

# EUROPEAN GREEN DEAL STRATEGY AND THE IMPLICATIONS FOR EMPLOYMENT

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## Abstract

The European Commission's set of policy initiatives, whose main objective is to achieve climate neutrality in Europe by 2050, is often put against the economic interests of the Member States, especially in the context of the labour market. Many economists, politicians and trade unionist question whether economic growth, job security and climate neutrality in Europe are compatible. To answer this question, the paper is divided into several parts. The first part presents the main principles of the European Green Deal. The second part confronts the costs of introducing new solutions with the unimaginable losses that Europe may incur if the analysed measures are not taken. The third part of the study critically examines the costs and benefits of the European Green Deal from the perspective of the European labour market. The conclusion of the study puts the lie to the erroneous hypothesis of a collision between the European Green Deal and the efficiency of the labour market in Europe.

**Keywords:** European Green Deal, labour market, employment, climate neutrality.

## Introduction

What might have been considered a hypothesis fifty years ago is now an indisputable fact experienced by all inhabitants of the Earth. Climate change has reached an unprecedented scale in the 21st century, and there is no doubt that it is caused by human activity. The World Meteorological Organisation (WMO) reports that 2015-2021 were the warmest years since measurements began in 1850, and the average global temperature in 2021 was 1.13°C higher compared to the pre-industrial era. One of the main contributors to climate warming is the emission of man-made CO<sub>2</sub> into the atmosphere. According to the National Oceanic and Atmospheric Administration (NOAA), atmospheric CO<sub>2</sub> concentration levels are now at a record 419.41 ppm (measured on 30 January 2022), an increase of more than 13% from the 2000 measurement (369.71 ppm). The consequences of an increase in the global average temperature will be melting of the ice caps, sea level rise and an increase in the number of extreme weather phenomena, such as violent storms, catastrophic floods, record heat, droughts and wildfires. These events could lead to the loss of drinking water sources, homes, jobs and vital infrastructure. According to the World Health Organisation (WHO), climate change could result in around 250,000 additional deaths per year between 2030 and 2050.<sup>1</sup> The World Bank predicts that with further environmental degradation, there will be 216 million so-called climate migrants by 2050.<sup>2</sup> And according to a simulation by the Swiss Re Institute, a 2°C rise in global temperature by 2050 will cause global GDP to shrink by 11%.<sup>3</sup> The consequences of climate change will

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<sup>1</sup> World Health Organization, Climate change and health vulnerability and adaptation assessment. Geneva 2021, p. 46.

<sup>2</sup> Clement, V., Rigaud, K. K., de Sherbinin, A., Jones, B., Adamo, S., Schewe, J., Sadiq, N., and Shabahat, E., Groundswell Part 2: Acting on Internal Climate Migration., The World Bank, Washington 2021, p. 80.

<sup>3</sup> Swiss Re Institute, The economics of climate change: no action not an option. Zurich 2021, p. 8.

affect every corner of our globe. Paradoxically, however, it is the people in those regions of the globe where the least amount of global warming pollution originates that will suffer most. Around 50% of all carbon dioxide emissions are emitted by the richest 10% of the world's population living in highly developed economies. Meanwhile, global warming is turning the inhabitants of the poorest countries into climate refugees. In the long term, these problems will inevitably lead to an increasing competition for access to limited natural resources, an escalation of economic and political conflicts and, as a result, an aggravation of socio-economic inequalities.<sup>4</sup>

The question of who is responsible for environmental degradation and climate change needs to be answered. The drastic deterioration of the above-mentioned indicators undoubtedly coincides with increasing globalisation, excessive consumerism and the growing power of multinational corporations. The relentless pursuit by these entities of maximising short-term profits is contributing in an increasingly blatant manner to the degradation of the natural environment. Furthermore, the oligopolisation of the global economy is making multinational corporations so powerful that they are increasingly escaping the control of national governments, thus making it impossible to take radical action to counteract their devastating activities. Therefore, is the socio-economic system in which we currently function able to generate a mechanism that will protect society from the consequences of the phenomena it has created?<sup>5</sup> The answer to such a catastrophic vision of environmental degradation, climate change and the consequent political and socio-economic crisis is the European Green Deal (EGD), which aims to transform the European Union (EU) into a climate-neutral area with a high-tech, resource-efficient and environmentally friendly economy.

Like many regions of the world, the European Union is exposed to all of the above-mentioned consequences of climate change. In the last five years, the average temperature in Europe has been 2.2°C higher than at the end of the 19th century. The wide range of natural disasters caused by global warming results not only in the destruction of infrastructure and workplaces, but also in the loss of human life and health. Based on 2020 data from the European Environment Agency (EEA), losses caused by extreme weather events in the 27 EU member states over the past 40 years have reached nearly €420 billion. For the same reasons, more than 85,000 EU citizens lost their lives between 1980 and 2019. However, the biggest threat to EU citizens posed by air pollution is around 400,000 premature deaths per year.<sup>6</sup>

It has become obvious to EU leaders that a continuation of the current economic policy based on thoughtless and predatory exploitation of the environment will lead to disaster in the long term. One of the most fundamental tasks today is to face the consequences of climate change while maintaining the current rate of economic growth. However, there are serious concerns that the enforcement of the European Green Deal will lead to the loss of many jobs in the economic sectors affected by the restrictions that have been introduced. Critics of the implementation of the idea of sustainable development argue that ignoring the social aspect of such a transformation could lead to the disintegration of the European Union. With the above in mind, an interesting research question is what impact the introduction of the European Green Deal strategy will have on the labour market in the EU. In order to answer this question, the following study will attempt to compare the balance of costs and benefits of introducing new regulations. However, one should not forget about the cited data showing the scale of the climate threat. It would be manipulative not to

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<sup>4</sup> Dahl, M., The European Green Deal and the social market economy, *Sprawy Międzynarodowe*, 74(3), 2021, p. 132.

<sup>5</sup> Guttman, R., *Eco-Capitalism: Carbon Money, Climate Finance, and Sustainable Development*, Palgrave Macmillan, 1st ed., 2018, p. 35.

<sup>6</sup> European Commission, *Sustainable growth for all: choices for the future of social Europe. Executive Summary*, Brussels 2019, p. 23.

include in this balance the unimaginable losses that the EU may incur if the analysed measures are not taken. Based on selected statistics and research, a critical analysis will be made of the costs and benefits of the European Green Deal from the perspective of the EU labour market.

### 1. The main Policy Areas of European Green Deal

The European Green Deal announced in December 2019 is a set of policy initiatives aimed at reforming the European Union's climate policy. As communicated by the President of the European Commission, Ursula von der Leyen, the main objective of the EGD is “to reconcile the economy with our planet, to reconcile the way we produce and the way we consume with our planet and to make it work for our people”.<sup>7</sup> In fact, the EGD refers to both above-mentioned objectives: to achieve dynamic economic growth based on low-carbon industries while preventing the unimaginable economic, social and environmental damage that would undoubtedly result from doing nothing. This is to be achieved by amending more than 50 European laws and redefining public policy in eight key areas: clean energy, sustainable industry, building and renovation, sustainable agriculture, sustainable mobility, biodiversity, eliminating pollution and sustainable finance. The overarching goal underpinning these initiatives is to reduce greenhouse gas emissions by 55% compared to 1990 and to achieve complete climate neutrality by 2050.<sup>8</sup>

The ‘clean energy’ policy area aims to decarbonise the EU energy system by developing an energy sector based more on renewable energy sources. This is crucial as up to 75% of greenhouse gas emissions in the EU come from energy production and consumption.<sup>9</sup> The most important objective for achieving the targets defined in the area of ‘sustainable industry’ is the implementation of the Circular Economy Action Plan. As industry is currently responsible for as much as 20% of greenhouse gas emissions, the European Commission's actions aim to reduce the waste of raw materials and, by modernising recycling processes, ensure the re-use of products.<sup>10</sup> Another important area for EGN action is the ‘building and renovation’ sector. Today, the exploitation of buildings accounts for as much as 40% of the energy produced in the EU, which directly contributes to significant greenhouse gas emissions into the atmosphere.<sup>11</sup> Therefore, reforms in this area are aimed at promoting and increasing financing for energy-efficient investments in the building sector. An area of transformation as part of achieving the EGN targets that raises major concerns about job losses is ‘sustainable agriculture’. As announced by European Commissioner for Climate Action Frans Timmermans „Farm to Fork strategies point to a new and better balance of nature, food systems and biodiversity; to protect our people’s health and well-being, and at the same time to increase the EU’s competitiveness and resilience”.<sup>12</sup> As food production consumes 69% of extracted freshwater and is responsible for 25-30% of greenhouse gas emissions, the importance of implementing the legislation included in the area on ‘sustainable agriculture’ is crucial to achieving the indicators set by the EGD.<sup>13</sup> The policy area 'sustainable mobility', which defines measures to reduce pollution emitted by transport, which

<sup>7</sup> The Italian Association of Energy Economists (AIEE), *Current and Future Challenges to Energy Security*, Rome 2019, p. 267.

<sup>8</sup> European Commission, *Proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union*, Brussels 2021, p. 1.

<sup>9</sup> European Commission, *A Clean Planet for all A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy*, COM/2018/773, 2019, Brussels, p. 6.

<sup>10</sup> European Commission, *Circular economy action plan for a cleaner and more competitive Europe*, Luxembourg 2020, pp. 6-7.

<sup>11</sup> European Commission, *A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives*, Brussels 2020, p. 1.

<sup>12</sup> European Commission, *From Farm to Fork: our food, our health, our planet, our future*, Brussels 2020, p. 1.

<sup>13</sup> Gladek, E., Fraser, M., Roemers, G., Sabag Muñoz, O., Kennedy, E., Hirsch, P., *The global food system: an analysis*, WWF Netherlands, Amsterdam 2017, p. 4.

accounts for 25 per cent of the EU's greenhouse gas emissions, is a major opportunity to create new jobs.<sup>14</sup> The goal of producing 30 million zero-emission cars by 2030 and doubling the number of high-speed rail links offers hope for increased employment in these industries. Another element of the EGD is the strategy for the conservation of 'biodiversity'. Around half of the world's GDP is generated by processes dependent on the natural environment. Therefore, about 25% of the European budget for combating climate change will be allocated to implementing organic farming methods, supporting pollination processes, reducing pesticides, restoring free-flowing rivers and reforestation.<sup>15</sup> Equally important from the point of view of the labour market (mainly carbon-intensive production plants and the workers they employ) is another element of the EGD aimed at 'eliminating pollution'. Zero Pollution Action Plan, which aims to achieve zero pollution from all sources, cleaning up air, water and soil by 2050. A final area, crucial to achieving the ambitious targets contained in the EGD strategy, is 'sustainable finance'. To ensure that the above elements of the EGD strategy are financially supported, the European Commission introduced the European Green Deal Investment Plan (EGDIP), also referred to as Sustainable Europe Investment Plan (SEIP). As part of the goals set by the EGD, the European Commission has pledged to mobilise at least €1 trillion worth of investment in sustainable development over the next decade.<sup>16</sup> During the negotiations on budgetary issues, the concept of the EGD and related programmes encountered a wave of criticism not only from the main polluters of the ecosystem, such as powerful transnational corporations representing the oil and coal sectors, but also from the most radical circles advocating a revolutionary ecological transformation and, consequently, a larger pot of money from the EU budget for combating climate change. In turn, fearing criticism from the leaders of several member states and trade union representatives, the EGD found that the transformation could succeed only if the interests of the countries most affected by the changes were taken care of in solidarity, and if appropriate measures were taken to counteract the social exclusion of the most vulnerable professional groups. The result of this concern was the adoption of the Just Transition Mechanism (JTM), which is to take care of the economic sectors and geographical regions that are most exposed to the losses resulting from transition. Consequently, €100 billion will go to economic sectors that rely on fossil fuels or high emission production.<sup>17</sup>

## **2. Costs and benefits of the European Green Deal from the perspective of the European labour market**

The European Green Deal is unquestionably a very expensive investment in climate security, both in terms of the costs to the budgets of the EU Member States that it will generate, and also in terms of the loss of many jobs in sectors of the economy whose activities will decline because of the restrictions imposed by the new regulations. On the other hand, the costs associated with a failure to implement the measures set out in the European Green Deal would certainly have disproportionately greater consequences for people, not only financially, but also in terms of health, particularly in regions affected by disasters caused by climate change. In working out the solutions contained in the EGD, the leaders of the member states were guided by the objective of maintaining maximum protection of workers' rights, the welfare of the workforce and intra-EU solidarity in accordance with the UN Sustainable Development Goals and the Paris Agreement

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<sup>14</sup> German National Academy of Sciences, Decarbonisation of transport: options and challenges, EASAC policy report 37, Halle 2019, p. 38.

<sup>15</sup> European Commission, EU Biodiversity Strategy for 2030. Bringing nature back into our lives, Brussels 2020, p. 17.

<sup>16</sup> European Commission, Sustainable Europe Investment Plan. European Green Deal Investment Plan, Brussels 2020, p. 6.

<sup>17</sup> European Commission, The Just Transition Mechanism: Making Sure No One Is Left Behind, Brussels 2020, p. 1.

which refers to "the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities".<sup>18</sup> Recognising that some environmental restrictions may cause financial losses for both businesses and households, the European Commission has proposed a number of shielding measures to mitigate the negative consequences of the fight against climate change. Among them, it is worth mentioning the Social Climate Fund, which is to provide funding of €72.2 billion for the period 2025-2032 to support the most vulnerable households, transport users and micro-enterprises that will suffer as a result of the introduction of emissions trading for fuels used in road transport and buildings.<sup>19</sup>

On the other hand, the European Green Deal, combined with the appropriate economic policies pursued by member states, offers a huge opportunity to create new jobs in innovative and green economic sectors. As the European Commission forecasts, the transformation of the economy into a resource-efficient and environmentally friendly one could create around 1 million jobs in the EU by 2030 and 2 million jobs by 2050.<sup>20</sup> An even more optimistic vision for the European labour market emerges from a report conducted by Ernst & Young (E&Y) in cooperation with the European Climate Foundation (ECF). In the energy sector alone, the development of new energy generation projects through photovoltaics, landfill gas or biomass plants, among others, could provide more than a million new jobs.<sup>21</sup> In the transport sector, the report predicts that an additional one million people will gain jobs through the electrification of transport, the construction of recharging infrastructure for low-carbon mobility, the construction of new high-speed rail links, the development of autonomous vehicles and the expansion of low-carbon public transport.<sup>22</sup> Furthermore, in the industry sector, the E&Y report forecasts that projects related to the circular economy, the improvement of industrial processes, the expansion or modernisation of existing plants and the production of low-carbon technologies will employ nearly 300,000 workers.<sup>23</sup> The emerging land use sub-sector combining large-scale afforestation projects, innovative land management technologies, application of modern technologies in agriculture and land reclamation will additionally create nearly 90,000 jobs.<sup>24</sup> Another sector that will benefit from investments in greater energy efficiency is the construction industry. Modernising buildings to make them less energy intensive and constructing new infrastructure to obtain energy from renewable sources will lead to an increased employment in this sector. The European Commission forecasts that by 2030 as many as 35 million buildings could be renovated, generating 160,000 additional green jobs in the construction industry alone.

Analysing the EGN assumptions in detail, and in isolation from the over-optimistic assumptions of the European Commission, as suggested by various expert circles, one may also make some suppositions and somewhat more critical comments regarding the changes that will take place in the EU labour market. The European Commission quite ambitiously predicts that job losses in the sector of mining and processing of fossil fuels will be more than compensated by the dynamically developing sectors of recycling and recovery of raw materials or construction and production of equipment to exploit renewable energy sources. It should be noted, however, that such jobs require relatively low qualifications and are associated with relatively

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<sup>18</sup> United Nations, Paris Agreement, Paris 2015, p. 2.

<sup>19</sup> European Commission, Proposal for a regulation of the European Parliament and of the Council establishing a Social Climate Fund, Brussels 2021, p. 23.

<sup>20</sup> European Commission, Commission presents guide for a fair transition towards climate neutrality. Press release, Brussels 2021, p. 1.

<sup>21</sup> Ernst & Young, Perspectives on a European green recovery from the COVID-19 pandemic, 2021, p. 20.

<sup>22</sup> Ernst & Young, Perspectives on a European green..., op. cit., p. 24.

<sup>23</sup> Ibid, p. 32.

<sup>24</sup> Ibid, p. 36.

low pay. In addition, there is concern that technological progress, and in particular the development of artificial intelligence, could very quickly lead to the almost total automation of many of the processes hitherto used in these sectors. Such a risk, bordering on certainty, calls into question the European Commission's optimistic forecasts and suggests that statistics on potential jobs are greatly overestimated. Another striking problem may be the speed of change in the labour market, triggered by the entry into force of new legislation, for example introducing low-carbon solutions in many sectors of the economy. This transition may cause delays in adjustment processes, with some workers losing their jobs and new sectors running out of workers who often must meet higher education, qualification and skill requirements. This situation could lead to structural and technological unemployment spikes. Another aspect which should be emphasised is the risk of unequal distribution of benefits resulting from the generation of new jobs by EGD between EU member states and the large corporations which are often associated with them. For example, the existing giants in the automotive market, taking advantage of subsidies and various financial reliefs, will clearly become beneficiaries of the Sustainable and Smart Mobility Strategy, increasing their competitive advantage in the field of electric cars and their components.

### **Conclusion**

The hypothesis put forward by some politicians, economists and trade unionists that EU climate policy necessitates a choice between dynamic economic growth with full employment and climate change is false. The opposite is true. The European Green Deal can be a guarantee against the progressive devastation of the environment and global warming, and thus a catalyst for green economic growth and the creation of new green jobs.

A successful EU climate policy should be based on long-term investments that finance the transformation of the economy to low-carbon growth and reduce the risk of exacerbating climate change. At the same time, in the short-term, in order to secure the support of society as a whole, climate policy must be inclusive and improve the quality of life and well-being of the entire population. European political leaders have a key role to play in this aspect and should communicate frankly and openly to the public the full range of consequences of the EGD. This transition will not only bring benefits, but also the loss of many jobs and colossal expenditure associated with new investments in low-carbon infrastructure. It will also force society as a whole to make often difficult to accept changes in the way we travel, consume and use energy. Only by meeting these challenges and accepting many sacrifices can we create new, innovative and environmentally friendly sources of economic growth and, consequently, new jobs.

Another important issue, which is the source of much of the criticism in the publications analysed, is the fact that the conversion of the existing business model to a zero-carbon economy will require colossal investments in adapting the professional skills of employees and adjusting the infrastructure in many enterprises. However, money spent on these purposes does not guarantee rapid economic benefits for businesses or the certainty that vulnerable professional groups will find work in the new sectors of the economy. In this context, the €1 trillion promised by the European Commission may not be enough to meet the EGD's targets. Such a financial perspective also breeds frustration among those advocating a more radical transformation, in the face of the much larger funds spent by the EU to rescue the banking sector after the 2008 economic crisis.

Implementing the ambitious plans set out for the EU under the EGD will require cooperation at all levels of government, solidarity between member states, trade unions' trust and the support of citizens. If any party

reneges on its agreements to protect the interests of individual states or vulnerable groups, climate change will exacerbate the consequences of years of inaction on climate policy, which are already hitting economies, households, businesses and workers hard. In the absence of solidarity and cooperation, there will be no winners. No action is not an option

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