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Job Creation in a Post-Growth Economy

A study commissioned by the Greens/EFA

In 2015, the Greens/EFA Group in the European Parliament commissioned a study on the conditions for job creation in a post-growth economy. The aim was to twofold.

Firstly, we wanted to examine the relationships between jobs, GDP and energy consumption over the years and to check how far we went with energy efficiency. Are the gains in terms of energy efficiency due to the structural changes our economies have undergone over the last years (servicization, offshoring...).

Secondly, we wanted to lay the foundations of a green macroeconomic model that would enable us to test, in a formal setting, the effectiveness and coherence of Green economic policies, to support the creation of widely attractive narratives about possible futures. The model is forward-looking and demand-driven and takes into account technological progress such as the growing spread of automation.

The model allowed us to estimate the impact of innovative measures such as working time reduction and green taxation on energy.

The final version of the study was published in December 2016.

- Download the study

Key findings are the following

On the one hand, 10 EU countries have not decreased the amount of energy consumed per hour of paid work. That is, they have become more energy intensive. On the other hand, among those who succeeded in decreasing it, 6 EU countries still perform badly on the energy front because the number of jobs has outgrown this improvement so that, all in all, the latter is offset. It all implies that the EU needs more and

more energy (that it mostly imports or generates from non-sustainable throughputs).

Energy efficiency witnessed over the last years is essentially a statistical phenomenon: A shift of labour force from industry to services decreases dramatically energy consumption but does not necessarily increase labour productivity. If the generalized restructuring had not happened in EU economic sectors accompanied by the shift of the labour force, energy intensity would be 20 % higher and in some countries up to 65 % higher. This means that the improvement of energy intensity as it appears in official statistics is mainly explained by the dynamism of the economy that manifests in reallocation of workers between the sectors (from energy intensive to less energy intensive) and not by technological progress that would curb energy consumption in the various sectors.

The second and third parts outline and run the model set up so far. It relies on previous work done by Tim Jackson and Peter Victor. While their model contained 25-30 equations, ours is based on more than 60 equations which allow us to investigate the effects of a reduction of working time or the introduction of an energy tax. Interestingly, the model concludes that when you combined these two measures, you are still able to reduce unemployment and deficit/GDP.

However, the authors reckon that the model has to be improved, better calibrated to take better into account trade, ageing, and so on. It could be also possible to test some innovative policies like basic income or job guarantee, a border adjustment tax or a European wealth tax.

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A study on Job Creation in a Post-Growth Economy

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