



## CLOSING REMARKS: RINTARO TAMAKI

12:50-13:00, Friday 14 November, Room CC7 (Full Closing session runs 12:30-13:00)

Ladies and gentlemen, distinguished delegates,

We talk a lot here at the OECD about policies. Policies, of course, are ultimately about people. And as we have seen at this Forum, green growth policies imply some very significant social challenges, raising important questions about inclusiveness.

Effective policies to address possible negative or inequitable impacts on jobs, income and households require expertise that are too often isolated in Finance, Labour, Social Affairs, Environment and Regional Affairs Ministries. **The strength of the GGSD Forum is that it unites experts from the diverse range of disciplines relevant to green growth.** I trust the collaborative platform it offers has helped you to explore how governments might better tackle distributional impacts for more effective, equitable policy.

We've heard the detailed outcomes of the Forum from Simon Upton and the facilitators of today's parallel sessions. **I want to leave you with three overarching messages on promoting inclusive green growth.**

**First, equity considerations are a critical building block in the green growth agenda.** Country experience shows that governments that pay insufficient attention to possible negative or inequitable impacts do so at the peril of reform. In addition, rising levels of income inequality in many countries mean that policies in all fields are increasingly expected to take into account distributional effects at the policy design phase. Green growth is no exception. To ease the transition and guard against further inequalities, we need a better grasp on the distributional impacts of green growth policies, and how they can be addressed through compensatory measures.

**What does this mean in concrete terms for labour markets and income? This is the second issue I will address.** We know that the green transition is unlikely to have a large impact on overall employment – we do not predict a “treasure trove” of new jobs, nor a sharp increase in labour market churn. We do see potentially large shifts in labour demand in certain industries, such as those in the energy sector, and potentially significant local jobs impacts (both positive and negative). There will also be widespread but mostly incremental changes in job skill requirements across the economy. And important income effects will result. This raises the question of equitable distribution of gains and losses.

**The good news is that experience with globalisation and the ICT revolution shows that active labour market policies can play a major role in managing these structural challenges.** This means policies to ensure workers can acquire new skills and are sufficiently mobile between declining and growing sectors; regulatory settings that facilitate job creation and the movement of workers across sectors; policies to promote investment in alternative job opportunities at a local level (reflecting that jobs won't necessarily be created where they are lost). It also means more inclusive social protection policies – temporary income or training support for displaced workers; policies to cushion changes in the distribution of income over the longer-term as relative demand rises for some types of workers and declines for others.



**But important knowledge gaps remain.** More accurate projections of the size of likely structural changes and potential labour market reactions are required (i.e. more sophisticated modelling efforts at the country level). We need better understanding of the impact on patterns and demand for skills. We also need more modelling on impacts on relative pay associated with particular skills. I name just a few of the gaps we've identified. **Finding answers to these gaps and others is critical to ensure that the growth and employment potential of the transition is fully exploited.**

**My third key message relates to potential impacts on households.** Policy related price increases for household goods and services (such as energy) can impact disproportionately on particular households because they form a larger share of their budgets. Consumption patterns are also relevant. But if they are well understood, adverse distributional effects can be mitigated. The welfare system can target assistance to poor families. Redistributing revenues from environmental taxes (to reduce taxes on labour, for example) is also critical. **The bottom line is this: any negative distributional effects from environmental reform can be neutralised if reforms are well integrated and aligned with existing tax and benefits schemes. We heard some of the latest thinking on this in parallel session 2 today.**

**Areas where further work is required** include getting a better grip on how significant regressive effects of environmental policy on households are likely to be and in what cases they are likely to arise. Such analysis requires rich sets of data, which are a key requirement for understanding household behavior. We need to better understand how to integrate information on distributional impacts of reform with information on the incidence and intensity of poverty. We need to determine whether best practices emerge from experience to date, including from a political feasibility perspective; and how barriers to environmental tax reform – given its potential for revenue recycling – might best be addressed.

**The OECD has been scoping out a major, cross-Committee proposal to advance work in this area.** The work is three-pronged. We want to enhance our modelling capabilities to assess labour market consequences for different kinds of workers by extending our ENV-Linkages CGE model. We want to better model effects on households at different points in the income distribution by extending and refining our household budget models. And we want to complement this empirical work with case study analysis on specific policies and their impact at local and city level. Flyers on the proposed work are available at the back of the room.

**We need support to drive the social agenda forward.** At the OECD level, Committees must ensure that their 2015-2016 PWBs reflect the priorities identified here. That, after all, is why the Council launched this Forum. Relevant Committees include the Employment, Labour and Social Affairs Committee; Committee on Fiscal Affairs; Co-operative Action Programme on Local Economic and Employment Development; Environment Policy Committee; and the Territorial Development Policy Committee. **All delegates have a role to play.** At the broader OECD level, the OECD's Inclusive Growth initiative is also working to integrate pro-inclusive policies across Committees.

**We ask the support of our international partners including the ILO, the GGKP and the IEA.** Initiatives such as ILO's GAIN Network and GGKP's proposed Inclusiveness Research Committee are critically important. I urge you all to take back to your respective capitals, Committees and organisations the policy outcomes, best practices and knowledge gaps identified over the past two days, as a lens to focus your ongoing work.



It only remains for me to say that I hope that this Forum will generate momentum in finding ways to more effectively respond to the social implications of green growth. The transition to a greener and fairer future depends on it.