioning social upheaval should not be underestimated either. Such upheaval may occur because of the demise of traditional CO<sub>2</sub>-intensive sectors, especially in relation to older employees who have little to look forward to in other sectors.

But unemployment insurance must not be used merely as a figleaf to justify job reductions or a shift of corporate responsibility onto the general public. Needless to say, increases in unemployment benefits should be accompanied by robust workers' and trade union rights. If this condition is met, more resilient unemployment insurances will unequivocally boost the chances that transformation processes are successful by increasing acceptance among and material support for employees. EU-wide minimum standards for national unemployment systems will be decisive in ensuring an adequate and sustainable level of protection throughout Europe, while preventing unhealthy competition between systems. It should also be borne in mind that higher unemployment benefits also have a positive effect on domestic demand, which is why it should be given a particularly prominent role in the context of economic recovery in the wake of the Covid-19 crisis.

While reinforcing national unemployment insurance is indispensable for the transformation, there is, fortunately, no indication that the decarbonisation of the economy must necessarily lead to a massive increase in *structural unemployment*. While traditional production methods are being phased out, new technologies, such as green steel and e-mobility, give rise to new employment prospects. That also applies to the automobile industry, which has been written off time and again. In 2020, the Fraunhofer Institute for Industrial Engineering issued a study commissioned by the VW Group's Sustainability Council. It claimed that the shift to electric vehicles anticipated in the analysed VW production sites will cost »only« 12 per cent of existing jobs – that is, 2,900 workplaces – by 2030 (Hage 2020: 67). Naturally, this development represents a major challenge, but compared with previous prognoses the outlook is a lot less gloomy.

From an employment standpoint, the real problem is the component supply sector. According to the Fraunhofer Institute, this sector is threatened by massive job losses because »the workforce required for the manufacturing of conventional drive trains [...] is 70 per cent higher than it is for the manufacturing of a drive train for an electric vehicle« (Herrmann et al. 2020: 9). In order to maintain a high level of employment, component suppliers that up until now have produced petrol and diesel fuelled engines will quickly have to switch their production to battery and hydrogen fuel cells. The accompanying »qualitative shift of employment requires in particular the reskilling of the workforce for the manufacturing of new products« (Herrmann et al. 2020: 9). Some supplier companies have long seen the

writing on the wall. The auto parts manufacturer ZF Friedrichshafen has already converted 800 jobs at its Schweinfurt works from production of traditional shock absorbers to e-mobility projects. Even though, originally, 1,500 jobs were supposed to be transferred, a first step is taken (Melzer 2020: 23). ZF's big size makes it easier for the company to finance and implement conversions of production. Smaller supplier companies face considerable difficulties, given that they often supply only a limited range of products and would have to devote considerable resources to set up new product lines.

The switch to sustainable drive systems, however, will not be able to entirely absorb job losses in the supplier sector. According to the Fraunhofer Institute's modelling, this would require higher production quantities (Herrmann et al. 2020: 9). However, because of the urgency of the transport transition towards less motorised private transport and more micromobility, bicycles and public transport (especially in conurbations), as well as more rail journeys, the demand for transport technology will change. The re- and upskilling of employees must therefore be cross-sectoral and enable workers to find jobs outside the automobile industry. Only then will the transformation succeed both at company level and for society as a whole.

## 5

## SUSTAINABLE ECONOMY AND GLOBAL COMPETITION

### CAN A SUSTAINABLE ECONOMY PREVAIL IN THE CONTEXT OF GLOBAL COMPETITION?

In March 2020, the European Commission presented a comprehensive strategy to support European industry in the transition to climate neutrality and digitalisation. Commission President Ursula von der Leyen was optimistic: »Europe’s industry is the motor of growth and prosperity in Europe. And it is at its best when it draws on what makes it strong: its people and their ideas, talents, diversity and entrepreneurial spirit« (European Commission 2020 D).

The EU Commissioner responsible for the Single Market, Thierry Breton, added: »Europe has the strongest industry in the world. Our companies – big and small – provide us with jobs, prosperity and strategic autonomy. Managing the green and digital transitions and avoiding external dependencies in a new geopolitical context requires radical change – and it needs to start now« (European Commission 2020 D).

The strategy outlines a European industrial policy aimed at making Europe’s values and the tradition of the social market economy in line with the goal of sustainability. Sustainability is not compatible with a purely growth-oriented economy that pays no regard to resource consumption and fails to internalise external environmental costs. The biggest challenge concerns economic globalisation. A variety of instruments are being discussed at European level to counteract the possibility of an industry exodus in response to more stringent environmental and labour protection regulations. Examples include import duties on goods that were produced outside the European Union with no regard for their environmental costs – so-called »carbon border adjustment mechanisms«. The trade unions are sceptical of this proposal because it may provoke counter measures from the countries affected. Leading experts such as the Brussels-based think tank Bruegel believe that »carbon border adjustment mechanisms« involve »much pain, little gain« and doubt the effectiveness of such measures (Bruegel 2020).

The trade unions, by contrast, favour activating industrial-policy measures, such as *Carbon Contracts for Difference*. Using contracts for difference, governments can guarantee investors who invest in climate-friendly technologies a CO<sub>2</sub> certificate price above the current market price in the Euro-

pean emissions trading system. This »reduces financing costs because revenue streams are guaranteed and provides incentives for emissions reductions« (DIW 2019: para 6). Over the long term, however, the aim is to internalise external costs, in other words to implement the polluter-pays principle as regards transport and production (pricing of CO<sub>2</sub> emissions), as well as the relevant international environmental protection and employment protection standards, with tough sanctions mechanisms in trade agreements.

In its industrial strategy, the European Commission proposes three key priorities: (i) maintaining European industry’s global competitiveness and a level playing field for competition in the EU and worldwide; (ii) a climate-neutral Europe by 2050; and (iii) shaping a digital Europe. In this way, a balance can be maintained between the principle of an open marketplace for trade, on the one hand, and ensuring fair competition both at home and abroad, on the other. Against unfair competition in the form of state subsidies – for example, China’s big state-owned companies – or low protection standards »the best possible use [should be made] of the EU trade-policy protection mechanisms« (European Commission 2020 E).

Strengthening Europe’s industrial and strategic autonomy should be achieved by safeguarding security of supply by means of an Action Plan for critical raw materials and pharmaceuticals on the basis of a new EU pharmaceutical strategy. Furthermore, the development of strategic digital infrastructures and key technologies should be supported with state subsidies, especially within the framework of Important Projects of Common European Interest. This goes hand in hand with ongoing work on strengthening global regulations on industrial subsidies in the World Trade Organization and measures to remedy the lack of reciprocity concerning access to public procurement in third countries.

Comprehensive measures to modernise and decarbonise energy-intensive industries, support for sustainable and intelligent mobility, promoting energy efficiency and ensuring adequate and constant supply of low carbon energy at competitive prices are also on the agenda and will have significant consequences for workers. Accelerating the decarbonisation of industry, while at the same time maintaining

its leading role, followed by alliances for low-emission industries, not to mention for industrial clouds, platforms and raw materials will entail significant trade-offs.

The German National Academy of Science and Engineering has developed a number of proposals for strategic initiatives that Germany and the EU could use to bring about transformation. The levers it has identified for the sustainable conversion of industry include hydrogen and electrification from renewable energies, digital and biological transformation and the circular economy. This could all be built on a strong research base in Germany and Europe (Brudermüller et al. 2020).

## 6

## EPILOGUE

## NEW DISTRIBUTION CONFLICTS – RETHINKING GROWTH AND REDISTRIBUTION

The transformation of the economy and a stronger focus on the social dimension of the climate crisis make it clear that distribution conflicts will be part and parcel of efforts to combat climate change. Since we will have to produce and consume less if we are to have any chance of meeting our climate goals, it will no longer be feasible to try to substitute conventional economic growth for more distributive justice.

That does not mean, however, that we are headed towards the »end of growth« as such. We rather need to rethink our very definition of »growth«. Instead of turning a blind eye to the collateral damage of environmentally harmful energy production when calculating GDP we need to incorporate the consequences of our economic activities in it. This will inevitably lead us to some serious conclusions, such as that transport of animals for the purpose of cheap slaughter – around 360 million a year – should be curtailed, agriculture should be regionalised and global supply chains should be shortened. On the other hand, public goods – such as education, social security, but also our natural basis of life – should once more be understood as what they truly are: forms of value creation and thus part of our collective wealth (Mazzucato 2019).

In concrete terms, we need to take into account all factors that affect our well-being, as well as the maintenance of our natural basis of life when calculating national prosperity. It is no longer acceptable that the negative externalities of economic production are excluded from GDP measurement. Such externalities include soil contamination due to lorry accidents caused by inattentive truck drivers who are under pressure not to take the breaks they are entitled to; the destruction of biodiversity; and the pollution of rivers. »CO<sub>2</sub> emissions and environmental pollution are actually counted double [in GDP]: first for the production, which causes the pollution, and a second time for the economic activity linked to the clean-up of the pollution« (Pornschnlegel 2020: para. 5). Climate-damaging modes of production, however, should not be valued indirectly through the profits thereby gained, but *subtracted* from the ledger of prosperity.

On the other hand, positive effects of the welfare state – such as high quality health care, education and social services – should represent a plus when calculating prosperity (Pornschnlegel 2020: para. 4f). As GDP is currently con-

ceived, state spending is not included. Traditional calculation methods assume that the state does not contribute to GDP because it only distributes money that already appears on the books in the form of profits or consumption. This is a misconception because, for example, by means of public investment and infrastructure construction the state creates clear added value, even when its services are made available to consumers for free (Mazzucato 2019). If one is able to see beyond the notion of economic product and apply a measure of well-being instead, the positive effects of the state's redistribution of wealth become apparent. There are already a range of alternative concepts, such as the OECD's *Better Life Index* or the UN's *Human Development Index*, which take a more holistic approach to societal »prosperity« (Pornschnlegel 2020: para. 7).

If we want to continue to »grow« in the future we are facing the great challenge of distributing what we have more fairly instead of downplaying climate change and exploiting the environment. This economic transition requires greater contributions by the wealthy, reducing income inequality, strengthening state revenues by taxation rather than by financial market funding, and also decent rather than precarious work. Europe needs to use the current crisis to make wide-ranging transformative investments that contribute to the ecological restructuring of the economy. This will touch upon areas of EU law that are rarely discussed in connection with the *European Green Deal*, such as the European fiscal rules. Because of their pro-cyclical effects the rules of the Stability and Growth Pact hinder urgently needed public investments in the green and digital transformation in highly indebted member states. That is why we need a »golden investment rule« for future investments that enables the financing of public net investments by means of budget deficits.

This makes it clear once again that the *European Green Deal* is not simply a climate or environmental policy programme. It concerns a far-reaching transformation of the European economy, affecting every area of our economic and social system. Therefore, it is clear to European trade unions that workers' voices must be heard and taken seriously in the design of this change. If the *European Green Deal* is not a »social deal« it can only fail.

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