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## BENCHMARKS FOR ASSISTING COAL WORKERS IN A JUST TRANSITION

ALEXANDER REITZENSTEIN, FELIX HEILMANN &  
REBEKKA POPP

In 2021, most EU Member States are developing Territorial Just Transition Plans for their coal regions to access the EU Just Transition Fund. This brings to the forefront the question of what a good transition package for affected regions, communities and workers looks like. This factsheet presents three benchmarks based on existing cases to inform the development of national or regional assistance schemes for coal miners across the EU.

### Assistance schemes for workers are only one necessary component of a complete Just Transition

Assistance schemes for workers, such as direct transition payments, can provide an important financial bridge for workers who are close to their retirement or seeking new employment opportunities. However, they cannot succeed in isolation and it is crucial that they are combined with other policies that contribute to a region's Just Transition.

#### **Example: Spain's Just Transition Strategy**

In 2018, the Spanish government signed a strategic agreement with the country's coal sector unions to implement the International Labour Organisation's Guidelines for a Just Transition.<sup>1</sup> The €250 million *Plan del Carbón* deal includes the closure of all privately owned coal mines, which had become economically unviable, replacing subsidies to the coal industry with a sustainable development

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<sup>1</sup> Framework agreement for a fair transition of coal mining and sustainable development of the mining communities for the period 2019-2027



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plan.<sup>2</sup> The first component to its implementation was the development of an economywide Just Transition Strategy, a part of the Spanish Climate Change Bill.

The deal includes provisions that allow all coal miners which are 48 years or older or have served for at least 25 years in the coal industry to retire early. Younger miners will receive a redundancy payment of €10,000, as well as 35 days' pay for every year of service. Miners with health impacts from their work, such as asbestosis, will receive an additional payment of €26,000. In addition to this direct financial support, the Spanish Just Transition Strategy contains important measures such as support for the development of new economic activities in affected regions, support for strategic industrial sectors, labour market interventions to promote job creation and green vocational training measures.<sup>3</sup> Altogether, these provisions make the Spanish strategy a good practice example for how to embed direct assistance schemes for workers in a wider Just Transition framework.

## Assistance schemes must be tailored to the specific needs of different target groups

Assistance schemes must be designed according to the needs of different target groups. For instance, older workers will be more interested in income replacement through public welfare schemes and early retirement options, while younger workers will have a stronger need for active support in seeking new employment, including re- and upskilling efforts.<sup>4</sup> These different circumstances must be respected when devising assistance schemes and require considering the demographic composition of the affected workforce as well as the available opportunities for workers to find new employment.

### **Example: Recommendations by the Canadian Just Transition Task Force**

The multi-stakeholder Just Transition Task Force which the Canadian government convened in 2018 conducted one of the most comprehensive efforts to understand the challenges facing workers and regions from coal phase outs and suggested solutions.<sup>5</sup> In its final report, the Task Force recommends that the

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<sup>2</sup> IndustriALL (2018) **Spanish coal unions win landmark Just Transition Deal**; The Guardian (2018) **Spain to close most coalmines in €250m transition deal**

<sup>3</sup> Europe Beyond Coal (2020) **Saying Adiós to Coal**

<sup>4</sup> European Commission (2020) **Sustainable employment and welfare support toolkit**

<sup>5</sup> Powering Past Coal Alliance (2019) **Just Transition Task Force for Canadian Coal Power Workers and Communities**



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government should follow a two-track strategy of (1) creating a “pension bridging program” for workers who will retire earlier than planned due to the coal phase out; and (2) implementing measures that allow especially younger workers to transition to new, sustainable employment. To achieve the latter, the report proposes the creation of a public inventory providing access to all relevant labour market information as well as the development of a comprehensive funding program to support workers who are transitioning jobs, including through temporary income support, education and skills building, and mobility support.<sup>6</sup>

## The state should not relieve companies of their financial responsibilities

Employers must contribute to the social welfare of their employees, including through pension payments. This principle applies even in the context of a politically mandated coal phase out. Nonetheless, additional public assistance schemes can be justified to support the transition. However, it is crucial that these additional schemes, financed through the state budget, provide additional benefits to workers and communities: it is not acceptable that such schemes simply cover previously existing financial responsibilities of the companies. At the same time, private companies can play a constructive role in the Just Transition, for example through offering reskilling opportunities, as is the case in “renewable energy academy” projects that are currently being developed in Poland and Romania.

### **Example: Germany’s transition payments for senior coal workers**

The German government financially supports workers in lignite mines, hard coal plants and lignite plants who are over the age of 58 and affected by layoffs due to plant or mine closures, or the reduction of production in a plant. According to government estimates, the costs for this support scheme add up to €5 billion until 2048.<sup>7</sup> Eligible workers receive a transition payment for up to five years until their regular retirement age as well as a public contribution to their health insurance of up to 50%. The program is funded by the federal budget. In addition, the legal framework ensures that workers who lose their job due to the coal phase out do not have disadvantages with regards to the level of their later pensions – the difference is covered through public payments to the pension system. A public agency is furthermore providing information about reskilling and training

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<sup>6</sup> Government of Canada (2018) **Final Report by the Task Force on Just Transition for Canadian Coal Power Workers and Communities**

<sup>7</sup> Deutscher Bundestag (2020) **Kohleausstiegsgesetz**



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opportunities to ensure that workers who would like to pursue another career have sufficient opportunities. It is possible to both receive the transition payment and also take on other jobs.

Trade unions welcomed the decision on a transition payment. However, the Mercator Institute for Global Commons (MCC) and IAB, the think tank of the Federal Labour Office, have criticized that the payments are a “gift to the industry” because the public scheme essentially replaces existing company-funded early-retirement pension commitments of €1.7 billion which apply to a majority of workers in the lignite industry. Their analysis also found that the measures would not accelerate the rate of socially acceptable employment reductions. Instead, they suggest that the Federal Labour Agency should just offer the same wage insurance it has been granting older unemployed workers across all industries, instead of the state relieving coal companies of existing pension commitments.<sup>8</sup>

### About E3G

E3G is an independent climate change think tank accelerating the transition to a climate safe world. E3G builds cross-sectoral coalitions to achieve carefully defined outcomes, chosen for their capacity to leverage change. E3G works closely with like-minded partners in government, politics, business, civil society, science, the media, public interest foundations and elsewhere. In 2018, E3G was ranked the fifth most globally influential environmental think tank for the third year running. More information is available at [www.e3g.org](http://www.e3g.org)

### Partners

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<sup>8</sup> MCC (2019) **Gewinner und Verlierer eines staatlichen Vorruhestands für Braunkohlebeschäftigte**