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Will the European Just Transition Fund Deliver on Its Promise to Workers?

Article by Meike Vedder
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To prevent the energy transition from leading to large-scale unemployment, poverty and regional inequality, the European Union set up the Just Transition Fund in 2021. With this initiative, can the EU offer industrial workers hope?

The "just transition" concept originated in the United States in the 1990s, when the union movement began to speak out against environmental pollution and the health risks to which workers were being exposed. The saying "there are no jobs on a dead planet" became popular, along with the underlying idea that unions and the climate movement should join forces and work together for a fair transition to a livable planet with sustainable work. As a result, workers would not become the victims of climate policies.

In Brussels, social policy has long been separated from climate policy. But under pressure from European trade unions, the climate movement and green parties, a social dimension is now being added to climate policy at the European level. In recent decades, the concept of just transition has found its way into international treaties and policy papers, including European climate plans, and most recently the Just Transition Fund.

Why European coordination is needed

While jobs are also at risk in the Netherlands as a result of climate policy, the potential consequences in other EU countries are even greater. Different countries and regions have vastly different starting points, both in terms of the number of jobs under pressure by the energy transition and the level of social security. If no adjustments are made, the transition will only exacerbate existing differences.

On top of that, much of European industry is located in poorer regions of southern and eastern Europe – areas that are largely economically dependent on these jobs. Both direct and indirect employment has been suffering losses. Many jobs have also disappeared in Polish coal regions in recent years, and in Silesia alone some 15,000 to 18,000 miners risk losing their jobs in the coming period.

The risk that people who are already struggling to make ends meet will be plunged into even greater poverty with the demise of the fossil industry is thus likely unless it is accompanied by the creation of new jobs and a strong social safety net. And although additional workers will be needed to make production processes more sustainable, for example in the automotive and chemical industries, the same workers will not necessarily be able to take on this new work. Upskilling and retraining will be necessary for new sustainable techniques and processes. Moreover, there is a risk that entire sectors will relocate to locations better suited to a more sustainable mode of production. Regional inequalities may also be further exacerbated by existing differences in investment opportunities between EU countries. Germany, the Netherlands and France for example are already investing billions of climate euros into their industries.

Another underlying risk is that the increase in and fear of socioeconomic inequality may undermine trust in politics and democracy and open the door to extremist parties that exploit these fears and insecurities. European policy to deal with the negative socioeconomic impacts of climate policies is therefore essential.

Regardless the size of the fund and the degree of worker control, it is still questionable whether funds are a guarantee of social climate policies.

How the EU combats inequality and job loss

Such policy has recently been introduced in the form of European funds through which climate policies are adjusted. In addition to the European Regional Development Fund, there is now the Just Transition Fund, and a Social Climate Fund is also in the pipeline.

Of these funds, the Just Transition Fund is the one most directly focused on supporting workers in the energy transition. It was established in 2021 after lengthy negotiations in Brussels over its size and conditions. In the end, the European Parliament and EU Member State governments agreed on a 17.5 billion euros fund to ensure a fair transition in regions that are currently heavily dependent on industries that will disappear or undergo major changes. In addition to investments in sustainability, this money can be spent on upskilling and retraining workers and job seekers and assisting people in finding jobs.

Although 17.5 billion euros may sound like a large sum, it is in stark contrast to the 35 billion euros the Dutch government already promised in its coalition agreement for the climate and transition fund earmarked for Dutch industry.

Most of the Just Transition Fund goes to Poland, Romania, Germany and the Czech Republic. The Netherlands will receive 623 million euros for investments in Groningen, IJmond, Groot-Rijnmond, Zeeland, West-North Brabant and South Limburg, due to the relatively large amount of industrial activity dependent on coal, oil and gas in these regions. EU countries are currently working with the designated areas to develop territorial transition plans, which describe how the country plans to spend the money for each region. On 22 March 2022, the Dutch national transition plan was submitted to the European Commission. This plan was written by the Ministry of Economic Affairs and Climate Policy together with the Ministry of Social Affairs and Employment, along with the relevant provinces and municipalities. The plan was approved on December 2. Projects that fit within the approved plan will be able to submit applications in 2023. For example, the province of Groningen plans to invest in the upskilling and retraining of people working in gas extraction. This involves adapting trainings to the new requirements and the further development of the digital, social and technical skills needed for new green jobs. The final responsibility for spending the fund lies partly with national governments and partly with the European Commission.

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Why the Just Transition Fund alone is not enough

Although this plan sounds promising, not everyone is enthusiastic. The most obvious problem is the amount of money: 17.5 billion euros is not enough to meet the many goals of the fund. In fact, in addition to investing in supporting workers and job seekers, the fund can also be used for investments in renewable energy and for starting new businesses. With this fund, the EU is trying to cushion the impact of the transition on the labour market as well as to strengthen regional economies by financing diversification and modernisation. In other words, this is an enormously broad objective for a relatively small fund. In addition, the selection of the regions claiming the money has been criticised. For example, Germany receives a relatively large share of the fund while it already invests billions in greening its industry. Also, the designated regions are mostly coal regions, while the same issues are present in many other sectors.

Little can be said about the outcome of the plans funded by the Just Transition Fund as implementation is still in the future, but an opinion can already be formed about its procedures. According to European trade unions, neither workers nor the unions that represent them have been sufficiently involved in shaping climate policy, including the drafting of the fund's transition plans. This is problematic; as long as workers are not at the table and taking part in the discussions, the outcome is less likely to meet their needs. And perhaps more importantly, workers with little control over decisions that could have major impacts on their livelihoods will see the future with a lot less confidence than if they had a say. Resistance to climate policies arises when workers don't know where they stand and when plans are made without their involvement. Examples include the resistance of Polish miners' unions to European climate legislation and the opposition to the proposed CO2 tax in 2019 by works councils in large Dutch industrial companies. Both were based on the fear of job losses.

Although the fund's guidelines require that regional and local governments, local stakeholders including economic and social partners, and civil society be involved in the plans, this seldom happens. If the Just Transition Fund really wants to contribute to a fair transition, then the processes it initiates must also be fair.

Regardless of the size of the fund and the degree of worker control, it is still questionable whether funds are a guarantee of social climate policies. A fund can compensate for job loss and poverty, but only on a small scale and only retrospectively. The social aspect is not part of climate policy per se; although climate policy imposes binding targets to reduce emissions on EU countries, the protection of workers is not mandatory.

Although the fund has not yet been opened, the associated conditions are so non-binding that the European Commission has little ability to guarantee that the money reaches those who need it most. As a result, many workers will remain largely dependent on the level of social security and the policies of the member state in which they work.

How we can ensure a fair transition

But what should the EU do to ensure a fair transition for industrial workers? First, the European Commission can facilitate formal structures that guarantee worker and trade union participation in the implementation of the Just Transition Fund plans.

In addition, more is needed than funds. It is time for a broader vision on the future of European industry. As mentioned earlier, the Just Transition Fund is not the only fund that aims to contribute to a fair transition. For example, the goal of the yet-to-be-established Social Climate Fund is to combat energy poverty, and the goal of the European Regional Development Fund is to combat regional inequality by investing in greening and employment. However, the size and scope of these funds also remains limited.

Although the EU is now making reactive adjustments, it does not actively make policies to guide the labour market. While real active intervention is difficult at the European level as social and employment issues are largely competences that lie within the member states, the EU can look much further ahead and think about the effects on workers and regional economies at an early stage of climate policy design. With this knowledge, upcoming changes can be anticipated so that timely investments can be made in regional economies that depend on disappearing industries. This will prevent regional differences in Europe from becoming too great.

And while the EU cannot entirely take over social policy, European policy can create higher Europe-wide minimum standards for social security and working conditions in all Member States. A more social Europe will reduce the need for funds. A good example is the EU agreement on raising standards for minimum wages, concluded in June 2022. This will prevent fossil jobs from being replaced by underpaid flex jobs, as has already happened in Poland where a coal mine was replaced by an Amazon distribution centre.

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