

# WORKING TOGETHER FOR A JUST TRANSITION



*This short pamphlet has been produced to launch the New Economics Foundation's new programme of work on the 'just transition'. Our interest is in the practicality of change: the policies, processes, narrative and investment needed to accelerate the UK's progress on 'just transition', here and now. Over the coming months and years we will be working at local and national levels to explore what is needed to build common cause and provide the right mixture of incentives and critical challenge to all parties to help unlock a new momentum for a 'just transition' for the UK.*

*It has been produced in association with the Friedrich-Ebert-Stiftung's London Office, part of the international network of FES. The London office was established in 1988 to promote better understanding of British- German relations. FES's work in the United Kingdom focuses in particular on the exchange of ideas and discussion on the following topics: common challenges facing Germany, the United Kingdom and the European Union; economic and social policy; experiences gained from differing regional and local policies and practices; and a continuing dialogue between politicians as well as between the trade unions in both countries.*

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# INTRODUCTION

**T**he end of the fossil fuel age is already underway. Global investment is flowing into clean infrastructure, the electrification of transport, and innovative new business models. The question is not whether nations firmly unshackle their economies from the legacy of a century of oil, coal and gas, but when.

The reality is that the twin imperatives of the starkness of climate science and the changing nature of the world economy mean that that this is likely to happen on a faster timescale than those who work in those industries, and the communities that depend on them, may be prepared for. Both the Government and Opposition have locked support for green jobs into the heart of their plans for industrial strategy.

While advocates of rapid climate action, trade unions, national and local leaders, and workers themselves all agree on the need for action, significant amounts of the UK's industry and economy are still dependent on fossil fuels. The reasons for this hook deeply into broader structural failings of the UK's economy as a whole – neoliberal economics; distrust between unions and Government; austerity; and the relative powerlessness of local places to shape their own clean future.

A 'just transition' is needed which proactively manages this inevitable shift in a way that respects not just

environmental urgency but also equality, social justice and democratic voice. This is because:

- Industrial transitions can be managed well or badly. Done badly, they devastate people and places, like Mrs Thatcher's dismantling of the coal mines in the 1980s. But done well, they offer an opportunity to deliver pioneering models for wider systemic reform – power, democracy and ownership – that would perhaps be impossible without that sense of urgency.
- The UK is already one of the most divided and regionally unequal countries in the world<sup>1</sup>. A new approach to economic development is needed that puts real power into the hands of places and communities to demand, design, and co-create healthy, sustainable and thriving local economies.
- No lasting solutions to national problems can be forced onto the people that they most directly affect. The scale of what is needed to decarbonise the UK economy means the age of pitting 'winners vs. losers' must end. Consensus, joint working, and a sense of shared endeavour are the only way that political support for radical decarbonisation can be seized and locked in.

## **POLICY MUST BE:**

- 1. PURPOSEFUL:** Delivering a collaborative and mission-led approach to industrial transition.
- 2. PLACE- AND PEOPLE-LED:** Putting elected local leaders and the communities they serve in charge, beneath an effective national framework.
- 3. ENABLING:** Backed by a series of institutions, investments and wider economic change.

# THE CLIMATE IMPERATIVE

**C**limate change is a profound social injustice. It is caused by the rich, and its impacts will be overwhelmingly visited upon the poor – within countries, as well as between them. It is a story implacably intertwined with the development and dominance of Western economies over the past century or more. And the latest warnings from the United Nations' IPCC are stark.<sup>2</sup> Global emissions will need to fall by 45% in little more than a decade if we are to avoid a temperature rise of two degrees, with the profound extra risks that carries for human health, ecosystems, and livelihoods. The fundamental motivation for radical and rapid action to cut carbon emissions across all economies should be that of intergenerational and international solidarity.

The need for a rapid move to a clean economic model for countries like the UK is only heightened by global economic forces. Technological change – from electric cars to renewable energy – continues to reshape global markets, energy systems, patterns of demand, and the path of development of some of the world's fastest-growing economies. Appropriately seized, this creates significant economic opportunity: the Government and Opposition have rightly placed the potential of

clean technology at the heart of their industrial strategies. The inherently decentralised and diffuse nature of 21st century energy technologies creates the potential for a fundamental shift in their ownership and control. And the co-benefits of action on climate include cleaner air, more abundant nature, and warmer homes. But while the need for transition is compelling, the timescale under which it may need to occur is far from comfortable for those it most directly affects.

For many, the phrase 'energy transition' carries unwelcome echoes of the 1980s, and the uncaring devastation wrought on coal mining communities. These wounds have not yet closed. And we have found that the phrase 'just transition', while widely understood and well-known, is treated with scepticism in some quarters. High-carbon workers report anecdotally that the phrase risks losing currency; a fig-leaf to conceal the desecration of work. Unless momentum is increased, the fear that 'just transition' is at best just a buzzword, and at worst disguises an agenda that undermines the fabric of people and communities, will not pass.

# THE TRANSITION CHALLENGE

**T**he most pressing need for a just transition is felt most directly in fossil-fuel-intensive industry.

Different industries face different pathways and choices. A car plant can switch from diesel manufacture to electric cars; a North Sea oil rig, however, does not have that option.

Specific, direct and urgent transition policies, processes and investment are needed for fossil fuel industries themselves. These models may look similar, to an extent, to the Spanish government's recent widely-praised €250 million transition deal for its coal mining industry (see box on page 6).

In reality, for a country with the high-carbon heritage of the UK, entire communities, ways of life, identities and even cities have been built around the economic boon that fossil fuels so long provided. Some communities, towns and even cities only exist in their modern form because of high-carbon jobs; the oil price crash, for example, saw Aberdeen's population fall by 15,000<sup>3</sup>. So while the place to start is probably to look directly at the industries themselves, the deeper just transition story is really one about the role of people in shaping the places in which they live and the work upon which they depend. So as well as industries themselves, a responsible approach to transition would also consider:

- The jobs required by the supply and value chains of the fossil fuel industry, such as their catering staff or components manufacturers

– and, conversely, the potential for the construction of a depth of supply chains within a thriving low-carbon UK economy.

- The still-broader network of economic activity within places that have high-carbon industry at their heart – for example, the B&Bs, retail parks or conferencing facilities that support Aberdeen's economic strength due to the oil industry.<sup>4</sup>

As the Grantham Institute on Climate Change notes, the just transition properly considered is thus not just ringfenced to particular industries; instead, it “covers the social and the spatial, highlighting the importance of place”<sup>5</sup>. Much of this work is that found within the ‘foundational economy’ – the beating heart of everyday economic activity: “the pipes and cables which connect households and providential services like health and care which citizens rely on.”<sup>6</sup>

A new economic future is needed for many parts of the UK that have long suffered from under-investment and support. Many, but by no means all, of these places will be affected by the decline of high-carbon industry.

Given the urgency of the climate crisis – and the legally-binding targets for reducing emissions in the UK's Climate Change Act – it is inevitable that low-carbon business and industry will be at the heart of industrial strategy. This applies to local economic plans just as much as national, provided these are enabled

and supported by Government. The local context matters: alongside necessarily technocratic tasks, such as mapping the local economy and profiling skills, meeting this means establishing human processes that involve local people and their representatives, including trades unions and community leaders, in the co-creation of strategy. These plans

will need to address the just transition as part of a locally-tuned response to major challenges such as the paucity of social care, the threat to jobs posed by new technology and the need not only for geographical economic rebalancing but for a shift from financialised to productive economic sectors.

## A JUST TRANSITION FOR THE SPANISH COAL INDUSTRY

In October 2018, the Spanish government won international plaudits for an agreement<sup>7</sup> with unions that will see €250 million invested in its northern coal mining regions over the coming decade. The deal, which will cover over 1,500 current jobs, gives miners over the age of 48 or with 25 years' service early retirement, and a €10,000 redundancy payment for younger workers. Funding will also be made available for the regeneration of former pit areas, with jobs principally earmarked for former miners, and improved infrastructure in mining communities. The deal was heralded by Montserrat Mir, the Spanish federal secretary for the European TUC, as a potential model for other countries to follow.

It is important, however, to note the

caveat that the deal was principally driven by an EU ruling that forbade the ongoing subsidy of loss-making coal mines – in Spain's case, beyond the end of 2018. Coal mines in Spain that are not being subsidised will not be covered by the deal.

The agreement highlights not just the importance of consensus between policy makers and workers and their representatives, but also more fundamentally the need for a non-negotiable, perhaps legal, deadline for action. Perhaps the lack of such deadlines is one of the main reasons that similar agreements are in short supply in other countries. And vice versa: the lack of consensus between key actors may be one of the most important reasons as to why those deadlines are not imposed by policy makers.



# DELIVERING DECENT WORK

**H**igh-carbon industry, often dominant employers within a local economy, usually provide jobs that are relatively high-paid and high-quality compared to the average. For the transition to be successful, both in terms of its acceptance and buy-in, but also as measured against any decent measures of social progress, new jobs must also be 'good' jobs. Findlay's 'four dimensions' of job quality are a useful yardstick to assess job quality<sup>8</sup>:

- tasks: such as the training available in work and physical working conditions
- employment: including levels of pay, opportunities for progression, and work/life balance
- relationships: such as perceptions of trust, fair treatment and confidence in management
- governance: relating to opportunities for meaningful involvement and voice as well as fairness and consistency in the workplace.

NEF and FES are strongly committed to the centrality of the union movement in delivering a stronger, fairer and more sustainable economy<sup>9</sup>. We believe that unions must be actively involved in shaping a programme of green industrial strategy, retraining and shaping. Individual and collective power in the workplace is a vital means to securing other 'good job' characteristics, and greater ownership by employees and meaningful corporate governance are central parts of the economic rebalancing that is essential for the UK's long-term prosperity<sup>10</sup>.

# THE ROLE OF GOVERNMENT

**P**olicy must take the urgency of climate and economic action head-on, and commit to leading while actively delivering a fair deal for those with the most to lose. This would be part of a permanent change in power relations between London and the regions, workers and businesses. To be successful this would require both 'bottom up' and 'top down' action: recognition that trust and locally-led action are as important as national leadership, but that the former will not happen rapidly or deeply enough without an unambiguous national framework for action and support. It must be:

## 1. PURPOSEFUL

DELIVERING A COLLABORATIVE AND MISSION-LED APPROACH TO INDUSTRIAL TRANSITION

Whether at national or local level, the 'just transition' is a domain often characterised by a lack of trust. Direction for industrial transition is vital, and this tends to work best when policy is conceived in broad collaboration between decision makers and affected stakeholders. Meaningful involvement between all stakeholders affected by industrial strategy can be key to a lasting and socially just transition, but deep attention must be given to how to build enthusiasm, trust, common cause and enduring social benefit.

Transition must be given a clear

timescale, to enable a bankable and long-term plan to be put in place. This can be seen in part by contrasting experiences in the Welsh Valleys during the 1990s with those in other parts of the world. Following abrupt pit closures, jobs were created quickly through short term overseas investment in low value added employment<sup>11</sup>; the transition therefore contributed to an increased propensity for low-skill, low-productivity jobs with low commitment from firms to the local area. Many companies departed during the 1990s and 2000s, leading to a further 31,000 job losses in the medium term. Contrast this with the German policy approach in the Ruhr valley, where a longer lead-in time enabled extensive R&D and the creation of a highly productive renewable industry with significant export potential.

With every passing day without a decent set of local and national transition plans, the window closes for building action on a timescale that enables long-term investment. It must after all be remembered that underpinning the Spanish agreement of transition for coal mines (see box on page 6) was a hard EU policy deadline.

Government must also close the gap between its domestic low-carbon aspirations and policy commitments. The Committee on Climate Change has been very clear that tougher standards and better policy are needed in the short-term to keep action on track and set the right signals to

consumers and industry<sup>12</sup>.

The near-term effectiveness of the UK's Climate Change Act in directing investment to clean industry across the UK is undermined by very long-dated government targets, such as the 2040 ambition for the end of the internal combustion engine. Implicit and explicit carbon intensive subsidies and support must be phased out to an ambitious and clear timetable, or redirected to underpin the transition; a US study mapping jobs in the coal industry to jobs in photovoltaics calculated that retraining workers would cost only 5% of the government aid that the industry received between 1994 and 2008<sup>13</sup>.

## 2. PLACE-AND-PEOPLE LED

PUTTING ELECTED LOCAL LEADERS AND THE COMMUNITIES THEY SERVE IN CHARGE, BENEATH AN EFFECTIVE NATIONAL FRAMEWORK

If there is one lesson from successful past transitions, it is indeed that short-term plans are unlikely to hold. Lessons from a study of ex-miners in Selby, North Yorkshire, suggest that offering only limited support and training in poor quality alternative jobs results in poor outcomes for people and their communities, with high levels of unemployment<sup>14</sup>. While schemes have been developed in the UK to help workers transfer existing skills and formal qualifications for use in the offshore wind industry<sup>15</sup>, such approaches to transition are in

general challenging in more centralised countries such as the UK where minimal resources and decision making powers are devolved to regional and local government<sup>16</sup>. Plans must be built around the long-term aspirations and complexities of people and place, co-designed with affected communities and workers. This is emphatically not a case of allowing national Government to pass the buck to local areas; significant parts of what must be done will remain in the power of ministers. But different regions and industries will need very different responses<sup>17</sup>.

Within clear national-level policy parameters and deadlines, significant power should be devolved to city-regions, national governments and other appropriate local areas. One approach could be to mirror the example of the Scottish Government's Just Transition Commission by establishing ten such commissions in the areas most directly facing transition challenges – such as Aberdeen, Port Talbot in South Wales, or the automotive manufacturing cluster of the West Midlands.

## 3. ENABLING

BACKED BY A SERIES OF INSTITUTIONS, INVESTMENTS AND WIDER ECONOMIC CHANGE.

Locally-led, nationally-enabled transition plans will need locally-led, nationally-enabled finance. Supporting an area through a successful transition requires investment in the people in the region as well as capital projects. NEF has proposed, for example,

breaking up the Royal Bank of Scotland into a network of local banks with a specific mandate to lend for socially and environmentally productive programmes and initiatives within localities<sup>18</sup>. Some work is underway to examine whether patient finance, such as pension funds, might become investors in local economies<sup>19</sup>, which links in with the work recently launched by Professor Nick Robins at the LSE Grantham Centre<sup>20</sup>.

A just transition will require a guarantee of affordable and secure

homes for all, to enable job-moves when appropriate. In a context of over one million council homes being lost since the 1980s, an important part of ensuring regional resilience is likely to be a comprehensive social house-building programme, acquiring affordable land for public good, and a secure and affordable private rented sector. Part of a steady transition could also involve the managed reduction of working hours, as advocated by NEF as part of our '21 hours' programme<sup>21</sup>.

# CONCLUSION

**A**dvocates of rapid climate action can sometimes appear at best insensitive, or at worst indifferent, to what the implications could be for people and places of the policies they propose. From a practical standpoint alone, this is self-defeating. The reality is that in a democracy no change as deep as that required to end the fossil fuel age within half a generation can be forced through. It needs a mandate and to go hand-in-hand with a new deal that closes the gaps between the UK's haves and have-nots; or it won't happen, won't happen fairly, or will happen too slowly. Trade unions are integral to this process, but must be in a position to lead the transition with the urgency required, with the support of a concrete plan from the government for maintaining – and enhancing – the

livelihoods of affected workers and communities.

The Scottish Government's pioneering Just Transition Commission, established in 2018, is an exciting model. It has been supported by a long-standing collaboration between Scottish environmental NGOs and unions, and was proposed as a mechanistic underpinning to help deliver the Scottish Climate Change Act and decarbonise its economy. A similar model should be adopted as a matter of urgency for the rest of the UK, where it may be practical to take a similarly geographically-defined scope for action. What is essential is that those leading such a process have the powers and support that they need to deliver the investment and packages of support that are needed.

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**WWW.NEWECONOMICS.ORG**

info@neweconomics.org

+44 (0)20 7820 6300 @NEF

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**WRITTEN BY:**

David Powell, Alfie Stirling and Sara  
Mahmoud

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