

Labour Markets in the Green Economy: Risks and Opportunities for the Labour Force

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The global shift to a green economy is transforming the global labor market. This change presents significant opportunities, as well as risks.

Reasons for a shift to a greener economy are the current climate and the future of the climate, policy and regulatory changes by governments worldwide. This leads to pressure in the economy. Consumers play almost the biggest role here, since they lead the labor market through demand. And ultimately the technological advancements, which are more affordable and efficient in the long term. A green economy brings some advantages, especially with regard to the distant future, but how bleak does the future really look with the growing green sector in the economy?

The green economy is a growing concept.

Key sectors that are driving the economy are renewable energy, green building, sustainable transportation, water management, waste management and land management (Sukhdev et al., 2010). Characteristics and principles of a green economy include options for clean means of transport. Green economic policy requires maximizing resource efficiency. This includes trains, buses and cars in road transport, but also airplanes in air traffic. The idea is that these means of transport should use renewable energy sources in order to minimize fossil fuels.

Green standards should also be strengthened in the construction industry.

Of course, renewable energy sources should also be maximized. This is one of the most important resources for a green economy. This starts with transport and goes beyond manufacturing and production processes. Resource management is also part of it. This refers to waste management and how to recycle properly. (MasterClass, 2022)

Green economy is growing rapidly. The reason for this is that the demand for green products is constantly growing. The economy is therefore adapting and as a result, more and more green jobs are being created in all sectors of the economy. (UCEM, 2024)

Several environmental risks to the labor market exist nowadays worldwide. A new analysis of the Official Institutions Forum predicts that within the G20, several countries, mainly the US, UK, European Union, Saudi Arabia, Japan, South Korea, and Australia will experience severe labor shortages until 2030. A sudden loss of ecosystem services causes an enormous collapse and degradation of the environment and the labor markets, forcing people to look for other new work opportunities. Another concern is the strong impact of climate change on primary industries, such as forestry, fisheries, agriculture, and mining. Economies show a spike in unemployment because of the sudden loss of ecosystems, leading to a loss of demand and the risks of deflationary cycles for banks.

The increased frequency of heatwaves has led to 8% to 9% productivity losses in southern Europe, mostly in humid Global South areas, and up to 23% less labor supply in the United States. The consequences are more energy consumption due to the cooling system, lower revenue, and increased labor costs due to shorter outdoor work hours.

Due to this situation, there will be a rising demand for workers in green job sectors and at the same time a technical skill shortage necessary to deliver sustainable ambitions.

According to the ILO, green jobs are decent jobs that contribute to the preservation, restoration or improvement of the quality of the environment. They can be practiced either in traditional sectors such as industry, construction, agriculture, or in new and emerging green sectors such as renewable energies**. As it is already clear, the transition to a green economy presents us with vast opportunities for the labour force. These opportunities are being driven by a number of factors, including the increasing demand for renewable energy, the need to reduce carbon emissions, and the growing awareness of the importance of sustainability.

Some of the specific job opportunities in the green economy include, green Architects, energy efficient Consultants, or sustainable Financial Investors. In addition to these new jobs, the green economy is also creating demand for workers in traditional industries to retrain and upskill for green jobs. For example, workers in the fossil fuel industry can be retrained to work in renewable energy. This essentially prioritises sectors to become more inclusive, offering better wages, safer working conditions and including marginalised groups. Governments, businesses, and educational institutions all have a role to play in helping workers to find their place in the green economy. Governments can invest in education and training programs to help people acquire the skills needed for green jobs. As well as providing unemployment compensation and job placement services to assist workers displaced from high-carbon industries. Businesses can create new jobs by investing in green technologies and services. And educational institutions can offer programs that teach students about the green economy and prepare them for careers in this growing sector. Overall, the green economy is a very big opportunity for workers to find fulfilling and rewarding careers. The success of this transition hinges on strong policy frameworks that promote this unilaterally so that we can ensure that the green economy not only thrives but provides long-term, equitable benefits for all.

As the world economy moves towards sustainability, it is crucial to ensure that the labour force has the skills and support to adapt and prosper. Hence, the corresponding policy recommendations should be implemented to address the challenges and optimise the green economy's potential. To ensure a workspace capable of meeting the needs of the green economy model, training and education programs are crucial in providing workers with the necessary skills required for new and emerging sectors. (OECD Economics Department et al.,

2024) Numerous instances from across the globe demonstrate the green economy's strong employment potential and more specifically its capacity to enhance the quality of life for those who are most disadvantaged provided they can receive assistance in learning new skills. For example, by 2025, Guyana plans to achieve 100% renewable energy, creating jobs and investing in vocational training across various sustainable energy sectors. (ILO, 2022) Strategies for a fair transition must incorporate strong social safeguards, such as job placement services, reskilling programs and unemployment compensation, to lessen the effects on displaced workers and help individuals impacted by the fall of the high-carbon industry. (McDowall et al., 2023) Lastly, to promote economic growth in a greener model, governments and corporations should also put in place incentives for green job creation and innovation, such as tax cuts, grants and research funding. (Atalla et al., 2022)

The transition to a green economy marks an exciting yet challenging chapter for the global labor market. While it holds immense potential for sustainable growth and inclusive opportunities, it also brings risks of displacement and inequality. To navigate this shift successfully, a holistic and equitable approach is critical. Governments, businesses, and educational institutions must unite to create pathways for a just transition. This includes prioritizing education and reskilling programs, establishing robust social safety nets, and incentivizing green innovation to generate quality jobs. By addressing these challenges with foresight and collaboration, the green economy can evolve into a powerful force for sustainability and equity, paving the way for a more inclusive and prosperous future for all.

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