

Executive summary

Labour markets have proved resilient in the wake of adverse shocks

Labour markets have continued to perform strongly in the past year, with many OECD countries seeing historically high levels of employment and low levels of unemployment. In most countries, employment rates improved more for women than for men, compared to pre-pandemic levels. With few exceptions, labour force participation rates continued to increase, especially among older adults. Labour market tightness is easing but remains generally elevated.

Real wages are growing but remain below 2019 levels in several OECD countries

Real wages are now growing in most OECD countries, generally driven by a decline in inflation. Yet, they are still below their 2019 level in several countries. Thanks to significant nominal increases in statutory minimum wages, real minimum wages are above their 2019 level in virtually all OECD countries. As real wages are recovering some of the lost ground, profits are beginning to buffer some of the increase in labour costs. Yet, in many countries, there is room for profits to absorb further wage increases, especially as there are no signs of price-wage spiral.

Job quality was generally better in 2022 than in 2015

Both earnings quality, which accounts for the level and distribution of earnings, and labour market security, which accounts for the role of public unemployment insurance in mitigating the cost of being and staying unemployed, improved across the OECD between 2015 and 2022. However, these data do not yet fully include the effect of the cost-of-living crisis on real wages, which materialised especially in 2023. Job quality data also show that in 2021 some 13% of workers experienced job strain (insufficient job resources to face job demand) on average.

The net-zero transition will reshape the labour market

OECD countries are adopting ambitious climate change mitigation packages aimed at achieving net-zero greenhouse gas (GHG) emissions by 2050. This transition will have profound impacts on the labour market and on the jobs of millions of workers. Aggregate employment effects are estimated to be limited in the short run, but many jobs will be lost in the shrinking GHG-intensive industries, while many others will be created in expanding low-emission activities. Many jobs will also be transformed as tasks and working methods become greener. Climate change will also affect labour demand and working conditions, mainly through rising temperatures and more frequent extreme weather events.

About 20% of the workforce is in jobs that will likely expand due to the net-zero transition

Across the OECD, about 20% of the workforce is employed in green-driven occupations – i.e. occupations that will likely be positively impacted by the net-zero transition. These also include jobs that do not directly contribute to emission reductions but produce intermediate goods and services for environmentally sustainable activities. Green-driven occupations are a heterogeneous group of jobs: new and emerging occupations are typically high-skill jobs (i.e. managers, professionals and technicians) and employ highly educated workers in urban areas, while the other green-driven occupations employ many more low-educated workers in rural areas. High-skill green-driven jobs usually pay higher than average wages, but low-skill green-driven jobs tend to have worse job quality than other low-skill jobs, suggesting that, currently, they may be a relatively unattractive option for low-skilled workers.

Job displacement from high-emission industries is costly

Workers in shrinking high-emission industries – which account for 80% of the GHG emissions but only 7% of employment – face 24% larger earnings losses over six years after job displacement than those dismissed in other industries. This is due to the specific composition of firms and workers in these sectors, including a larger proportion of routine-manual work and firms that pay higher wages than what displaced workers can find elsewhere. Cross-country differences in displacement costs mainly reflect structural differences in the difficulty of finding another job and the functioning of labour markets, which are related to the presence (or absence) of effective and coherent labour market policies that facilitate labour market transitions.

Skill requirements between GHG-intensive and green-driven occupations are similar, but low-skilled workers need substantial retraining

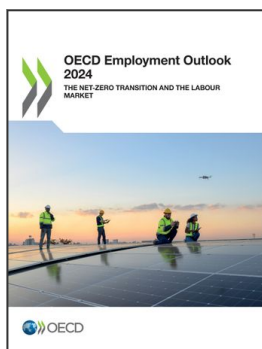
The most required skills for green-driven occupations are those linked to the knowledge economy, such as critical thinking, monitoring, active learning, complex problem solving and decision making. Furthermore, newer jobs emerging because of the transition demand higher proficiency across all skills compared to established green-driven occupations. While most high-skill GHG-intensive jobs share similar skill requirements with occupations in non-polluting industries, this is less the case for low-skill jobs. Low-skilled workers will, therefore, require substantially more reskilling efforts than high-skilled workers to move out of emission-intensive occupations.

Developing policies to facilitate job transitions and support workers is key

Policy makers have various tools at their disposal that can help facilitate job transitions, foster job opportunities, and support displaced workers. Beyond well-designed out-of-work income-support schemes, early intervention measures targeted at workers at risk of dismissal can limit the incidence and consequences of job displacement. Effective training programmes are needed to enable transitions out of emission-intensive occupations or into green-driven occupations and to upskill existing workers faced with new tasks, as businesses move towards sustainable production processes. Targeted policy attention is, however, needed to address diversity in training needs. Targeted in-work support approaches, such as wage insurance schemes, may also be a complementary tool when workers are offered lower wages than before displacement.

Workers and households will also be affected as consumers, but carbon pricing does not need to have adverse distributional outcomes

Low-income and rural households usually spend more on goods and services with larger carbon footprints, such as energy and food, because they are typically necessary goods. Therefore, climate-mitigation policies, by increasing the relative price of carbon-intensive goods, will tend to affect these households as consumers disproportionately, with a strong impact on the real value of their income and wages. Recent carbon pricing reforms in many countries have indeed proved regressive. Recycling the revenue of carbon taxes in the form of transfers to households, however, can make this type of reforms progressive. Yet targeting these transfers to household needs is key for cost efficiency.



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