Abstract of advisory report:

Energy transition and employment: Opportunities for a sustainable future

(**Energietransitie en Werkgelegenheid: Kansen voor een duurzame toekomst, 2018/03**)

The consequences of the energy transition for the labour market are difficult to predict. For this reason, the Dutch government asked the Social and Economic Council of the Netherlands (SER) for advice on the following questions:

1. What does the energy transition mean for developments in employment opportunities in the different sectors and economic regions?
2. How can public authorities, employers and employees best respond to the opportunities and threats identified by the SER?

The SER's advisory report forms a key element of the Dutch input to the Integrated National Energy and Climate Plan (NECP). In addition, this advisory report provides a basis for the theme of labour market and training in the National Climate Agreement that is to be concluded in 2018.

Dutch context

The Dutch government's aim is to reduce greenhouse gas emissions in the Netherlands by at least 49 per cent in 2030, compared with 1990, and to make the energy system more sustainable. The energy transition will require investments in the billions of euros each year. During the past period, companies, citizens and public authorities have invested around 13 to 15 billion euros in the whole of the energy system every year, particularly in saving energy and adapting networks[1]. In order to achieve the aims of the upcoming Climate Agreement, it is expected that annual investment will have to grow further leading up to 2030. According to estimates, for energy savings in the built environment alone there will need to be added investment of 12 to 14 billion euros per year on average in the period 2020-2040.[2] This will go hand-in-hand with substantial labour demand.

Following its recovery from the economic recession, the Dutch labour market has been increasingly marked by mismatches. In 2018, unemployment has decreased to around 4 per cent and this has led to tensions in the labour market[3]. More and more sectors are experiencing labour shortages and changing demands on workers. In order to seize the opportunities for the Dutch economy offered by the energy transition and to make it possible to achieve the country's climate objectives, it is essential to anticipate the changing needs of the labour market. At the same time, the transition will also lead to job losses and it is crucial to make efforts to safeguard inclusivity in the labour market.

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1 *National Energy Outlook 2017*. See: *http://www.pbl.nl/en/topics/energy-and-climate-change/publications/national-energy-outlook-2017*.

2 For details, see: Schure et al. (2017) *Investeringen energietransitie en financierbaarheid-Uitdagingen met betrekking tot investeringen 2020-2040*, PBL Netherlands Environmental Assessment Agency, The Hague.

3 The CPB Netherlands Bureau for Economic Policy Analysis concludes: The Dutch labour market is tightening. In 2019, unemployment will decrease to 3.5%, its lowest point since 2001. The strong growth in employment can easily absorb the increase in labour supply. Companies are more often offering permanent labour contracts and pay higher wages to either attract or hold on to staff. See: *https://www.cpb.nl/sites/default/files/omnidownload/CPB-Policy-Brief-2018-06-uk.pdf*.

In spite of the low unemployment figures, there are still too many people who are excluded from paid work.

Employment in the conventional energy sector fell from 83,000 working years in 2014 to 73,000 working years in 2016. Employment in the renewable energy sector rose from 46,000 working years in 2014 to 52,000 working years in 2016. It is expected that employment growth in renewable energy activities will increase substantially in the coming years.

Investment in the installation and construction sector in particular is labour-intensive. Partly due to the energy transition, this has resulted in strong demand for technicians and installers in the installation sector. Given that this sector is already struggling with labour shortages, additional demand may slow down the energy transition. At the beginning of 2018, around half of the companies in this sector had vacancies that were difficult to fill, and this tight labour market exists in all regions[4].

There is a similar situation in the construction sector. After a sharp decline in employment during the economic crisis, the number of vacancies has seen a strong rise again since 2014. Construction companies now have full order books. Due to earlier staff cuts and a limited inflow of new recruits, there are increasing staff shortages, as a result of which projects are not carried out or are carried out with delay or at a higher cost. The extensive construction plans for the next few decades, together with the sustainability requirements for the built environment, threaten to cause escalating staff shortages if policy does not change.

An important issue of concern is also that the quality of jobs offered in the growth sectors of the renewable economy can differ from that of the traditional sectors. This can involve, for example, the absence of a collective labour agreement, lower pay, temporary employment contracts, and no access to funds for training.

The transition to fossil-free energy provision will put pressure on employment in the coal, oil and gas sector. If the five remaining coal-fired power stations in the Netherlands close down in the period to 2030, in accordance with the coalition agreement, workers in the coal chain will lose their jobs. A total of around 2,800 jobs are involved. Relocation appears to be particularly possible for technically well-trained and experienced people. A prerequisite for this is the availability of jobs with a suitable profile in the surrounding area, for example in the petrochemical industry or in the production of wind turbine components.

Integrated approach to labour market so as to capitalise on opportunities
For the energy transition and climate policy to succeed and gain public support, it is crucial to capitalise on the economic and employment opportunities of this process, deal promptly with possible bottlenecks on the demand side, and tackle societal risks in an appropriate fashion. The energy transition presents opportunities for building a sustainable economy with future-oriented jobs, which will benefit more people in the Netherlands. However, this does require an integrated approach to the labour market, in which companies, employees, educational and training institutions, and public authorities have a responsibility which, according to the SER, must to a large extent be given shape in the forthcoming Climate Agreement.

Integrated and targeted labour market policy is needed, in which social partners, public authorities and others all bear their own specific responsibility. It also requires investment in human capital, education and training, helping people with the transition

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[4] The labour market effects of the energy transition vary from one region to another. However, a recent quick scan by the Netherlands Environmental Assessment Agency shows that potential labour market tensions will arise in all provinces if the energy transition speeds up. If labour markets are unable to adapt and if no adequate labour market policy is implemented, there is a danger of labour shortages arising in virtually all provinces, which will hinder the progress of the energy transition. See: *http://www.pbl.nl/nieuws/nieuwsberichten/2018/pbl-quickscan-energietransitie-leidt-tot-meer-spanning-op-de-arbeidsmarkt*.

from one job to another, and dealing with the social consequences. In essence, it is important to capitalise on the opportunities offered by the energy transition and climate policy, and in this way to achieve a just transition and an inclusive labour market.

Due to the public interest in an accelerated energy transition and because the national government is itself a key driver of the transition, the government has a special role to play. This is expressed through facilitating employment services and appropriate and, where necessary, specific education and training provisions, as well as through specific additions to existing programmes and sectoral plans of public authorities, sectors and enterprises.

Seven recommendations
Against this background, the SER has come to the following recommendations:

1. *Integrated Human Capital Agendas*

- When preparing for the upcoming Climate Agreement, *take into account the labour market aspects* of proposed measures.
- Make *national agreements and regional action plans* that are in line with the Human Capital Agenda (HCA) of the Top Sector Energy to develop and strengthen the organisational capacity in vocational education and training.
- Create a *broader structure* in which HCAs are aligned to the joint policy instruments of both employers' and employees' organisations. Work on the commitment of all relevant stakeholders, a common labour market agenda (for short and long-term problems), an implementing organisation with a budget and monitoring to evaluate and make adjustments. The national government has a special role to play in this and, where necessary, it makes funds available for tailor-made agreements with sectors, subsectors or companies.

2. *Translation into regional economic agendas*

- Addressing employment opportunities and labour market bottlenecks should be translated into a *regional approach*, so that the regional initiatives together lead to the achievement of national targets.
- Make the policy part of the *broader regional economic agendas*, such as those developed by Economic Boards, regional development agencies and provincial Social and Economic Councils, for example.
- *Connect regional labour market and employment policies with sectoral activities* such as collective labour agreements, actions by sectoral Education & Training funds and social plans. Make use of learning experiences from projects which focus on coordination and cooperation in work transition activities.

3. *Education, training and learning culture*

- Adapt *current education and training provision* to meet the additional labour demand, and make vocational education flexible and demand-driven. Give vocational education a crucial role in lifelong learning. Create greater cohesion and alignment to train workers with new knowledge and skills, and scale this up.
- At *all levels of education* (different levels of vocational and professional education, and university), invest in the new professional requirements and in training programmes and customised modules set up specifically for the energy transition.
- *Work towards a strong learning culture* that responds to the labour market needs arising from the energy transition and in which lifelong learning and development are self-evident to everyone. For this reason, the SER is working with stakeholders on actions to make learning and continued learning by people, workers and organisations accessible and self-evident.
- *Ensure alignment with existing initiatives.*

4. *Integrated and inclusive approach*

- *Make the integrated approach inclusive*: make agreements to make better use of the available labour potential. Facilitate people to work more hours, promote women's participation in the labour market, for example in terms of the number of hours to be worked.
- Offer opportunities to people with disabilities, for example in the *smart industry* where new technologies allow them to do more complex work.

5. *Working conditions, social consultation and terms of employment*

- Ensure *good working conditions, terms of employment (remuneration, employee participation, development opportunities) and employee representation* in new sectors.
- Make *mobility from one job to another* simple by considering other types of employment contract or adjusting the legal position.
- Facilitate *regulated consultation and agreements between social partners* on terms of employment, facilities in the field of the labour market and training, and labour relations. It is important that social partners also create the necessary social infrastructure in these new sectors.
  New technologies and jobs must have high-quality working conditions (working environment, health and safety regulations). Place the content and implementation of the work on the agenda of the sectoral consultations.

6. *Better insight into labour market developments needed*

- Improve the labour market information needed for the energy transition and climate policy. This involves both monitoring actual developments and identifying future labour market needs and bottlenecks.

7. Compensating for job losses

- This recommendation is based on two principles: an inclusive labour market policy and a special role for the national government in ensuring a 'fair transition'.
- Pay particular attention to employees who are (or are likely to be) losing their jobs.
- Prepare for *job losses* in good time. Instruments for this include career advice, a training budget (possibly a personal budget) and mobility between sectors.
- *Adopt a regional/sectoral approach to the decline and closure of fossil-based industries.* Cooperation between various bodies is necessary for the deployment of a package of measures.
- Prepare for the socially responsible decommissioning and closure of the coal-fired power stations, which will affect the employment of some 2,800 workers throughout the coal chain. Consult on this with cabinet and social partners.
- Use these consultations to work out the details of the closure of the five remaining coal-fired power stations (Coal Fund).
- Provide tailor-made measures for a coherent and successful approach.

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