



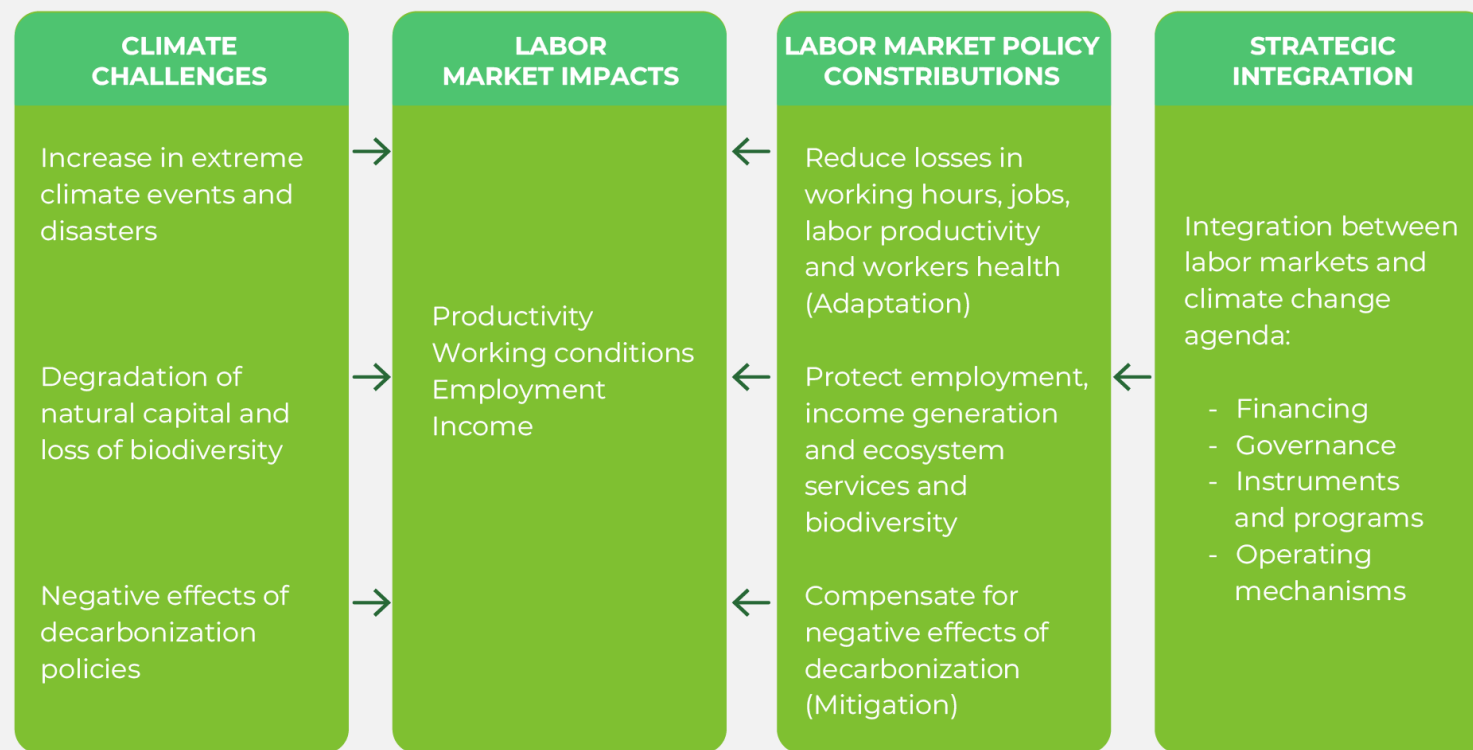
LABOR MARKETS AND CLIMATE CHANGE: How to adapt labor market policies and improve employment opportunities?

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INTRODUCTION: IDENTIFYING THE MAIN EFFECTS OF CLIMATE CHANGE ON THE REGION'S LABOR MARKETS

After a robust recovery in 2021 and 2022 following the economic downturn caused by the COVID-19 pandemic, Latin America and the Caribbean is facing a less promising growth outlook for 2024. In this challenging context, climate change is increasingly affecting the region's labor markets.

CHALLENGES OF CLIMATE CHANGE AND THE ROLE OF LABOR MARKET POLICIES: A THEORETICAL FRAMEWORK

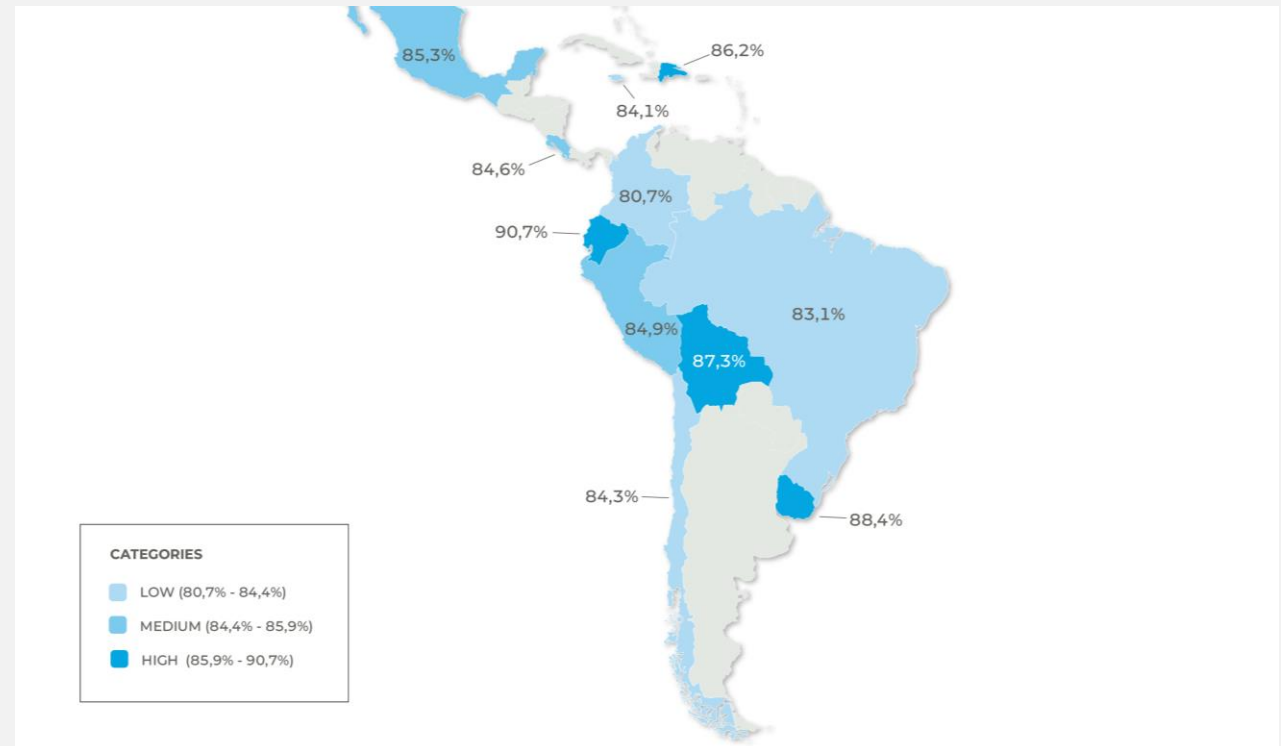


THE CHALLENGE: CLIMATE CHANGE AND LABOR MARKETS

Climate change affects labor markets in several important ways.

1. **Rising temperatures**, extreme weather events, and pollution: impacts on jobs, working hours, the health of workers and labor productivity.
2. **Degradation of natural capital** and loss of biodiversity: threats to jobs that rely on natural resources.
3. **Policies to decarbonize** the economy: creation, substitution, elimination, and transformation/redefinition of jobs.

DISTRIBUTION OF NON-GREEN EMPLOYMENT IN LATIN AMERICAN AND CARIBBEAN COUNTRIES (% OF THE EMPLOYED POPULATION IN EACH COUNTRY)



Source: Author's own calculations from household and employment surveys of respective countries.

CLIMATE CHANGE AND ITS IMPACT ON WORKERS

GREEN SOCIAL AGENDA

Projected temperature increases will make heat stress more common, reducing working hours globally by **2% by 2030**

Heat stress could cost **2.5 million** jobs in LAC by 2030

South America is expected to lose **1.6 million** full-time jobs, followed by Central America and Mexico at **800,000** and the Caribbean at **100,000**

Labor productivity in various cognitive tasks drops by about **2% per degree Celsius** over a threshold of 25°C

CLIMATE CHANGE AND ITS IMPACT ON WORKERS

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The transition to net-zero will have large impacts on the region's labor markets, with four key impacts on jobs: creation, substitution, elimination, and transformation/redefinition.

Currently, 13% of the workers in LAC could be part of the green economy, ranging from 19% in Colombia to 9% in Ecuador

The transition to a more sustainable economy can create up to **15 million net jobs** in LAC by 2030.

Upskilling and reskilling policies will be particularly important to ensure a just transition in the region.

THE OPPORTUNITY: COMBINING LABOR MARKET POLICIES WITH THE CLIMATE CHANGE AGENDA

LABOR MARKET POLICIES TO TACKLE CLIMATE CHANGE CHALLENGES

There are two types of labor market policies that can be used to mitigate the negative effects of climate change in the labor markets.

Type of policies	Main Strategies		
	Extreme climate events and disasters	Degradation of natural capital and biodiversity loss	Decarbonization policies
Active policies (PAML)	<ul style="list-style-type: none"> - Labor intermediation - Training - Subsidies for employment in companies - Entrepreneurship programs 	<ul style="list-style-type: none"> - Labor intermediation - Training - Subsidies for employment in companies - Entrepreneurship programs 	<ul style="list-style-type: none"> - Labor intermediation - Training - Subsidies for employment in companies - Entrepreneurship programs
Passive policies (PPML)	<ul style="list-style-type: none"> - Temporary employment - Unemployment insurance - Other passive labor market policies (tax credits, moratorium on social security payments, etc.) 	<ul style="list-style-type: none"> - Temporary employment - Unemployment insurance 	<ul style="list-style-type: none"> - Temporary employment - Unemployment insurance

Source: Own elaboration. Text in bold indicates the most relevant policy tool to be used for each type of event.

THE OPPORTUNITY: COMBINING LABOR MARKET POLICIES WITH THE CLIMATE CHANGE AGENDA

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While there are opportunities for labor market policies within climate change action, **there remain major challenges and gaps in knowledge about the best policy options that can be implemented.**

- 1) Labor market policies **and responses to extreme climate events and disasters.**
- 2) Labor market policies **and the conservation and restoration of natural capital and biodiversity**
- 3) Labor market policies **and policies to mitigate the negative effects of decarbonization**

RESHAPING LABOR MARKET POLICIES: KEY OPTIONS

We propose several recommendations to strengthen labor market policies' strategic and operational dimensions and align them with the region's climate goals in terms of:



Financing



Governance



Instruments
and programs




Operational
mechanisms

RESHAPING LABOR MARKET POLICIES: KEY OPTIONS

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	Stronger labor market policies in the face of rising temperatures, extreme weather events, and pollution	Stronger labor market policies in the face of degradation of natural capital and loss of biodiversity	Stronger labor market policies in support of decarbonization policies
Financing 	Develop quick and actionable contingency funds for labor market policies in the event of emergencies.	Finance innovative labor market interventions through existing international and national climate funds supporting conservation and restoration of natural capital.	Finance compensation measures through environmental tax reform and recycling revenues to reduce labor costs.

RESHAPING LABOR MARKET POLICIES: KEY OPTIONS

	Stronger labor market policies in the face of rising temperatures, extreme weather events, and pollution	Stronger labor market policies in the face of degradation of natural capital and loss of biodiversity	Stronger labor market policies in support of decarbonization policies
 <p>Governance</p>	<p>Create governance mechanisms with organizations with expertise in disaster preparedness, response, and recovery to develop frameworks and processes that enable planned and orderly use of labor market policies in response to shocks and disasters.</p>	<p>Enhance governance mechanisms to promote coordination between ministries of labor, employment agencies, and environmental agencies to integrate conservation and restoration plans with labor market policies.</p>	<p>Establish governance mechanisms with public institutions, social partners and private sector to coordinate decarbonization, economic, and employment goals as well as various public agendas in labor market policy design and implementation to ensure a just transition.</p>

RESHAPING LABOR MARKET POLICIES: KEY OPTIONS

Stronger labor market policies **in the face of rising temperatures, extreme weather events, and pollution**

Stronger labor market policies **in the face of degradation of natural capital and loss of biodiversity**

Stronger labor market policies **in support of decarbonization policies**

Instruments and programs



Integrate **information and tools** on labor markets on post-disaster assessment frameworks.

Invest in adapting and **strengthening labor market policies** and improving institutional frameworks that can be used to respond to climate shocks.

Assess the effectiveness of **shock-responsive** labor market policy investments.

Pilot and evaluate interventions that combine labor and environmental objectives.

Develop skills training programs for sustainable resource management.

Labor market policies are crucial in **addressing decarbonization challenges**. This involves broadening coverage, utilizing both passive and active policies, creating analytical tools for informed decision-making, conducting ex-post evaluations, and assessing the impact of investments in labor market policies.

RESHAPING LABOR MARKET POLICIES: KEY OPTIONS

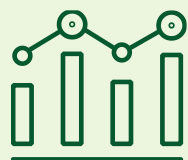
GREEN SOCIAL AGENDA

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Operational mechanisms



Strengthen and adapt operating mechanisms to respond to climate emergencies, including social-information and payment-transfer systems. This includes broadening the coverage of beneficiary registries by incorporating informal workers and unemployed people.

Strengthen labor market information systems to identify and promote job opportunities that prioritize natural capital and biodiversity conservation.

Develop new operating mechanisms to scale up labor market policies seasonally and with the flexibility required to adapt to changing economic and labor market conditions.

Strengthen labor market information systems **to guide workers and employers navigating the green transition..**

THE IDB IS SUPPORTING COUNTRIES

Argentina, Chile, and Uruguay are experiencing historically dry weather, which threatens their main productive sectors. With the support of the IDB, **they are creating a roadmap to address these challenges in the medium and long term.**



Action steps include:

- **Identifying economic subsectors** with green development potential.
- Developing guidelines for prefeasibility studies and **skills demand anticipation.**
- Imparting virtual and in-person **training and certification of green skills.**

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How to Adapt Labor Market
Policies and Improve
Employment Opportunities?

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 THANK YOU