

# Fit for 55 climate package: Impact on EU employment by 2030

## Introduction

One of the core strategic objectives of the EU is to ensure that Europe becomes the first climate-neutral continent, with net zero greenhouse gas emissions by 2050. Carbon neutrality is an ambitious objective that requires large investments sustained over time. In particular, it will require dramatic changes in the way we source and use energy. The impacts of the policies required to achieve the green transition will vary considerably among sectors, and will affect countries' income and employment levels and the composition of employment, creating employment in some sectors and destroying it in others. In July 2021, the Commission adopted a package of proposals to make the EU's climate, energy, land use, transport and taxation policies fit for reaching the 55% emission reduction target by 2030: 'Fit for 55'. In this report, we provide projections from a global macroeconomic model of how the Fit for 55 policy package may affect the territorial, sectoral and occupational structure of employment in the EU by 2030.

## Policy context

In the EU's aim to become carbon-neutral by 2050, 2030 is a critical staging post. In 2021, EU policymakers adopted more ambitious intermediate decarbonisation objectives than before, and updated policies accordingly. The principal objective of the Fit for 55 policy package is to achieve a 55% reduction in greenhouse gas emissions compared with 1990 levels by 2030 (the prior target was a 40% reduction). The Fit for 55 package is a complex package of proposals that operates on many fronts; it extends the scope of the EU Emissions Trading System, revises upward targets for renewable energy use and energy efficiency, puts in place a carbon border adjustment mechanism and tightens emissions standards for cars and vehicles.

The package is also an evolving set of policy commitments. For example, in 2023 the Council of the European Union and the European Parliament have agreed provisionally to further strengthen the contribution of renewables to overall energy consumption by 2030 (to 42.5% from 40 indicated in 2021, up from 32% in 2018). Anticipating the impact of developing EU climate policy on the composition of employment in EU labour markets provides essential data to policymakers tasked with ensuring that the green transition is a just transition.

## Key findings

- Most projections of employment impacts of decarbonisation policies in the EU show very modest net gains, rarely much more than 0.5% compared with the baseline.
- According to our estimates based on the GEM-E3-FIT macroeconomic model, the employment impacts of the main Fit for 55 policies are likely to be marginally positive at EU aggregate level in the main model specification. A net 204,000 jobs are projected to be created in the EU Member States as a result of the Fit for 55 package, in addition to the baseline employment growth of 6.7 million net new jobs between 2019 and 2030.
- The employment effects vary across regions and countries based on their reliance on carbon-intensive industries on the one hand and their capacity to take advantage of greening opportunities on the other. Negative employment effects are more likely in some central and eastern European countries (for example, Poland and Romania) and regions with relatively high shares of workers still working in extractive industries; positive employment effects are projected in southern European countries (in particular, Spain and Italy) and regions with natural endowments (wind and sun), developed energy efficiency infrastructure and capacity to manufacture renewable energy equipment.

- With jobs in both energy efficiency improvements and renewable energy capacity development, the sector likely to benefit most in terms of employment is construction. There will also be increased employment in market services as relative prices favour a shift in the structure of the economy towards ‘cleaner’ sectors, reinforcing the employment shift to the services sector.
- While employment overall is projected to improve towards 2030, the small boost to employment forecast for Fit for 55 tends to occur in medium-low and medium wage jobs that do not require tertiary qualifications.
- Projected employment impacts are sensitive to the details of policy implementation. Potentially greater gains in both output and employment may arise in a context of dedicated climate-related fiscal policies where carbon revenues are recycled in order to reduce labour taxes. Such revenues may also assist with the retraining necessary to facilitate employment reallocation to less carbon-intensive sectors and occupations.
- The source of finance for the large capital investment required by the green transition is also an important determinant of whether Fit for 55 policies will be employment-positive or -negative in practice. When funds are available without the need to crowd out existing investment plans, the macroeconomic implications are positive. However, when the financing of greening investments is not loan-based, both output and employment are projected to decline, albeit marginally.
- Policies aimed at lowering greenhouse gas emissions will have differential impacts on employment by sector and by occupation, increasing the demand for some jobs and decreasing it for others. They have to work hand in hand with education, training and employment policies in order to prepare workers with the required skills and competencies to contribute to the collective decarbonisation effort.

## Policy pointers

- Even though overall employment projections for 2030 arising from Fit for 55 are mildly positive, the absolute employment impacts of Fit for 55 policies are higher in the regions negatively affected – for example, in Polish and Romanian regions with a relatively high share of employment in mining and extractive sectors – while positive employment impacts are more dispersed across regions. This supports the rationale for region-focused funding of supportive measures, such as the territorial just transition plans.

### Further information

The report *Fit for 55 climate package: Impact on EU employment by 2030* is available at <https://eurofound.link/ef23009>

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