



23 March 2015

### **EP Employment Committee hearing on the Commission's Communication on**

### **"The Green Employment Initiative: tapping into the job creation potential of the green economy" (COM 2014-446)**

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Ladies and Gentlemen,

Thank you very much for your invitation to make a contribution on how business sees the challenges linked to promoting green jobs. This is a subject that businesses of all sizes have to tackle together, and I will treat it in that light. However, this subject raises some specific SME issues that I will also touch upon.

The subject of enhancing the creation of green jobs is extremely wide. We do not talk only about the jobs created in the narrow sector of the so-called eco-industries. In line with the UNEP definition of green jobs, we talk in fact of the many positions in agriculture, manufacturing, construction and services that contribute substantially to preserving environmental quality. Specifically, but not exclusively, this includes jobs that help to reduce energy, materials, and water consumption and decarbonize the economy.

There are many approaches for defining an action agenda for promoting green jobs. In its Communication on "The Green Employment Initiative: tapping into the job creation potential of the green economy", the Commission proposed 4 policy responses. Mrs Lambert, as EP Rapporteur, proposes to go for a comprehensive action agenda, with 26 strategic action lines.

In BUSINESSEUROPE's view, this action agenda should have two main components:

- A first component that I would call "the pre-requisites".
- And a second component of practical measures that are useful for fostering the development of low carbon and clean tech solutions, and to maximize the creation of jobs in this area.

In the last part of my contribution, I will comment on elements that BUSINESSEUROPE does not consider as being sufficiently relevant or sufficiently tested for being included in this agenda.



## The pre-requisites.

Putting a demarcation line between so-called “green industries” and the rest of industry is not possible, given the strong technological interpenetration of all sectors, and their strong economic interdependency.

A basic condition for having more green jobs in Europe is to have a stronger industrial base in Europe. So, the first pre-requisite on our list is a better mainstreaming of industrial competitiveness in the Commission overall policy agenda. This should happen through the definition of an EU industrial policy roadmap, which is unfortunately absent from the Commission 2015 Working Programme. This raises serious concerns in business circles, given the previous announcements made on this issue.

This industrial policy roadmap should include actions such as:

- helping firms to take up the key enabling technologies that will radically change industrial production in the years to come;
- ensuring coherence between EU policies in the areas of energy, environment and industrial competitiveness. We need in particular to ensure that energy costs for industry remain affordable;
- and helping SMEs to plug into value chains beyond their border.

This last element is particularly important because the huge global markets linked to environmental technologies will increasingly be served by strong global value chains. These value chains are lead by large global “frontrunners”, which have an important carrier function because they offer platforms for other firms to integrate in the chain. As a result, domestically oriented SMEs and service providers also have the chance to tailor their products to suit world demand and benefit from global growth. SMEs can also significantly enhance their innovation capacity by cooperating along the value chain.

Today, the average European country has more than 50% of its exports integrated in transnational value chains. But looking at the EU as one economy, only 30% of its exports are part of global value chains. This shows that Europe does not make optimal use of the value chain instrument for penetrating foreign markets.

The current debate on designing a modern EU industrial policy should result in a much more business- and innovation-friendly framework, enabling more large Europe-based companies to act as frontrunners. This economic framework should also enable ever more SMEs to reach a sufficient level of efficiency and of “technological readiness” to be attractive to join forces with the frontrunners.

A second prerequisite is the completion of the internal market for services, which is needed to facilitate the expansion of services involved in green solutions, and in supporting industrial activity in general. There is still a lot to do on that front.

And a third prerequisite is to improve the climate for investment in Europe. Investment are 20% below pre-crisis levels. Europe faces a 500 billion Euro investment gap.



### Practical policy measures

BUSINESSEUROPE attaches great importance to the following:

First, the definition and implementation of national and regional skill development strategies with a strong involvement of the social partners.

It is important that education and training is better aligned with labour market needs and this includes adapting to the new technologies and production processes and means of service provision that might fall under the scope of “green employment” . To achieve this alignment and adaptation, employers’ organisations and companies need to be more involved in the design and delivery of education and training curricula at the initial level. When it comes to life-long learning or in-company training, the essential point for BUSINESSEUROPE is that such training must be linked to the companies’ needs and to the job performed by a worker in the company. This type of training also needs to be provided on a cost sharing basis between employer and government, and not just for the company to pay.

Skill development strategies are particularly important for smaller businesses, which may not have a systematic skill strategy in place, running thereby the risk of ignoring some important trends in skills.

As a second action item, we propose that, at European level, existing initiatives such as the sector skills councils, the sector skills alliances and the classification of European skills/competences, qualifications and occupations (ESCO) are continuously reviewed in a coordinated way to ensure that they are practical and add value.

Third: make efficient use of EU funding available for education and training, in particular for promoting dual-learning apprenticeship systems. The European Social Fund should give seed funding for helping interested countries to introduce such systems.

Fourth: provide capacity building in the area of green public procurement

Fifth: provide support to SMEs through initiatives such as the Green Action Plan for SMEs. Here, we recommend to prioritise measures such as:

- Sharing of successful public policy initiatives at EU level
- Creation of tools aimed at encouraging SMEs to develop themselves green initiatives and/or to take on further advisory services
- Support to the development of innovative business concepts
- Support to facilitate the marketing of green products/services in global markets
- Capacity building/mentoring for companies willing to implement green solutions in some areas (for example, with the help of support services connected to the EEN)
- Development of special EIB loans/guarantees geared to resource efficiency investments in SMEs.



### Policy approaches with which BUSINESSEUROPE has strong reservations

The first idea that we see as problematic is putting a shift from labour to environmental taxation in the center of the strategy for promoting green jobs.

Let me first put things in context, and underline that BUSINESSEUROPE is open to the discussion of well-designed market instruments for the protection of the environment, which meet a number of criteria such as environmental effectiveness and economic efficiency.

But the idea that a shift from labour to environmental taxation could generate “double dividends” in environment and employment terms is very controversial. Research shows that such double dividends are not likely to occur, unless very specific assumptions are made concerning the tax structure and the way the economy is functioning. As a consequence, consensus opinion now holds that environmental taxes should be used exclusively to correct environmental problems, whereas employment issues should be handled with instruments that are specific for this area.

Another problem with the double dividend approach is that it can easily jeopardize the goal of restoring Europe’s industrial competitiveness. This would be typically the case with ambitious energy tax reforms. There are large differences in the taxes bases for energy taxes and for labour taxation. Hence, not much can be achieved in terms of reducing labour taxation by raising green taxes.

In that context, the idea of using the auctioning revenues from the Emission Trading System for lowering labour taxation is seen as problematic by BUSINESSEUROPE. All ETS auctioning revenues should be used efficiently to assist the decarbonisation of European industry without impairing its international competitiveness.

Another point we would like to stress is the need to avoid the development of artificial target-based policies. Of course, it is difficult to talk of targets in abstract terms. But it is a fact that in a number of areas, like resource efficiency, there has been a temptation to consider very simple numerical targets such as a universal resource productivity target, recycled content in materials or a limitation in the use of specific resources for their criticality. Using regulatory approaches based on such binding targets could seriously jeopardise innovation and lead to less sustainable alternatives. So, consideration of targets should not be launched before a broad consensus is reached on accurate and reliable methodologies and indicators to measure resource efficiency improvements, etc.

In this context, it is worthwhile underlining that significant improvements have occurred at national and European level when using indicative targets, for example for renewable energies.

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