ANALYSIS

Jonathan Tasini
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Making Just Transition A Reality

Is The German Coal Commission A Template?

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info@fes.de

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Cours Saint Michel 30e | 1040 Brussels | Belgium

Responsibility for this Publication in the FES
Claudia Detsch, Director of FES Just Climate

Editor
Stephan Thalhofer, Policy Advisor, FES Just Climate

Contact
justclimate@fes.de

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Introduction

Globally, workers are facing the most dramatic restructuring of economies in human history as an outgrowth of the effort to combat climate change. Past economic transitions typically touched on one industry or a sector. The climate change transition will leave no industry untouched and, without hyperbole, alter the working lives of hundreds of millions of people worldwide.

Yet, to date, there is no global template to follow to ensure that the process of orderly transition will include sustainable standards of living for the displaced workers. The choices for transition move along a spectrum of, at the low end, a minimal or barebones framework, versus, at the high end, a “high bar” framework. This paper defines a “high bar” transition as an outcome that maintains the wages and benefits of workers at the same level earned in a job slated to be eliminated as society moves to a carbon-free environment; that “high bar” could be attained either through a new job or a package extended to workers to suffice until retirement benefits are triggered. As well, “high bar” transition incorporates a broader plan to grapple with the secondary effects of economic disruptions that cascade throughout a community.

Most worker-oriented transitions over the past half century have leaned towards the low end, due to a lack of robust investment in creating new job opportunities with comparable wages. Importantly, transition plans overwhelmingly have been structured outside of a collective bargaining relationship. Thus, workers caught up in economic transitions have relied not on the ability to negotiate benefits through leverage accumulated over many years of negotiation directly with employers but, instead, on outcomes emanating from political decisions, which crucially often offered only barebones benefits and bleak prospects for future employment in high-paying jobs.

If the strict moral component of the failure to safeguard future incomes for workers does not concern policymakers, then, consider the economic impact using a Henry Ford lens: Ford was a hard-nosed authoritarian-minded tycoon who understood the simple business equation that his workers had to make enough money to afford to buy his cars. A bungled global climate change transition, through which millions of workers end up with reduced incomes, will inevitably lead to increased poverty and vast pockets of economic dead zones.

Failed transitions have not been just a feature in core industrial production sectors. After 1.4 million U.S. defence industry workers lost their jobs between 1987 and 1996 as a result of the unwinding of the Cold War, a majority of the workers ended up in “jobs that pay them less than their former wages and that fail to take advantage of their defence-bred skills. And a sizable minority has experienced a drop in earnings of 50% or more”.[1]

It’s also important to note that transitions fail not simply because of a lack of money. Economic upheavals typically carry significant social disruptions. In particular, coal mining in communities globally has been a way of life, often embracing multiple generations in families who took pride in a tradition that stretched back decades.

Workers in the coal industry face a grim future: by one estimate, nearly 1 million coal mine jobs (990,200) will no longer exist at operating mines by 2050, a 37 percent drop in existing coal mining jobs.[2] Coal industry transitions, in particular, have been weak. In the United Kingdom, for example, 90 percent of the country’s coal industry jobs evaporated over a decade, a rapid pace of displacement. The livelihoods of those miners were eviscerated: “Wages for those who found a new job after displacement drop by around 40% during the first years after job loss, and remain around 20% below the wages of the control group fifteen years later. Overall earnings fall by 80% to 90% in the year after displacement and remain depressed by 20% to 30% fifteen years later. Over the fifteen-year period, present discounted earnings losses amount to between 4 and 6 times the miners pre-displacement earnings.”[3]

The Commission on Growth, Structural Change and Employment—or, as it is more generally referred to, the “Coal Commission”—grappled with the transition challenge. Chartered by the German Federal Government in an “Appointment Resolution”, the primary mission of the Commission, articulated in the very first paragraph of the final report’s introduction, was “providing concrete prospects for new, future-proof jobs in the regions affected”.

Five years after the final report of the Coal Commission was issued, this paper addresses critical questions. Is the Coal Commission process and roadmap, in fact, a template to be replicated for workers in other industries and other countries as a path to ensuring a secure standard of living in a post-carbon world. Or is the specific coal transition in Germany unique to one country’s history and economic circumstances? Can, and should, effective transitions be guided, and financed, principally by a political process outside established labour collective bargaining? Finally, is the “Just Transition” concept, which holds out the promise of a preserved and even enhanced economic future for workers, promising more than it can deliver?

1 “A Just Transition? Lessons From Defence Worker Adjustment in the 1990s” by Laura Powers and Ann Markusen, May 1, 1999. https://www.epi.org/publication/technical-papers_justtransition/

2 “100 miners a day face job cuts as industry winds down coal”, Global Energy Monitor, October 9th 2023 https://globalenergymonitor.org/press-release/100-miners-a-day-face-job-cuts-as-industry-winds-down-coal/

3 “Job Displacement Costs of Phasing Out Coal”, IZA – Institute of Labour Economics, September 2022, https://docs.iza.org/dp15581.pdf

Background and Timeline

Economic transition efforts, historically, are often driven initially by political considerations—governments come under pressure, often through a combination of popular pressure and a motivation to manage disruptions in the marketplace. The structure of the Coal Commission's mandate was no different.

A brief recounting of the policy and political terrain leading to the Coal Commission's creation is useful. The debate in Germany on energy transition ("Energiewende") began in 2011, which included a discussion about the role of coal in any future energy mix. In the period between 2014-2015, the debate intensified further with the updating of the European Union climate goals and the 2016 Paris Agreement; the EU committed to reducing its greenhouse gas emissions by at least 40% below 1990 levels by 2030, and pledged to increase renewable energy sources to 32% of energy use and improve energy efficiency by 32.5% by 2030.

At the same time, the government coalition that had formed in Germany after the 2013 federal elections, uniting the conservatives and social democratic parties, included a provision mandating a climate change plan in which, inevitably, the reduction of coal usage would figure prominently. A compromise, spearheaded by trade unions, called for coal-fired power plants to go into a strategic reserve as a way to soften the job impact; at the time, environmentalists remained displeased with the climate change plan, arguing it would not chart a path to achieve the country's stated climate change goals.

In the 2017 national elections, the ruling Christian Democrats lost 65 seats and sought to form a coalition with the Greens and the Free Democrats (FDP), while the other major party, the Social Democrats (SPD), initially chose to become the main opposition party partly to blunt the ability of the far-right Alternative for Germany (AfD) to claim the mantle of the largest party in opposition. The Greens demanded, as the price for its coalition votes, a commitment for a dramatically faster phase-out of coal. Ultimately, after five months of post-election deadlock, the Christian Democrats (CDU/CSU) and Social Democrats (SPD) agreed to renew its so-called "Grand Coalition", leaving the Greens in parliamentary opposition.

Even without the Greens, however, the die was cast for a more formal federally-led process. In June 2018, the German coalition government chartered the Coal Commission, with a mission brief to create a plan which would include phasing out the role of coal in power generation. The Commission set an ambitious goal: "If Germany manages to successfully implement structural change processes here and to find the right balance between climate action, the creation of good jobs, strengthening the country's position as a centre of commerce and industry and successfully developing the regions affected, then **the energy transition and the associated ending of coal-fired power generation may provide an example for other countries** [emphasis added]."

The Coal Commission's membership totalled 31 people—28 voting members and three non-voting members; the four co-chairs represented major stakeholder groups in the commission, along with nine (9) from business-related interests; seven (7) regional government representatives; three (3) from parliament; three (3) came from environmental associations; five (5) scientific experts-advisors; and three (3) from trade unions. The Commission held ten meetings over a six-month period from June 2018 through 2019, as well as embarking on three Commission trips to the lignite mining areas. Beside the members, the commission was supported by an office with staff coming from the federal ministries for economic affairs and the environment.

The focus of the Commission's work was on four key lignite mining hubs and the areas dependent on the lignite industry: Lausitz (Lusatia, incorporating districts in Brandenburg and Saxony), Central Germany (Saxony, Saxony-Anhalt and Thuringia districts), Helmstedt (Lower Saxony towns and districts), and Rhineland (districts throughout North-Rhine-Westphalia); The Commission also worked on hard coal power plants given that such plants are widespread in some regions and are important for regional economy and labour market. Not all the regions faced similar challenges. For example, a coal worker in Lusatia could often earn 50 percent more than the average person working in that region largely because, following the loss of vast numbers of industrial jobs after the German unification, the coal industry stood as the main industry in eastern Germany.

In the following sections, this paper will evaluate the Commission's key recommendations and outcomes in light of a key metric defined by the Commission, and highlighted in the final report: "Structural development must be socially sustainable. **It protects existing, high-quality, co-determined jobs or provides new, high-quality and sustainable jobs** [emphasis added]. Jobs for all levels of qualification are required for the long-term. This will ensure a positive employment balance." The Commission also recognized that, "The step by step reduction and termination of coal-fired power generation will also lead to difficult adjustment processes at the coal-fired power station sites. In this process, redundancies for operational reasons and unreasonable social hardship must be avoided. And the effects in individual cases must be considered."

In other words, worker transition breaks down into two central buckets. First, what support is available to support workers who are losing jobs. Second, what future job prospects are developed so workers, especially younger workers who seek longer term employment, can obtain sustainable living standards.

Although trade unions only had three seats on the Commission, trade union influence would be central to the eventual outcomes partly due to the participating union representatives key roles: Michael Vassiliadis, president of the Mining, Chemical and Energy Workers' Union (IG-BCE-- Industriegewerkschaft Bergbau Chemie Energie); Stefan Körzell, a member of the DGB's executive board, the umbrella trade union confederation for eight member unions with 5.7 million members in total; and Andreas Scheidt, a board member of service trade union, Verdi. To a great extent, the Commission reflected the historic "tri-partite" structure of social dialogue between government, industry and trade unions, with the addition of scientific and environmental representatives.

The job of trade unions, its key participants believed, was in the first phase to make clear that it would be important to have a very broad approach to a transition plan. Environmentalists held the view, at the outset, that the closing down of the coal mines would only effect about 25,000 workers, which in the German economy would be seen as minor in employment size. Unions countered that the transition had to incorporate the full impact across the supply chains feeding the coal industry, which would touch an additional two to three jobs for every direct mining job. Indeed, the Commission's final report asserted that roughly 60,000 jobs were related to the lignite industry. As well, the energy supply from the coal industry touched on direct and indirect jobs for the location and operation of heavy industries employing hundred thousands of jobs, which put additional onus on the Commission to orchestrate a coal phase that envisioned a climate-focused and cost-effective energy supply to ensure that heavy industries would be able to stay in the regions and also attract new companies.

An area of agreement in the Commission was the future role of renewable energy as a potential source of employment; by the time of the Commission's deliberations, renewable energy was providing more than half of the German energy sector's workforce. However, at the same time, making renewable energy jobs a cornerstone for transition in coal communities would require three pillars. First, the Commission would need to lay the groundwork for investments to develop coal areas which were facing a dearth in basic infrastructure to support new industries; for example, many areas were still not equipped for gigabit networks, a serious shortcoming in a future in which digital infrastructure is essential. Second, the coal mining communities would need to stem, and, then reverse, the decline in skilled workers, especially young workers, which could partly be addressed by retraining. Third, the wages and benefits of renewable energy jobs would have to equal, or exceed, coal mining employment incomes.

The framework of the Commission's deliberations broke down into three key areas: regional economic development; job creation; and advancing the country's climate change goals. The first two areas—regional development and jobs—were closely linked, and posed a central challenge to the entire transition model. Plainly put, jobs cannot sprout in places that are not attractive places to do business. As the Commission noted, in the eastern German federal states, "The economic development of these regions is especially weak due to the unfavourable demographic development in the non-city states of eastern Germany and the relatively low private R&D activities." The two eastern German regions (Lausitz and the central German mining area) sprawl over a wider area, are much more rural and occupy a peripheral spot relative to their geographical location.

The Commission's discussions took place in two arenas. First, beginning on June 26th 2018, the Commission met in plenary sessions over the course of six months, taking testimony from scientific, economic, energy industry and environmental experts to build out the framework for the final recommendations. Second, the Commission conducted three site visits to mining areas: a September 24th 2018 visit to the Central German mining communities; an October 11th 2018 outing to Lausitz; and finally, a third survey trip to the Rhineland mining area on October 24th 2018; the visits were promoted as a way for the Commission to receive input from regional leaders, local community members and miner families.

Structurally, the Commission evolved. In the first phase over the initial meetings, an erosion of trust and confidence began to develop among members after plenary discussions and debates quickly became public, sometimes in real time. Trade unions discussed leaving the Commission if the trust could not be restored. Indeed, representatives of unions, business and environmental advocates raised the trust issue with the Commission chairs, which led to the formation of a smaller working group. This smaller working group would ultimately play the central role in crafting the financial outlines of the recommendations, including the level of funding for workers' transition. Along with the four co-chairs, the working group included the representatives for the DGB; BDEW (the utility association); Institute for Applied Ecology; a representative of an umbrella group of environmental organizations; the German Association of Local Utilities; and a member of the Federation of German Industries (BDI).

The final meeting of the Commission took place on January 25th 2019. Scheduled for five hours, it took close to twenty hours because members had to negotiate the cost figures and the timeline of the coal phase out. A key figure in the financial negotiations, especially in the smaller working group, was Ronald Pofalla, one of the Commission's co-chairs who had served previously as chief of staff to Angela Merkel and, thus, was able to confirm government support for the top-line transition funding. While the Commission was technically independent of the government, the government exerted strong influence largely because the final price tag would be financed through public monies. The government's strong hand can be viewed both positively or negatively, or, perhaps, realistically: the government acted to constrain financing but, at the same time, with the influence of trade unions exerted within the coalition, ensure economic development would strive to meet a higher standard of wage support and future job prospects.

In the next section, the paper will explore in detail the key recommendations focusing on worker transition to assess whether in the five years since the Commission's final report the Just Transition effort is on track to reach its main target goals.

The Commission's Key Recommendations

This paper focuses on the central recommendations of the Commission specific to workers' transition and the efforts to ensure that coal mining communities would not be economically devastated by the planned closure of the industry that provided direct and indirect jobs. The recommendations achieved full force legally via the adoption of two laws in the Bundestag (Germany's parliament): the Coal Phase-out Act (Kohleausstiegsgesetz) and the Structural Strengthening Act for Coal Regions (Strukturstärkungsgesetz Kohleregionen) were passed in July 2020, setting a legally binding path for Germany to phase out coal power by 2038 at the latest, with provisions for an earlier exit by 2035 if conditions permitted.

The key elements to the recommendations were:

→ There would be no operational layoffs in lignite mines and power plants. In addition, co-determination at the company level and via collective agreements would be the tools for the entire process to protect workers;

→ Where job losses took place due to closures, affected workers would be placed in new decent work and compensated for any loss of salary;

→ Older workers could opt for early retirement and would be compensated for pension reductions due to the early retirement;

→ As a bridge to early retirement, the federal government would create a state-financed adjustment allowance;

→ The government would spearhead the rise of new added value and decent jobs in the coal regions to make up for the loss of coal industry employment;

→ A large structural development initiative would commence that "protects existing, high quality, co-determined jobs or provides new, high-quality and sustainable jobs"[4], financed by the allocation of €40 billion by 2038 which would support coal workers communities (Brandenburg, Saxony-Anhalt, Saxony, and North Rhine-Westphalia), which would, in theory, be part of the miner-focused job creation efforts, and an additional €1 billion to support municipalities with hard coal power plants.

→ Trade unions would be central to the process of transition of coal regions.

Progress on Commission Implementation

The Commission's final report notes, in its introduction, that structural change must, "...open up new prospects for a good living and successful economic development in the affected regions. Lignite and coal companies have had a decisive impact on the employment structure of these regions for decades. The jobs here are of good quality, protected by collective pay agreements and characterised by cooperation and social partnership between employers and employees."[5]

And: "The prospects for new jobs, which should be subject to collective agreements as far as possible, must therefore fulfil comparable standards to avoid a structural collapse and to safeguard value creation in the regions. The commission's central concern is therefore to exclude redundancies for operational reasons and to create high quality and future-proof jobs which offer new career prospects especially for employees and apprentices in the coal and lignite industry...The primary goal should be to keep the qualified employees in good jobs or provide them with good new jobs, to create good apprenticeships for the young generation and to realise job opportunities. Employees in lignite and coal-fired power stations and in open-cast mines need firm commitments from politicians that the necessary measures for the structural development will be directed towards the creation of new and competitive jobs and that the employees will receive the necessary support to enable them to maintain their job quality and income level in an appropriate manner. Redundancies for operational reasons will be excluded.[6]

The implementation of the recommendations have taken place in two central arenas. First, due to Germany's industrial relations system, the direct worker support advanced via the twin avenues of collective bargaining agreements and the parameters set forth by the Commission, which included the state-provided adjustment allowance (APG).

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Second, the allocation of the €40 billion to buttress economies in the coal regions, which was deployed in a more opaque fashion by the federal government and state municipalities.

Up front, this paper notes that the Commission's commitments flag an important debate: what is the definition of "good quality", or "decent work" jobs? The International Labour Organization (ILO) defines "decent work" as employment that, "...is productive and delivers a fair income, security in the workplace and social protection for all, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men."[7]

It is important to note, however, that, while the ILO articulates a sweeping vision, its ability to enforce its declarations is virtually non-existent. The ILO exists as a tri-partite organization, whose policy is dictated by a constellation of government, business and unions. Thus, to a large extent, labour standards are an outcome of negotiation in which adherence, in practice, is voluntary. "Good quality" and "decent" jobs do not, automatically, translate into **equal or better work** to a job on the chopping block, especially in a marketplace in which union density is in decline.

According to union representatives interviewed for this paper, virtually all the coal mining workers *directly* employed by companies received financial support, depending on their age and service, as described below.

This paper highlights the transition framework reached through collective bargaining power between RWE, the German multinational energy company headquartered in Essen, and the IGBCE and Ver.di, which represented workers in different parts of the company but built a joint collective bargaining association. RWE has a very high level of co-determination. The collective agreement provides that every worker will get a new job opportunity inside the company or RWE will help get a job outside of the company.

The collective agreement applies to around 10,000 RWE employees in Germany and runs until the end of 2043 at the latest. IGBCE notes that the agreements with LEAG and the German Lignite Industry Association (DEBRIV) closely mirrored the RWE agreement. LEAG Group, combining Lausitz Energie Bergbau and Lausitz Energie Kraftwerke, is the country's second largest energy producer, primarily operating in the Lusatia (Lausitz) region. Thus, one can conclude that all workers in the industry affected by the closures were able to access similar support conditions.

The RWE agreement, which incorporates the legislative provisions approved consistent with the Coal Commission decisions, provides that:

→ Workers cannot be dismissed for operational reasons;

→ An increase of the tax-free state adjustment allowance (APG), which is a wage replacement benefit, to at least 80 percent of the last net salary;

→ The APG can only be paid to workers 58 years or older;

→ The APG can be paid for a maximum of five years; at that point, a worker falling into the APG age bracket would reach retirement age and be eligible for the full pension;

→ Workers who accepted the APG offer also receive a one-time "compensation bonus" of €12,000 gross. The APG is to be used as the primary means of reducing workforces. Vacant positions resulting from this must be filled by younger employees, provided they are affected by site closures and the transfer is reasonable ("transfer chains");

→ The establishment of a training and placement initiative to bring affected employees from job to job – both within the company and externally. The employer bears the costs of further training, and employees are released from work to participate in training measures with continued pay;

→ A transfer company into which employees can transfer for one year at 80 percent of their last gross salary;

→ A comprehensive severance pay program for employees who voluntarily leave the company. The amount depends, among other things, on age, length of service, and social factors;

→ A comprehensive package of instruments to reduce staff surpluses (part-time and job sharing, outsourcing of external services, reduction of overtime, reduction of agreed weekly working hours, expiration of fixed-term employment, etc.);

→ Specific additional payments for workers who are union members, depending on length of services and pay grade.

RWE was also a logical partner to offer employment in the non-coal, renewable energy sector because of its overall long-term corporate strategy. According to RWE's 2023 annual report: "At the end of 2023, we set new ambitious targets: between 2024 and 2030, we want to invest around €55 billion in new wind and solar farms, battery storage solutions, flexible back-up capacity and electrolysers for

7 https://www.ilo.org/topics/decent-work

hydrogen production. In doing so, we want to expand our generation capacity in our green core business from 35.5 GW today to more than 65 GW. At the same time, we will be making a socially acceptable exit from coal-fired generation by 2030."[8]

Indeed, as part of the transition plan, RWE and IGBCE negotiated the creation of a company-owned subsidiary, the Perspective Company (the original German word, Transfergesellschaft), to look after the workers who did not qualify for the adjustment allowance. Those workers, who would be less than 58 years old, could choose to sign a contract with the PG to pursue two options: be paid until reaching the age of 58 (at which point the worker becomes eligible for the APG) and/or be paid while seeking new employment, a search facilitated by the PG, either within RWE or at another company.

However, it is crucial to note that a significant number of workers, estimated at 50,000, work in supply chain companies which have lower union density (roughly 50 percent) and, thus, the wages and social security levels are lower, generally, because roughly half of the workers are not covered in the previously mentioned collective bargaining agreements.

Broader economic development of the lignite regions

The €40 billion agreed to by the Coal Commission was slated to flow in two tranches. €14 billion would be allocated directly to federal states in the coal-producing regions, and their municipalities, for job-creating projects, with the other €26 billion primarily being spent directly by the federal government on education, science, research and infrastructure development.

Structural strengthening funds are constrained, in part, by the European Union's general prohibition against state funds being invested directly into companies because such support is viewed, in the current global trading regime, as an unfair trade practice. Two paths to work around EU rules exist. First, state funds can be directed to municipalities to develop or upgrade utilities or other general infrastructure which support overall industrial expansion. Second, state funds can be funnelled to training centres and skills programs that have the effect of creating a pool of skilled workers available for hire. Both paths are not considered direct trade-prohibited support.

The DGB produced in 2024, via its REVIERWENDE ("Turnaround") project, the most updated labour-focused analysis of the transition progress, using the Commission's goals as its touchstone. This paper notes briefly below three of those projects highlighted in the REVIERWENDE. The projects underway will have be tracked over a longer time frame to determine whether the jobs meet the standard of "good quality".

The construction of a new Deutsche Bahn vehicle maintenance facility in Cottbus, at a cost of €1 billion, is a high-visibility project aimed at providing coal workers the opportunity to claim skilled workers' jobs. As outlined in The International Railway Journal, "The Cottbus facility was built in under two years and will allow all vehicles of either a single 374m-long XXL-ICE 13-car train or two 200m-long seven-car trains to be worked on simultaneously on each track. Unlike at other DB maintenance facilities, the cars of the ICE4 trains will not have to be uncoupled to fit in the depot, providing substantial time and cost savings."[9]

A second project is the Lausitz Science Park, funded at a €300 million level. Under construction at a former technology and industrial park, the project boldly promises up to 10,000 jobs for academics and skilled workers. Third, and finally, the creation of the Medical University of Lausitz, funded with €2.1 billion by 2038 in a joint federal-state initiative, is slated to spawn 1,000 positions.

New political balance

Finally, the analysis of the progress of implementation needs to make note of a political shift signalled in the most recent German federal elections, which brought about the defeat of Chancellor Olaf Scholz of the Social Democratic Party and the election of a new government led by the conservative Christian Democratic Union and a new Chancellor, Friedrich Merz who agreed to enter into coalition with the Social Democratic Party, which be a junior partner. However, the Conservatives have stated that the coal compromise should continue to apply and that the billions for the coal mining areas should be paid as agreed. Since the Commission's work and recommendations took place under former Chancellor Angela Merkel, it is reasonable to assume that the incoming government will, in fact, abide by the Commission's findings and the disbursements of social security for employees will continue.

Conclusions and Recommendations

The paper now explores whether key elements of the Commission experience offer a global template for other transition efforts in other countries. First, was the Com-

8 https://www.rwe.com/-/media/RWE/documents/05-investor-relations/finanzkalendar-und-veroeffentlichungen/2023-Q4/2024-03-14-rwe-annual-report-2023.pdf

9 "DB opens new high-speed train maintenance facility," (January 23rd 2024) https://www.railjournal.com/passenger/high-speed/db-opens-new-high-speed-train-maintenance-facility/

mission process itself, in which various sectors in society took part—government leaders, workers, unions, business and civil society—a model to replicate? Second, can Germany's particular industrial relations structure be replicated? Third, was the scale of the transition investment comprehensive and effective? Fourth, what are the elements that raise cautionary lessons for all transition efforts?

Were the Commission's deliberations inclusive?

To state the obvious, a climate change-related transition process in any country will undoubtedly involve wrenching changes not experienced in modern human history. Thus, it is almost unavoidable that broad-based Commissions confronting climate change transition will be seeking to bridge gaps between stakeholders who hold, in some circumstances, diametrically opposing viewpoints; for example, environmental constituencies calling for the rapid end to the use of coal will be seated around the table in dialogue with coal companies which typically see a longer timeline for the retirement of coal operations.

The nature of deliberations and input in a national commission, or policy-making body, grapples with the question often referred to as "democratic legitimacy". In other words, how broad and representative are the voices at the table, and is the power of influence of each voice equal. Certainly, this is an important question for any transition process to address.

Indeed, the entire concept of "just transition" conveys two ideas that are quite typically fiercely debated. First, "just" incorporates a goal of fairness, whose outlines are clearly subjective as we have seen in virtually all transition debates. Government representatives weigh reaching a "just" outcome with an eye towards how their voters might react to broad fiscal investments using tax money, especially if the financing is directed to a targeted population. There are also many non-governmental actors who see transitions in very different ways, from climate change activists to racial justice advocates. Company executives will almost always interpret "just" as limited to bottom line considerations. Finally, workers want, and deserve, a transition that reflects their current standard of living and recognizes their contribution over many years to the success of an industry or specific company.

Second, a "transition" telegraphs a shift or change, presumably of long duration. Thus, inherent in an analysis of a template for transition is a judgement about whether the process leads to an economic system that offers a different road for workers than the path travelled over the past century that led to the planet's current predicament.

Did the Coal Commission set-up ensure union input? Specifically, how were the outcomes for workers weighted against the interests of companies?

Unions had a strong presence throughout the Commission's deliberations. As noted earlier, a significant portion of the interests of workers in the transition was inscribed via the collective bargaining process but those negotiations were anchored in, and informed by, the overall parameters at within the Commission—which were heavily influenced by unions. Given the intertwined relationship between the SPD and unions, and the SPD's place within the government's coalition, this would be unsurprising. However, as this report will note below, the day-to-day influence by unions over economic development, which will affect future job quality, is not as straightforward.

Is Germany's industrial relations system easily copied globally?

The short answer is no. As this paper underscore, Germany's industrial relations and the central statutory role unions have were essential in the Commission's outcomes. In brief, after WWII, unions promoted the board socialization of heavy industry and public ownership of the companies, a goal capitalists opposed. After much intense political debate, the competing interests settled on co-determination: essentially, labour and capital would share power in industrial settings, principally through the power of enterprise supervisory boards.

However, it is crucial to understand that co-determination at the corporate decision-making level is not a one-size, fits-all system; there is considerable nuance that affords different levels of union representation, leverage, and power. In companies with up to 2,000 workers, one-third of the supervisory board comes from labour. In companies with more than 2,000 workers, the split is 50-50 but the leader of the supervisory board comes from the capital side. In steel and coal, however, the chief of the supervisory board is independent. Moreover, in the coal and steel industries, the human resource person is elected by trade unions. Thus, in the coal industry transition process, unions had more input and leverage than workers might have in non-coal sectors, especially in smaller companies.

Germany's industrial relations framework was central to the Coal Commission process. In fact, the Commission's conclusions were substantially shaped by the participation of the DGB, the IGBCE, and Ver.di, the second largest German trade union. However, most countries, either in developed or emerging economies, do not have the same level of historic union involvement in industrial policy.

In the United States, for example, workers have no seat at the corporate board level, except in very unique circumstances. Indeed, outside the very narrow confines of a collective bargaining agreement, unions in the U.S. are barely able to muster a voice at the corporate decision-making levels, relying on the occasional annual shareholders meetings to present resolutions that have virtually no chance of being adopted.

The negotiating position of the IGBCE, indeed, also provides a key perspective. From the union's point of view, since the coal companies would be receiving large payments from the German federal budget as well as from the European Commission to underwrite the early closure of mining operations to comply with climate change goals, a portion of those funds should flow to the workers, not just to corporate shareholders. That position would be evident in the Commission's outcomes as well as the specific collective bargaining agreements reached which overlaid the transition.

Looking into the future of transition schemes, the importance of co-determination in achieving Just Transition underscores a current significant concern within German trade unions: union power is under duress. As coal companies either wither or transform themselves into new companies, co-determination is being chipped away as a core value. In particular, U.S. investors or U.S. based corporations such as Tesla are fighting the entire philosophy of co-determination.

Has the effort to rebuild the regions' economic capabilities been comprehensive enough and effective?

It is far too early to ascertain, and there are some indications the regions will still be left with a chasm of economic needs.

To begin, the €40 billion needs to be understood as a compromise reached within the Coal Commission, and constrained by, at the time, Germany's prohibition against large-scale federal deficit spending. It is orders of magnitude smaller than the scale of long-term investment needed to ensure full-scale economic development with high-paying jobs for all coal mining communities, most of which were already suffering from decades of under-investment, especially in basic infrastructure.

Furthermore, The DGB's 2024 analysis raises significant questions whether the Commission's goals for job creation are tracking with the facts on the ground: "...the current evaluation of structural funding still lacks answers to the question of **whether the approved structural projects actually create jobs and how their quality** [emphasis added], particularly in terms of collective bargaining, should be assessed." As well, the DGB signals a significant weakness in the evaluation of the investments: "...it would be better to at least systematically record the employment effects expected according to the project applications and then to continuously evaluate whether the expected jobs have actually been created. This would contribute significantly to a transparent control of success and overall to a positive narrative of structural change...a balance is needed between good location conditions, the promotion of training and further education, and business- oriented infrastructure. **This balance has not yet been achieved across the region** [emphasis added]."

Unions have also flagged a challenge in tracking investment commitments. The Commission agreed to include unions in the decision-making process. To date, the evidence suggests that input from unions at the regional level is taking place. However, to date, at the federal level, unions have not been consulted; a committee exists that is coordinating how the federal money is spent, and the final implementing law promised consultations from trade unions and employers but, as a key union official says, "We never received an invitation so far... they always promise but never receive one...it's closed shop."[10]

There is a practical outcome to the lack of investment oversight. Money flowing from the federal budget is helping complete long-planned projects in local communities, including refurbishing buildings, rebuilding schools and similar initiatives. Such initiatives clearly have a salutary goal. But, a number of the projects have no connection to the coal exit and there is little data to show the valuable projects are creating new decent jobs. This bears further investigation.

An even larger threat looms for the prospect of long-term good jobs because the renewable energy industry globally is broadly non-union. According to the 2023 Industry Report from the German Wind Energy Association (Bundesverband WindEnergie), approximately 135,000 people are employed in the wind power sector in Germany. This includes jobs in both onshore and offshore wind energy across various segments such as manufacturing, project development, operations, and maintenance.

Indeed, IG Metall conducted a 2024 internal study of the wind industry's collective bargaining coverage, including focusing on union presence in companies deriving 100 percent of its business from wind power. The study concluded that, "Even though the proportion of 'pure wind companies' without collective bargaining coverage has declined in recent years, **collective bargaining agreements are still not the norm in the industry** [emphasis added]."[11]

If, indeed, the German industrial model affords unions a level of leverage the vast majority of unions around the globe do not have but even German union power is slowly being constrained over time, then, the promise of a robust transition for workers, over time, must be recognized to be based on a thin premise absent a massive growth in union representation.

Overall, is the Coal Commission process and its outcomes a model for global efforts for Just Transition for workers?

There is a short-term and long-term answer to this critical question.

10 Interview by paper author.

11 "Survey Among the Works Councils of the Wind Industry: Selected Results of the Survey in 2024" (September 18th 2024 IG Metall PowerPoint presentation)

As this analysis points out, in relative terms, the Coal Commission process and outcomes represent a peak result in Just Transition efforts compared to the scope of other climate change-related endeavors in any country in terms of the number of workers effected and the fiscal resources committed to individual coal miners and their communities. To be sure, with its vast fiscal resources, Germany possesses an advantage that must be consistently factored by other countries seeking to use the Coal Commission outcomes as a template for action.

Within the limitations noted earlier, the Commission incorporated in its deliberations a range of inputs from varied constituencies. The deployment of the adjustment allowance (APG) ensured that workers aged 58 and above received strong financing buttressing as their jobs disappeared. For younger workers, there was a twin commitment to find employment within companies that had non-coal operations or new employment in other industries, aided by promises of upskilling and retraining.

Long-term, there is still significant uncertainty. It will take at least a decade to determine whether the €40 billion economic stimulus directed to specific projects in coal communities makes up for the loss of coal industry activity. As important, for workers who did not advance immediately into the retirement cohort, and especially for workers under the age of 50, their economic prospects remain uncertain, partly because of the muddy evaluation of what constitutes "decent" or "good quality" work.

The short-term and long-term evaluation are somewhat constrained by a lack of data. Much more context could be, and should be, added by plumbing the vast documentation and information that flowed through the Commission. Making such information available and transparent globally would be a significant step in aiding future transition debates. As noted by the DGB, unions do not have full input into the on-going economic development progress.

This paper ends with a final question hinted at by the German Coal Commission process and outcomes: is there a lack of honesty underway globally about the end result of "just transition"? If the overwhelming number of workers do not live under the umbrella of a strong union regime, how is it possible to negotiate outcomes for millions of workers that will ensure a dignified economic future?

As well, given the scale of investment needed to replace existing jobs with "good jobs" and a recognition that the German commitment was a fiscal compromise, how large is the gap between the global "just transition" promise of revitalizing communities on the cusp of huge job losses versus the reality of the money governments are willing to allocate? Taken together, is the concept of "Just Transition" so open to interpretation about its scale as to leave the end result ambiguous, at best, and a broken promise from inception, at worst?

Recommendations

There are three constructive recommendations the German coal commission's experience offers the broader Just Transition community that can serve as basic guideposts.

First, strong collective bargaining is the linchpin for any successful, long-term Just Transition. No country is likely to be able to replicate the German industrial relations model of co-determination, which is a relic of the immediate post-WWII era. However, the decline of unions globally, and, as a result, the weakening of union leverage in collective bargaining, is a threat to positive Just Transition outcomes for workers that can ensure fair incomes. Broad government policy directives to support collective bargaining, can add value. The idea of a European Just Transition directive proposed by the European Trade Union Confederation, would work well in this sense.

Second, Just Transition should spark a conversation about each nation's fundamental social infrastructure. It is almost impossible to construct a "high bar" Just Transition in a nation that does not provide, at a minimum, stout comprehensive free health care coverage as a right, a basic pension and, of course, an underlying wage that covers basic expenses and allows for savings, which can be used during economic transition. In addition, on-the-job, nationally-funded skills training, which many of Germany's workers enjoy but is lacking in most countries, would blunt the economic shifts that inevitably will occur in a worker's life.

Third, any national commission tasked with a Just Transition process, or any deliberative body constituted within national parameters empowering decision-making, has to strive to reflect the breadth of society. The German Coal Commission make-up was a direct outgrowth of the decision to grapple with Just Transition rising, substantially, from a coalition government decision. Practically speaking, unless representatives of commissions, or other convened deliberative bodies, are chosen via popular elections among the public, it is almost unavoidable that Just Transition decision will be made by a group of people composed of those with existing power, influence or access in a given nation state. Indeed, especially given the need to pour large amounts of capital to finance a historic transition, it is difficult to conceive of a set-up that excludes those authorities who can marshal the envisioned financing. On the other side of the ledger, it is helpful to recognize that existing economic structures are, to a large extent, responsible for fuelling the climate crisis. Thus, to build a national consensus, and achieve "buy in" across the social and political spectrum, careful consideration must be given at the outset to balance voices representing existing authority, on the one hand, with participants who articulate a very different vision for the economy.

About the Author

Jonathan Tasini is a veteran economics analyst, political organizer and communications strategist. He is the founder and executive director of Just Transition For All (https://justtransitionforall.com/). His July 2021report for FES analysed the status of Just Transition in the United States (https://library.fes.de/pdf-files/bueros/usa/18089.pdf). His views and analysis can be read regularly in his Substack Working Life newsletter (https://workinglife.substack.com/).

Making Just Transition A Reality: Is The German Coal Commission A Template?

In a world confronted with the unprecedented challenge of decarbonising entire economies, Germany's Coal Commission experience offers an ambitious attempt to reconcile climate action with worker rights and community well-being. The Commission's work led to a legally binding coal phase-out by 2038, underpinned by €40 billion in public investment, a no-layoffs commitment, and a framework emphasizing high-quality, collectively bargained jobs. The report explores how this transition was structured through Germany's unique co-determination system, blending government, union, industry, and civil society input. In assessing the Coal Commission's potential serving as a global model for delivering a high-standard Just Transition amid the accelerating climate crisis, the report also highlights unresolved questions and cautionary insights: gaps in accountability for regional investments, uncertainty over job quality in new sectors, and the diminishing power of unions in shaping future transitions. While the German experience sets a relatively high bar for transition planning, replicability depends on a country's institutional strength, robust labour rights, social safety nets, and commitment to inclusive governance. Without those foundations, the global promise of a Just Transition risks becoming more symbolic than substantive.

Further information on the topic can be found here:
↗ **justclimate.fes.de**

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