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Sustainable Development

Recommendations on Social Cohesion in the World of Work

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Executive summary

The current socio-ecological transformation of the world of work harbours both opportunities and risks for social cohesion. Much like in the first Industrial Revolution, we are facing far-reaching economic upheaval. Jobs are crucial for social integration and identity formation, while secure employment prospects with appropriate working conditions and income contribute to a socially cohesive society. Anxiety about the future, on the other hand, can increase the risk of social tensions. As such, it is important to set clear goals for the transition process of the working world in order to strengthen social cohesion.

Social cohesion requires **secure employment prospects and investment in the future**. Yet the challenges for workers are considerable, as flexibility and mobility are called for and the transition process differs according to sector, company and region. Job security and the development of new jobs do not always happen in parallel – something that can lead to regional disparities. Investments in infrastructure and education along with strong commitment to collective pay agreements can reap positive employment effects. Policy demands from the German Council for Sustainable Development (RNE) include reforming the fiscal and budget policy framework, public investment in the transition, improving the framework conditions for private investment and establishing a long-term and inclusive labour-market and structural policy.

For the transformation to succeed, **skilled workers must be assured and potential earning power increased**. Germany is facing a general shortage of labour, which will only get worse with the transition to climate neutrality. The federal government has approved a skilled labour strategy that provides for state action to modernise immigration and increase participation in the labour force. Although facilitating the immigration of skilled workers is crucial, the current debates on migration and the challenges of integration are seen as stumbling blocks. Besides immigration, there is potential to increase the participation of women in the workforce and to upskill the less-qualified. The RNE recommends reforming tax incentives and expanding health and safety at work. Tackling these challenges successfully calls for ambitious implementation measures on the part of both policymakers and social partners.

The socio-ecological transformation requires **comprehensive education** from early-years schooling to continuing professional development (CPD). The opportunity gap in the education system has to be overcome, especially with support for disadvantaged children. A good education is key to future employment prospects and sustainable lifestyles. The RNE's policy demands include decoupling education opportunities from social background, updating the national CPD strategy and expanding learning opportunities for young people with no school-leaving qualifications. Further proposals include an education summit and pioneering models for good education.



Good work is key to social cohesion and is characterised by good working conditions, fair remuneration and rights of co-determination. That said, the structural change has tended to result in an erosion of good work. To shape the socio-ecological transformation successfully, employees must have a positive outlook on the future of the working world, which in turn requires a strengthening of participation rights and collective bargaining coverage. As such, the federal government should action measures that increase commitment to collective pay agreements and advance workers' opportunities for participation in order to boost acceptance and social cohesion.

I. The challenge

Where do the challenges of social cohesion in the world of work arise?

After the first major industrial transformation of the 19th century, we now find ourselves facing another radical phase of economic upheaval that will fundamentally transform the working world. This first “great transformation” was on the one hand shaped by the extraction of fossil fuels and vast consumption of natural resources, but on the other, was at the same time accompanied by the massive upvaluing of gainful employment, significant gains in welfare and the emergence of a modern welfare state.

The phasing out of fossil fuels – in other words, decarbonising our economy –, the rapid progress of digitalisation and, in particular, the enormous advances in the use of artificial intelligence (AI) are comparable in dimension to the first Industrial Revolution. When we look at the dynamics of change for the world of work and a socially cohesive society, the current transition is just as game-changing as industrialisation; from a big-picture perspective, this socio-ecological transformation¹ entails huge opportunities, but also considerable risks.² Many people perceive this transformation as a threat. They worry about their professional future or fear they will lose their job.

Gainful employment has a determining influence on a person's status and integration in society and does more than just guaranteeing them an income; in fact, it also helps form their identity and structures coexistence in our society. In the context of the working world, societal conflict, also around transition topics, can be dealt with through scope for participation and creative freedom – even that which results from social inequality. Companies, therefore, are “social spaces”, in which the consequences and challenges of the transition for the workers will be directly felt. As such, the world of work is and will remain of vital significance for social cohesion.

¹ By socio-ecological transformation, we mean a “fundamental change that involves a reorganisation of the national economies and the global economy within these [planetary] boundaries, in order to avoid irreversible damage to the earth system as well as to ecosystems, and the consequences for humanity.” (WBGU 2011, *Welt im Wandel – Gesellschaftsvertrag für eine Große Transformation* [German Advisory Council on Global Change 2011, World in flux – Social contract for a major transformation]).

² See also the explorative scenarios developed by the think tank of the Federal Ministry of Labour and Social Affairs (BMAS) in 2021: *Die digitale Arbeitsgesellschaft 2040* [The digital working society 2040].



Secure employment prospects with healthy working conditions and a good income foster social cohesion in the socio-ecological transformation, whereas uncertainty and people worrying about the future harbour enormous risk for a socially cohesive society and so are also a risk to liberal democracy. That is why policymakers should highlight clear objectives for the transformation process for the economy and society, so that companies can give people reliable employment prospects and allow them scope for participation and creative freedom.

II. Potential solutions

Which topics are key to the work of the future in an inclusive society?

Social cohesion requires secure employment prospects and investment in the future

The research on the quantitative employment effects of the restructuring of the German economy (decarbonisation and technological innovations) is still in its infancy, but on the whole, initial studies paint a fairly positive picture for the labour market of the future. Results show that between 2020 and 2040, 5.3 million jobs are expected to disappear in Germany, but at the same time some 3.6 million new jobs will be created.³ A parallel decline in employment potential by 1.8 million jobs is anticipated due to demographic changes.⁴ Therefore, even if 1.8 million jobs were lost through the transition, this would not lead to higher unemployment. Or put another way: without the transition processes, the labour shortage in Germany would be appreciably bigger.

For the individual workers, however, there is no doubt that the demands on flexibility in their employment history and on mobility with respect to new jobs are challenging. Plus, the transition processes in the individual industries, companies and regions are proving to be very different; the assurance of employment and the dismantling of old jobs and establishment of new ones will not always take place in parallel.⁵

Aside from the shifting of employment between sectors and within companies, the asymmetric nature of the transition – if the geographical distance between job seekers and vacant jobs is too great – can lead to new regional disparities. All the more reason, then, for an effective long-term and inclusive labour market policy and a structural policy for the regions.

But a number of studies collectively see quite positive labour market effects, e.g. based on the German government's Climate Action Programme 2030 (QuBe

³ Cf. IAB (2023): [Zentrale Befunde zu aktuellen Arbeitsmarkt-Themen 2021/2022 \(iab.de\)](#) [Key findings on current labour market topics 2021/2022] (p. 5).

⁴ Ibid. The working population in 2040 is expected to have fallen to around 44.7 million (2020: 46.5 million), see IAB (2021): [IAB-Kurzbericht - Aktuelle Analysen aus dem Institut für Arbeitsmarkt und Berufsforschung](#) [IAB abridged report – Current analyses from the Institute for Employment Research] (p. 7).

⁵ Bosch, G. (2022): [Arbeitspolitik in der Transformation: Soziale Härten vermeiden](#) [Labour policy in the transition: Avoiding social hardship], Rosa Luxemburg Foundation.



project). “Work for all”, therefore, seems a thoroughly realistic prospect in the process of socio-ecological transformation.⁶

That said, the employment impacts do differ within the individual sectors. Negative effects can be expected, among other areas, in vehicle manufacturing and suppliers, in steel, cement or non-green segments of the chemical industry. These are often threatened with the loss of normally well-paid jobs, not to mention a pay cut through a forced change of occupation. By way of contrast, there are other sectors that can look forward to positive employment effects if, as part of an ambitious climate policy, large-scale private and public investment is made in developing the requisite infrastructure. Examples include the energy sector, building renovation and ecological infrastructure (transport, digital networks), education and care. Collective bargaining coverage is an important element for securing good employment by investing in the future. Moreover, public investments in the future need a conducive budgetary and fiscal policy framework.

Policy demands on the federal government:

1. A reform of the budgetary and fiscal policy framework to enable the required investments for the transition.
2. A cross-ministerial strategy for state investment in socio-ecological transformation, including in the energy sector, building renovation, sustainable mobility and digital networks, but also education, lifelong learning and care infrastructure for young and old alike (child and elder care).
3. Improve the framework conditions for private investment in the socio-ecological transformation.
4. Establish a cross-ministerial, long-term and inclusive labour-market and regional structural policy across all industries and Länder, as well as structural linking of this policy with lifelong learning throughout people’s career history. The structural change in the labour market is a multigenerational undertaking and requires a stable political framework coupled with a stable social partnership to support companies and employees.

For the transformation to succeed, skilled workers must be assured and potential earning power increased

Of the workers that will be needed to deliver climate neutrality, in 2035 around 40 percent are apportioned to occupational categories in which the Federal Employment Agency has identified a significant shortage of skilled labour. A general labour shortage is already looming, which is constraining the German economy and its potential for sustainable growth, threatening to block the transition. This

⁶ Federal Institute for Vocational Education and Training (2022): BIBB/QuBe – Qualifikation und Beruf in der Zukunft [BIBB/QuBe – Qualifications and careers in the future].



labour deficit is evidenced by the fact that more than 1.7 million jobs throughout Germany were unfilled in the first half of 2022.⁷

With these figures in mind, the federal government has approved a skilled labour strategy with concrete action points to increase potential earning power or rather address the skills shortage.⁸ The strategy targets state action, such as modernising immigration and reducing emigration, but also increasing labour market participation in general.

Encouraging the immigration of skilled workers is an essential component of a strategy to counter the skills shortage. However, the current migration debate in Germany and the inadequate framework conditions for the immigration and integration of foreign skilled workers are only exacerbating the situation by making Germany an unattractive destination for them. At the same time, the ongoing debates are endangering social cohesion. In the public discourse, reasons for flight, the right to asylum, and better integration of refugees in the labour market should be viewed together. At the same time, the situation of workers who immigrated and were hired of their own accord must be given equal consideration. Integration in the labour market always also provides tangible opportunities for co-creation. Over the medium term, Germany needs net migration of 400,000 gainfully employed people per year to meet the shortage of workers and, especially, skilled workers.⁹

But beyond immigration, there are still other potentials for increasing participation in the labour market. This is where business, the social partners and policymakers are called upon to join forces. Female participation in the workforce, above all, harbours significant potential, not least because many women today are employed part-time – and not through choice. What could help here, for example, would be more flexible working-time arrangements for a better work/life balance, but also the expansion of high-quality daycare facilities for children.¹⁰ Tax disincentives, like the prevailing marital status relief, must be reformed. The potential of education that qualifies younger people for a profession, as well as the upskilling of lower-qualified workers – who are more often impacted by (long-term) unemployment and precarious employment conditions – must also be leveraged. Furthermore, health and safety at work is fundamental when it comes to maintaining employability and retaining skilled workers. The outlined fields of action have been known for a long time. There is no lack of findings, only of ambitious implementation steps to ensure a successful transition.

⁷ Federal Employment Agency (2022): [Engpassanalyse](#) [Labour shortage analysis].

⁸ Federal Government (2022): [Fachkräftestrategie der Bundesregierung](#) [Skilled labour strategy of the federal government].

⁹ [The German Council of Economic Experts assumes in its 2023 annual report](#) that the high potential growth of 1.5 million immigrants in 2022 will fall to a net migration figure of 513,000 from 2023 and will level off at 250,000 by 2030. Due to the slow integration in the labour market, however, annual net migration of at least 400,000 will be needed (pp. 73, 103, 114).

¹⁰ Cf. Hans Böckler Foundation (2022): [Studies on equality and gender equity](#).



Policy demands on the federal government and social partners:

5. Develop a strategy for upskilling and advancement of low-skilled workers and expedite integration of skilled workers from abroad into the German labour market, among other ways through support programmes and by removing barriers (on-the-job language certificates, easier recognition of degrees and qualifications, etc.).
6. Reform working-time arrangements for a better work/life balance and remove tax disincentives, in particular marital status relief.
7. Promote health and safety at work to maintain employability, especially in times of growing digitalisation and AI-based work realities, which are by nature asynchronous, accelerated and more agile.

From early-years education to continuing professional development – good education must be enabled

The changes in the working world go hand in hand with revised qualification requirements for employees. This is nothing new. The need for lifelong learning has been a subject of discussion since the '70s.¹¹ The skilled labour strategy makes training and development a priority, and the law on expanding support for training and development has brought in important reform steps, among them the introduction of a qualification allowance, (part-time) training leave and a training guarantee. But focusing on training and development alone is too short-sighted for a successful socio-ecological transformation. Rather, the entire education chain must be considered, from early-years to school, vocational and university education all the way through to lifelong learning.

The high social selectivity of the German education system, i.e. the high dependence of educational performance on social background,¹² is a heavy burden on labour force potential, but also on social cohesion. The existing opportunity gap must be overcome, for instance with special support for children from educationally disadvantaged families, especially those with a migrant background. The prospect of social mobility through education can be a great motivator for people and, equally, a driver of social development and socio-ecological transformation. Numerous studies show that well-educated employees make considerably more use of learning opportunities than the low-skilled. To ensure good employment prospects for everyone in the transition, all children and young people must be guaranteed a good education and a successful transition from school to career. And we are not just talking about functional education with a view to good job prospects, but also a good education for sustainable ways of living and democratic participation.

¹¹ Cf. also the recommendations from Leopoldina (2024) [Die Zukunft der Arbeit](#) [The future of work].

¹² Cf. inter alia: Institute for Educational Quality Improvement (2023): [IQB-Bildungstrend 2022](#) [IQB education trend], pp. 261 ff. (chapter on social disparity).



Policy demands on the federal government:

8. Hold a cross-ministerial education summit with the Länder that deals across sectors with all facets of the education chain along the social path of life and identifies social challenges as well as areas that need reform in the key sectors. Decoupling educational opportunities from social background must take centre stage here. What's more, questions of financing, such as for improved children's and youth education, but also for lifelong learning, must be clarified.
9. Update the national CPD strategy with special focus on modified or new job profiles for socio-ecological transformation.
10. Expand learning opportunities for young people with no school-leaving qualifications.
11. Establish pioneering models or living labs for good education and CPD for sustainable ways of living and democratic participation.

Good work in the transition promotes social cohesion

Job worries among workers lead to fear of losing their social status. Conversely, positive employment prospects and "good work" reinforce social cohesion. Good work is characterised by good working conditions, fair remuneration, family-friendly work hours and secure working conditions. Crucial for the creation of good work are collective-agreement regulations between the social partners and documented co-determination rights and participation options for employees. The achievements of the social partnership can take considerable pressure off government action.

Unfortunately, the structural change in the world of work over recent decades has tended to lead to an erosion of good work, the foundations of which had been won in the first "great industrial transformation" on the basis of social disputes. Collective bargaining coverage by companies and the number of co-determining enterprises are continually falling. The reasons for this are complex and involve first and foremost the realm of private services. But often it is also companies in the field of renewable energies or wholefood retailers, who cultivate a sustainable, "green" image but have neither pay agreements nor works councils.

But for the socio-ecological transformation to succeed, it is essential that employees, for themselves personally but also for society, have a positive outlook on the way the world of work will develop in the future. And critical to this is the prospect of good work and, with it, stronger participation rights for workers and greater commitment to collective pay agreements.

All this being the case, the federal government should get on with delivering the measures around these topics targeted in the coalition agreement (law on collective bargaining in public procurement, continuing effect of pay agreements, reform of the Works Constitution Act). This way, security and flexibility can be



balanced with a view to good work. Security in times of seismic change is vital to avoid an obstructive mentality. Opportunities to participate and co-determination in shaping the ecological transition foster acceptance and help stabilise societal cohesion.

Policy demands on the federal government and social partners:

12. Draft measures to increase commitment to collective pay agreements, e.g. through a federal law on public procurement and collective bargaining, with the aim of 80 percent collective bargaining coverage to balance security and flexibility for the purposes of good work.¹³
13. Boost opportunities for employees to participate in transition topics in companies, in order to mobilise their ideas and engagement for transforming the economy towards a sustainable model and to enable their participation in the change process. This will also increase acceptance of change and strengthen societal cohesion.

¹³ This should be based on the EU Directive on adequate minimum wages in the EU, which stipulates that all Member States where the collective bargaining coverage rate is below a threshold of 80% should provide a framework of enabling conditions for collective bargaining, and establish a plan of action to promote negotiations to gradually increase collective bargaining coverage.



About the German Council for Sustainable Development

The German Council for Sustainable Development (RNE) advises the Federal Government on issues of sustainability policy. It acts in this capacity as an independent entity, and since 2001 its members have been appointed every three years by the Federal Government. The Council consists of 15 public figures, comprising individuals from civil society, the business sector, the scientific community and the political arena. It has been chaired since 2023 by Reiner Hoffmann and his deputy, Gunda Röstel. The Council also carries out its own projects aimed at advancing the topic of sustainability in practical terms. In addition, it helps shape topically focused momentum within policy and societal dialogue. The Council is supported in its activities by an administrative office based in Berlin.

RNE collaboration for this statement:

This recommendation paper from the RNE is the responsibility of the Council members and was produced in collaboration with the following experts:

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- Christian Hoßbach, Hans Böckler Foundation
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Imprint

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¹⁴ German Council for Sustainable Development (2023) [Work Programme 2023-2026](#)