

Just transition in the Global South

Perspectives from Latin America

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Policy recommendations

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- Latin America will be amongst the regions most affected by climate change. Nevertheless, countries in this region strongly rely on resource extraction and carbon-intensive activities for economic development. Robust green and just-transition policies are crucial to achieving regional and global climate targets, for which funding remains a significant challenge.
- Governments should ensure that workers, particularly informal workers, are duly represented in the design and implementation of just-transition policies. Robust social protection programmes should also be developed that specifically target workers who are at risk of losing their jobs as a result of climate policies.
- A strategic alliance between Latin American countries and the European Union (EU) may contribute to just transition through, amongst other things, free trade agreements and the development of more stringent environmental and labour standards in the region.

Introduction

Climate change is a global problem that entails many major challenges for our society. If we are to avoid disastrous consequences global emissions need to be halved by 2030 (IPCC 2022). Despite the global nature of the challenge, however, its impact has been and will be felt unevenly. Climate change will disproportionately impact the world's most vulnerable regions and populations, who are historically least responsible for greenhouse gas emissions.

Latin American countries – comprising South and Central America, and Mexico – ‘are highly exposed, vulnerable and strongly impacted by climate change, a situation amplified by inequality, poverty, population growth and high population density, land use change, particularly deforestation with the consequent biodiversity loss, soil degradation, and high dependence of national and local economies on natural resources for production of commodities’ (IPCC 2022). The regional population may also suffer severe health problems as epidemics increase. This will further exacerbate the existing profound economic, ethnic and social inequalities (IPCC 2022).

The region needs USD 77 billion of investment between 2020 and 2030 to meet its climate goals, of which public investment can cover only about a quarter (Brichetti et al. 2021). At the same time, many Latin American countries are relying increasingly on resource extraction and carbon-intensive activities for their economic development. The Covid-19 pandemic has had profound economic and social effects on the region, which may further delay progress towards achieving the regional – and therefore global – climate targets.

Ensuring a just transition to a low-carbon economy offering decent jobs is therefore a pressing problem in the region, and one that will have global repercussions. This policy brief outlines some of the main challenges that climate change poses to the economies and labour markets of Latin American countries. It also explores how the EU, as a global actor, can cooperate to strengthen the just-transition agenda in Latin America.

Structural challenges in a segmented labour market

Latin America finds itself in a quandary. Although, as already mentioned, it is one of the regions most likely to be affected by climate change, over recent decades it has relied increasingly on natural resource extraction, while very large farms and cattle ranches, together with gas, oil and mining activities have become central to the economic development of many of its countries (Maffei 2021: 9). This dependence on commodities makes the region extremely vulnerable to international prices, resulting in economic, political and social instability.

Another challenge facing the region is linked to energy production and consumption. While Latin America's electricity energy mix is based mainly on hydropower, the consumption of natural gas, oil and coal has increased over the past decade. This undermines biodiversity and causes air pollution and greenhouse gas emissions. Electricity production plants also require large areas

of land, which causes social tensions because of land concentration and the eviction of indigenous people and farmers to extract resources.

Unsurprisingly, inequality remains one of the most difficult challenges in the region (Appendino et al. 2022). It is a structural problem that has worsened because of the Covid-19 pandemic and the resurgence of inflation. In a post-pandemic world, countries in the Global South, engulfed in economic and sanitary crises, are probably more concerned about economic recovery than environmental protection. This brings another layer of difficulty to environmental agendas because many of these countries are sitting on considerable natural resources. Argentina and Chile recently decided to relaunch the building of a gas pipeline from Vaca Muerta, one of the largest deposits of shale oil and shale gas. Similarly, Venezuela and Mexico have decided to strengthen their respective state-owned oil companies, PDVSA and PEMEX.

A further issue affecting the protection of workers' rights in the Global South is the high rates of informality and precariousness in the labour market. At the end of 2021, the average regional informality rate in Latin America was 49 per cent (ILO 2022a). Informality in the rural economy, a key sector for just transition and green jobs creation, was even higher, ranging from 86.6 per cent in the Andean countries, through 74.8 per cent in Central America and Mexico, to Chile with 40.4 per cent and Uruguay with 23.9 per cent. The effectiveness of labour rights, such as job stability and workplace health and safety, is fairly limited. Unsurprisingly, appalling working conditions and companies' limited access to technology are also problematic, the latter in particular because it presents considerable challenges to sustainable production in agro-food, sustainable forestry management and tourism (ILO 2020).

The pandemic has increased the precariousness of the region's labour market. Although formal job creation was slightly higher in 2021, between 60 and 80 per cent of new jobs were created in the informal economy (ILO 2022a). Gender disparities are notable. While most of the 25.5 million men who became unemployed during the first part of the pandemic found a new job in 2020 and 2021, the situation was different for the 23.6 million women who lost their jobs. Almost 4 million women have not found new employment. Despite an incipient economic recovery, the inflationary shock and the war in Ukraine have slowed down the recovery of the region, which may lead to a recession in certain countries and, consequently, higher rates of unemployment.

Latin America and the commitment to a just transition

The climate crisis requires urgent action to ensure that disadvantaged workers and communities are protected. The 2015 ILO 'Guidelines for a just transition towards environmentally sustainable economies and societies for all' set out a roadmap that informs the actions of countries, social partners and international organisations in taking the necessary steps towards a well-managed transition to sustainable economies, decent work for all, social inclusion and the eradication of poverty. Ensuring that this transition is just involves the adjustment of

production systems and the adoption of mitigating measures to ease the impact on the formal and informal labour markets.

All Latin American countries are amongst the 193 Paris Agreement signatories, which also include the EU and its Member States. Its preamble acknowledges the need for climate action initiatives that pursue a just transition for the workforce. The 2021 COP26 Glasgow Climate Pact reasserted the importance of a just transition as both a means of implementation and a mitigation objective of the agreement. Countries from the Global North adopted the COP26 Just Transition Declaration, committing to support workers, communities and regions that are particularly vulnerable to the effects of moving away from carbon-intensive economies. They committed financial resources – USD 8.5 billion – only to South Africa’s low-carbon energy transition, however. Further specific commitments to financial assistance are crucial, as funding is one of the major challenges involved in ensuring a just transition in Global South countries. Political will will be central to ensuring adequate climate funding (IPCC 2022).

In line with the Paris Agreement, Argentina, Chile, Colombia, Costa Rica, the Dominican Republic, Honduras and Paraguay have included just-transition objectives and measures in their Nationally Determined Contributions (NCDs). More concretely, Chile, Colombia and Costa Rica have already developed some general and some more targeted transition measures to ensure that nobody is left behind. These actions may act as a catalyst in the region in the implementation of just-transition measures and strategies in other Latin American countries. In the next section, we outline some of the key issues that such strategies need to address.

Just transition and workers’ rights in Latin America

In 2019 in Latin America (and the Caribbean), approximately 78 million people were working in one of the several key sectors that will be affected by climate policies and thus need a just-transition plan: agriculture, forestry, fishing, mining, electricity, gas, manufacturing, waste management, construction, transportation and tourism. Some 72 per cent of them are men and 28 per cent are women (Sánchez and Torres 2020). Going green in the region could create 22.5 million new jobs in sustainable agriculture and food production, clean energy and energy efficiency, sustainable mobility, green construction, and eco-tourism, amongst other sectors. On the other hand, up to 7.5 million jobs would be at risk, mainly in cattle raising, fossil-fuel extraction and electricity production. Importantly, 80 per cent of the new green jobs are expected to be created in male-dominated professions and only 20 per cent in economic sectors in which women form the majority (Saget et al. 2020).

Social dialogue

The 2015 ILO guidelines provide that ‘[s]ocial dialogue has to be an integral part of the institutional framework for policymaking and implementation at all levels. Adequate, informed and ongoing consultation should take place with

all relevant stakeholders'. Social dialogue in the region is more modest than in Europe, however, which may be explained by the fact that, on average, only 9.5 per cent of workers were unionised in Latin America in 2019 (ILO 2020: 50). Aside from this, the region faces two common challenges.

First, the limited workers' representation requires that both governments and trade unions facilitate adequate participation in the elaboration and implementation of just-transition policies, not only for non-union members, but also for workers in informal employment (ILO 2022b). In this respect, decision-making and advisory bodies need to adopt a broad approach, along similar lines to the *Mesa Ampliada* ('enlarged table') of the Argentine Climate Change Cabinet. This body invites key public and private stakeholders, including businesses and trade unions and any other organisation – which could include informal workers' representatives – to participate in debates relevant to the design and implementation of the Adaptation and Mitigation National Plan.

The second challenge is to ensure that the participation of workers, employers and governments is *effective and meaningful*. Governments and trade unions need to ensure that workers' representatives are provided with sufficient resources and training to participate meaningfully in the different decision-making and advisory bodies involved in implementing a transition to a net-zero economy. Active steps by governments are required also to protect trade union officials from employer retaliation and violence, a significant problem in the region.

Social protection

Social protection will be an essential tool for managing changes in the world of work. The level of social protection in the region is currently very limited, however, particularly in the sectors most affected by climate change, such as agriculture, food production, transport and tourism. The proportion of workers in the region who contribute financially to social protection systems was 46.6 per cent in 2019. The Covid-19 crisis has widened the gap, making it more challenging to achieve comprehensive protection systems that could guarantee universal access to health and economic security throughout the life cycle.

In the short term, climate change itself and mitigation policies may accentuate pre-existing vulnerabilities and inequalities, especially for informal economy workers, poor women, indigenous groups and Afro-descendants, who are socially excluded and have limited political influence, particularly in decision- and policy-making procedures. This is further aggravated by their limited transferable skills and, consequently, reduced chances of finding jobs in various sectors (Gontera and Novella 2021). Similarly, the rural poor are most at risk from climate change because of the combination of social and climatic factors that exacerbate their vulnerability. Drawing upon previous experiences, such as *Progresá* in México and *Bolsa Família* in Brazil, countries could, for example, implement non-contributory cash-conditioned social protection programmes that target both workers at risk of losing their jobs in general, particularly those in the informal sector, and these vulnerable populations.

Skills

Most green jobs – around 13.5 million new jobs – set to be created in a low-carbon development scenario in the region will be in medium-skill occupations (Saget et al. 2020). According to forecasts, 8 million jobs will be generated in low-skill jobs, while 1 million will be created in high-skill jobs (Saget et al. 2020). Almost half of young people, who work mainly in the informal economy – 62 per cent in 2019 – feel they do not have the right skills to allow them to get a decent job in the next five to ten years. Additionally, in 2019, around 23 million young people – or more than one in five, two-thirds of whom were young women – were not in education, employment or training (NEET) (Saget et al. 2020).

The region faces two major interlinked challenges: first, it needs to determine where the skills gaps lie, and their nature; and second, it needs to design and implement policies that go beyond the formal labour market. To provide new skills for workers in the informal sector and for all jobseekers, and to ensure that skills strategies for green jobs sectors are included in just-transition programmes, cooperation between the public sector, the world of work and educational institutions will be paramount. This will allow governments to access relevant information to measure skills gaps accurately, and to design and implement reskilling programmes, with a primary focus on young workers and women.

The key to addressing the challenges set out here, and to finding adequate solutions to meet climate targets, of course, lies primarily with actors in the region. This includes, crucially, the voices of its citizens. Climate change is a global challenge, however, and addressing it necessitates global cooperation. Strategic alliances between countries and regions, particularly those with different levels of access to resources and technologies and different degrees of responsibility for current and historical emissions, such as Europe and Latin America, could make an important contribution to decarbonisation and just-transition efforts.

Importance of a strategic alliance between the EU and Latin America

Europe and Latin America have long-standing trade and political relations, but the EU's role in the region has been challenged by the substantial development of trade relations between China and Latin America in the past decade. The 2019 European Green Deal, which aims to decarbonise the EU's economy, will entail significant changes in EU relations with many countries, and it may constitute an opportunity to re-strengthen a relationship with Latin America. Trade openness with stricter environmental standards is one of the pillars of the European Green Deal.

Weaknesses in Latin American production chains and their less stringent environmental and labour standards, however, have made the signing of trade agreements with the EU more challenging. Global South countries have also expressed concerns regarding possible 'green' protectionism imposed by the EU through its principles and standards. For example, the Carbon Border

Adjustment Mechanism (CBAM) constitutes one of the cornerstones of the European Green Deal to ensure that EU companies do not re-localise their production. It effectively introduces a carbon price on certain products imported from outside the EU, which will have effects on the exports of several countries, including some from Latin America. It will be important for the EU to work with affected countries outside the EU to ensure that agreements are reached to avoid likely challenges before the World Trade Organization (WTO) (UNCTAD 2021). Indeed, the EU will need to engage in much more political dialogue and stronger development cooperation to address the more general challenges outlined above (Sanahuja 2022).

The EU-Mercosur agreement could be an opportunity in this respect. Compliance with environmental standards (or a failure to do so), particularly by the Brazilian government regarding Amazonia, has raised legitimate environmental protection concerns in the EU. At the same time, South American countries distrust their European counterparts, which they believe may be defending protectionist interests through environmental arguments. A possible answer here may be the development of more stringent chapters on trade and sustainable development, which require the effective implementation of the Paris Agreement, as well as the adoption of just-transition strategies. The agreement could also promote shared values, such as sustainable development, by strengthening workers' rights, increasing environmental protection, and upholding high food safety standards.

Furthermore, current EU climate policies and climate targets, particularly becoming a carbon-neutral region by 2050, depend to a considerable extent on the development of green technologies. This will demand a significant amount of minerals and metals, such as lithium, cobalt and nickel. One example is the planned switch to electromobility, which will increase demand for lithium batteries. Latin American countries, particularly Chile, Argentina, Peru and Mexico, are the main exporters of many of these resources. The EU could play a decisive role in ensuring the development of sustainable mining practices and the protection of affected communities, particularly when it comes to the mining of resources that furthers its own green objectives. The transfer of resources and/or technology, as well as the implementation of efficient monitoring may be key.

Conclusions and looking ahead

Climate change will reshape the world of work in Latin America. New production systems will lead to new working conditions, which will require new competences and entail new health and safety risks in the workplace. This will be particularly challenging in Latin America because of the high levels of informality and precariousness, and the relatively high levels of unemployment. New opportunities will arise: the transformation to a net zero economy will create millions more jobs in the region, but millions will also be lost. A just transition is necessary to ensure that nobody is left behind.

A successful just transition requires social consensus. States will need to play an active role in ensuring the participation of social partners, unions

and employers, civil society and local communities in the development and implementation of just-transition strategies. This is even more necessary in a diverse region such as Latin America, where diverse interests such as those of indigenous people, women and informal workers may be underrepresented. All these actors will need to design and implement measures that help workers to upskill and reskill to find new jobs, as well as to protect those whose jobs are or will be at risk. Strategic alliances, including with the EU, could strengthen the efforts of regional actors.

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