



Green Specialisation and Labour Market Outcomes in EU Manufacturing Industries

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This study examines the labour market adjustment to an expansion in the demand for green products using very detailed EU manufacturing sectors over more than a decade (2003–2015). Data on green production approximate an increase in demand for green products and thus allow to shed light on the possible effect of an increase in investment on the production of green products. The focus on manufacturing is important to assess the differential effect of an expansion in green demand across countries and regions. Indeed, green manufacturing goods are tradable and thus may create large local benefits in terms of employment and wages.



The analysis shows that, at the purely descriptive level, **green production is highly concentrated in a few high-tech sectors** that are also doing relatively better in terms of wages and employment.



When controlling for other drivers of labour market dynamics, we find that **employment grows faster in potentially green sectors**, both at the extensive (i.e. between potentially green and non-green sectors) and the intensive margin (i.e., intensifying green production within potentially green sectors).



Both margins are quantitatively important over the twelve years considered in our analysis: the employment gain is 13.2% at the extensive margin and between 2.1%-4.2% at the intensive margin in correspondence to a 10.2% long-term increase in the share of green production. These results **contrast with the sharp decline of employment in polluting sectors** over the same periods.

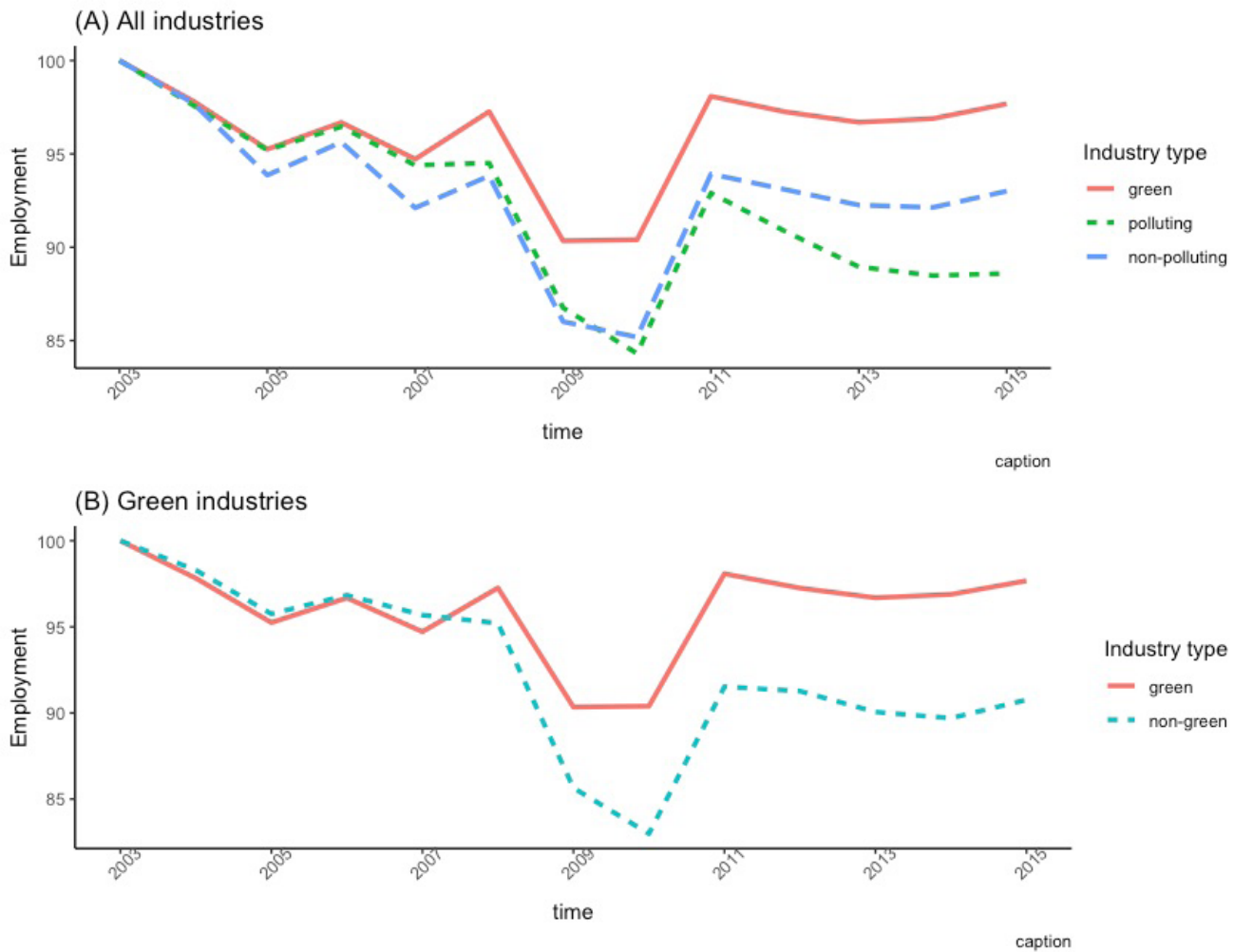


When controlling for other drivers of labour market dynamics in our econometric analysis, **the green wage premium disappears**, indicating that in the same sector, green and non-green activities require a similar set of skill levels and that the average wages are also similar.



This note has some limitations, namely, the country-level analysis is not suited to identify the potential winners in laggard countries and is unable to identify the local multiplier effect of greening in terms of employment in non-tradable service sectors. Hence, **more research is needed to understand how regional labour markets adjust to the green transition.**

Figure 1. Trend in employment in polluting vs. non-polluting and green vs. non-green industries.



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