ARTICLE 6

Strengthening Social Protection Through Government Policy

Governments can play an essential role in ensuring an orderly transition and in mitigating the social and financial impacts of the associated changes.

KEY TAKEAWAYS

- Governments can deploy a mixture of passive and active policies to mitigate risks connected to the transition from fossil-fuel industries to renewables.
- Social protection schemes currently are heavily underfunded globally.

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Government policy is a fundamental component of a just transition from fossil fuels to renewable energy. When it comes to safeguarding vulnerable workforces, social protection mechanisms can include both passive and active benefits.

- **Passive benefits** include income support, employment subsidies, and schemes for self-employment and micro small to medium-size enterprises (SMEs).
- **Active labor market policies** (ALMPs) include reskilling and training programs, job protection and re-employment services, or even "cash for public work" programs offering immediate financial relief and employment.

"While governments can't do everything, they should focus on social protection. However, more than half of the world's population lacks social protection, which is a staggering statistic," says UN SDG Academy's Lorcán Hall. "Most of that is in the developing world, where almost all employment is informal, and governments aren't collecting taxes that they can use to create social protection safety nets. So, while social protection is critical, we must also consider that it doesn't exist for many people."

China introduced one of the most comprehensive social protection frameworks when 28.2 million workers — more than 15% of the urban labor force — were laid off between 1998 and 2003.[20] The Chinese government introduced a three-guarantee-lines strategy, which included an early retirement program for workers within 5 years of the retirement age, a re-employment program backed by public and enterprise funds, and an income support benefit system for those who could not find work.

However, schemes like these remain heavily underfunded overall, with the International Labor Organization (ILO) estimating that active labor market policies don't exceed 0.6% of gross domestic product in any global region. Indeed, no social protection at all is in place in many low-income countries.

Social insurance initiatives tend to require employee contributions and are beyond the financial reach of those working in informal sectors, leaving significant portions of the developing world's population without coverage.

Fiscal reforms, such as using revenues from carbon pricing to fund social expenditures, can also support social protection. However, these reforms must be carefully integrated into social protection design to avoid unintended consequences, such as exacerbating inequality.[21] For example, national carbon taxes can disproportionately impact the poorest households by reducing income and increasing consumption costs.

Mitigating social risks and promoting resilience through government policy

Governments can play a critical strategic role in ensuring an orderly transition.

In this context, they might provide clear policy and guidance to mitigate social risks associated with business closures, invest in social protection and resilience-building measures, and engage in ongoing dialogue with stakeholders during the planning, execution, and aftermath of these transitions.

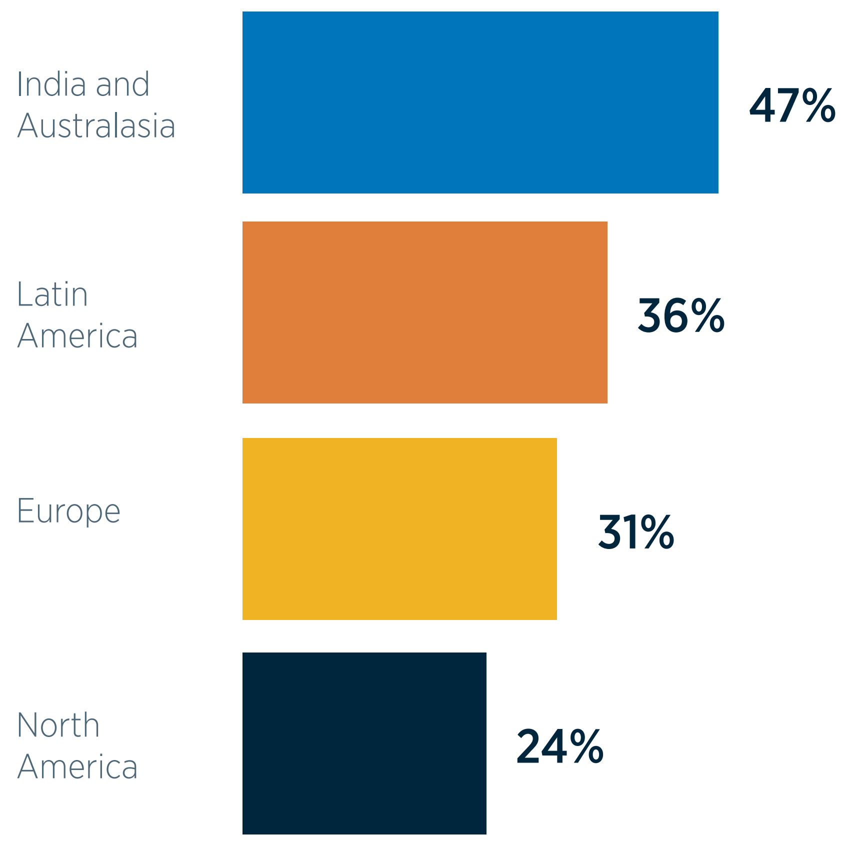
"A just transition will have little meaning without social protection and accompanying measures in place," says the ILO's Mia Seppo. "Jobs will probably disappear and appear in different places at different times, so data and tools will be needed to manage skills anticipation. We also need to update skills development programs to protect groups that may have had very poor access to labor markets in the first place."

Governments that embed social protection and just transition considerations into their efforts to scale the energy transition are better equipped to achieve ambitious targets.

For example, Denmark's commitment to achieve net zero by 2025 includes a pledge to ensure a just transition for impacted regions and for the approximately 4,000 workers directly and indirectly employed by the oil and gas industry. Its strategy includes exploring opportunities to use old oil and gas wells for carbon capture and storage and to electrify existing oil and gas production to minimize job losses.

54% OF EMPLOYEES OVERALL THINK IT UNLIKELY THEY WILL RECEIVE GOVERNMENT SUPPORT FOR SOCIAL AND FINANCIAL PROTECTION DURING THE TRANSITION.

EMPLOYEES EXPECTING GOVERNMENT SUPPORT FOR SOCIAL AND FINANCIAL PROTECTION DURING THE TRANSITION



Europe and North America employees are particularly skeptical that government help will be provided.

Putting people at the heart of the transition – the Spanish model

The Spanish experience offers an example of how a just transition can be achieved when financial safety nets and other incentives are put in place.

All of Spain's coal-fired power plants have either been closed or are in the process of being decommissioned under the country's National Integrated Energy and Climate Plan. Its initial deadline of 2030 was brought forward to 2025, with an 80% reduction in greenhouse gas emissions from coal-fired generation between 2018 and 2022 as coal's share of the electricity mix dropped substantially.[22]

The government decided to put people at the heart of the transition, pledging hundreds of millions of euros of investment in mining communities to support business and clean energy initiatives. The program includes early retirement for miners over the age of 48, retraining for green jobs, and environmental restoration within former collieries. The model is backed by the trade unions and — 3 years on — is being held up as a benchmark for others to adopt.

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REDUCTION IN GREENHOUSE GAS EMISSIONS BETWEEN 2018–2022