The long and winding road from black to green – decades of structural change in the Ruhr region

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Background: Revision of growth model

Long term challenge: a fundamental revision of previous growth model: transition to low (zero) carbon economy

This means: a restructuring of the entire economy

- restructuring of traditional sectors /also job losses/
- green growth – a strategy to promote ‘eco-industry‘,
- clean energy

This is a conflictual process with a clash of short term and long term interests – also a challenge for trade unions

The case of the Ruhr region shows that the transformation of a traditional energy-intensive and fossil fuel dependent industrial region towards a low carbon knowledge based economy is possible and delivers important lessons

But this should not take 50 years
The challenge of the transition to a low-carbon economy on industrial jobs in Europe

Implementing climate targets will genuinely transform industrial jobs, in quantitative and qualitative terms:

There is a consensus that although climate policies would have no major aggregate impact on the number of jobs, a massive redistribution of jobs is to be expected:

- New jobs are being created,
- Existing jobs will be transformed (`greened` jobs)
- Jobs will also disappear
- Job quality (not just green, but decent)!
- With huge differences by region, branch and LM segment!
Sustainable industry

- Industry is key competence > 'desindustrialisation' – no option!
- Competitiveness via resource and energy efficiency and not through cheap energy
- Eco industry has a key role, but 'traditional industries' also need to transform (but job losses in polluting industries)
- The crisis makes it difficult to implement these policies
- Signs of backtracking (low investments, reversal in clean energy, fossil fuel 'revival') –
- „any job here and now“ – is the demand of the hour
The Ruhr region in Western Germany used to be one of the most important industrial regions of Europe. Based on coal mining and steel it had been the major supplier of the German military machinery in two world wars. One of the aims of setting up the predecessor of the European Union, the **European Steel and Coal Community** (ECSC) in 1951 was to "make war not only unthinkable but materially impossible" /Robert Schuman/ and bring the Ruhr under community control.

- The transformation of this region delivers lessons, how to manage a long term fundamental restructuring of a mono-industrial region
- Blocking factors; role of social dialogue, strategic co-operation of all actors, analysing pitfalls, failures and traps
- What were the key factors in the success at last
- Any lessons for regions facing similar challenges
Main issues

● the decades-long transformation of the Ruhr region as one of the exemplary cases for managing change from traditional industry based, resource and material intensive economic activity towards a knowledge based resource efficient economy

● how to manage it in a socially balanced way where the inevitable burdens and costs are shared by all major actors in a just way. The Ruhr experience also delivers a lesson from point of view of ‘just transition’. The economic diversification of the once mining dependent Ruhr region had been actively managed by the federal and regional governments and restructuring processes were embedded in an industrial relations culture marked by the strong role of workers participation – BUT this was all NOT ENOUGH for the final SUCCESS and BREAKTHROUGH
Long term employment changes

- IN FOCUS: changes in employment, the applied structural and industrial policies, the social plans and the role of the main actors.
- The case of the Ruhr delivers lessons not just because of its outcome and the difficulties faced during the process, but even more so through the ways it happened, in close co-ordination and co-operation between the major actors.
- Between 1960 and 2001, the employees in the mining industry had been reduced to 10% (39,000) of the employment level of 1960 (390,000), while the output level fell to almost one sixth from 115.4 million tons in 1960 to 20 million tons by 2001. By the early 2000s the share of miners in the total employment in the Ruhr region made up just about 2.5% of the workforce - equivalent to approximately to employment in car repair.
Employment in coal mining, Ruhr region, Germany

Number of employees in coal mining in Germany (1957-2013) in thousand

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<tr>
<td></td>
<td>607.3</td>
<td>377.0</td>
<td>252.7</td>
<td>186.8</td>
<td>130.3</td>
<td>92.6</td>
<td>56.1</td>
<td>38.5</td>
<td>24.2</td>
<td>17.6</td>
<td>14.5</td>
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Source: German Coal Association, 2014
## Employment structure by broad economic sectors

### Employment structure in the Ruhr Valley and in the Federal Republic of Germany (West) between 1961 and 2000 (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ruhr</th>
<th>FRG</th>
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<tr>
<td>1961</td>
<td>13,6</td>
<td>2,4</td>
<td>61,3</td>
<td>46,6</td>
<td>36,3</td>
<td>36,8</td>
<td>n.a.</td>
<td>0,5</td>
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<tr>
<td>1970</td>
<td>9,1</td>
<td>1,5</td>
<td>58,4</td>
<td>49,4</td>
<td>40,0</td>
<td>41,5</td>
<td>0,6</td>
<td>0,5</td>
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<tr>
<td>1980</td>
<td>5,3</td>
<td>1,4</td>
<td>51,7</td>
<td>45,3</td>
<td>47,0</td>
<td>49,4</td>
<td>5,3</td>
<td>3,5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>3,6</td>
<td>1,2</td>
<td>44,4</td>
<td>40,6</td>
<td>54,4</td>
<td>55,8</td>
<td>10,8</td>
<td>6,6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>2,5</td>
<td>1,2</td>
<td>33,3</td>
<td>33,5</td>
<td>65,4</td>
<td>64,0</td>
<td>12,2</td>
<td>8,1</td>
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Source: RVR Databank, 2014
# Main stages of structural change at Ruhr: 1840-2000

## Main stages of structural change of the Ruhr

<table>
<thead>
<tr>
<th>Period</th>
<th>Phase</th>
<th>Characteristics</th>
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<tbody>
<tr>
<td>Up to 1840</td>
<td>Pre-industrialisation</td>
<td>Small coal mines, iron and textile factories; Agricultural areas with low population density</td>
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<tr>
<td>1840-1914</td>
<td>industrialisation</td>
<td>Large-scale coal mining and development of coal chemistry; Mass production of iron and steel; Strong immigration</td>
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<td>1894-1914</td>
<td>Industrial peak with highest growth rates</td>
<td>World Wars I and II, economic depression, dismantling product lines after WW2 End of product cycle in coal mining</td>
</tr>
<tr>
<td>1914-1945</td>
<td>First signs of the crisis</td>
<td>Temporary demand pull due to post-war reconstruction and the effects of the Cold War</td>
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<tr>
<td>1945-1957</td>
<td>Rapid growth</td>
<td>Crisis of coal mining and closure of pits: international competition and location disadvantages due to changed technology; Steel crisis in 1974 with overall decline of the region; A locked-in situation into steel and coal.</td>
</tr>
<tr>
<td>1957-1990-s</td>
<td>Restructuring and transition with lock-in</td>
<td>New frontiers in knowledge based economy, renewable energy, eco-industry; Industrial heritage</td>
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<tr>
<td>From the 1990-s on</td>
<td>Diversification, re-industrialisation</td>
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Source: Bross, Walter 2000, Hospers 2004
Blockades of structural change

Factors that impeded and delayed the restructuring in the Ruhr

● The property blocking: in fear of new competitors on the labour market the regional companies retained their large properties or sold them at excessive prices. New investors were thus being kept away.

● The education blocking: Up to 1964, there was no university in an area with 5.4 million inhabitants. Since Bismarck’s times universities and students have been seen as sources of unrest unwanted in Germany’s economic heart. In the 1970s and 1980s, a series of universities had been founded, establishing a knowledge base.

● The lost ability of innovation: The mono-structure of the coal and steel industry requested highly specialised suppliers. The amounts and the qualities of the materials, machines and services to be delivered were precisely planned. Suppliers were little inclined to improve and to innovate, the ability of innovation could not sufficiently be developed in the small and medium-sized firms that otherwise could have become the engines of structural change.
Blockades of structural change

- The problem of **the regional image**: Up to the turn of the millennium the Ruhr has been affected by a persistent negative image concerning wages, housing conditions and leisure potentials, both investments from outside and an immigration of highly qualified human capital remained rare exceptions.

- The missing growth impulses increased the competitive pressure on the stagnating or shrinking local communities. The struggle for jobs, local taxes and inhabitants caused a deeply rooted local egoism. Inter-communal or even regional forms of cooperation were only exceptions.

- (Butzin, 2013)
Diversification - reindustrialisation

- Firms such as RAG, Thyssen and Krupp diversified beyond coal and steel and invested in like plant engineering, environmental technology and control services. Today these activities make up about two thirds of their turnover.

- In parallel local authorities played an important part in bringing about a “break-out” from the Ruhr’s lock-in situation. In 1984 the State of North-Rhine Westphalia changed its industrial policy with a focus on environmental technology.

- The most prominent example of genuine re-industrialisation (‘neo-industrialisation’) has been the diversification strategy into the field of environmental technology. Competence in this field has its roots in the local coal and steel industry that was constantly in search for innovative ways to keep pollution levels as low as possible.
Co-operation – bottom-up initiatives

- Due to the strict environmental rules and the high demand for clean technologies among local firms, the Ruhr could accumulate much expertise in how to counter environmental damage. By now, the Ruhr has grown into the centre of environmental technology research in Germany. The cluster has created new employment in the region as well: about 100,000 people were working in this branch by the mid-2000s. Local firms, universities, research institutes (e.g. the Soil Protection Centre and the Environmental and Packaging R&D Centre) were involved. The Ruhr has developed a comparative advantage in energy supplies and waste disposal. Due to the massive amounts of energy resources needed and waste produced by the coal and steel plants, R&D in the field of renewable resources, recycling and waste combustion was stimulated from a relatively early period on.
Co-operation – bottom-up initiatives

- A bottom-up approach was chosen rather than a top-down strategy. The initiative IBA (Emscher Park International Building Exhibition), which lasted from 1989 to 1999, was a focal point for this shift towards decentralising responsibilities in matters of structural change in the Ruhr. This public-private project was aimed at the economic, ecological and social reconstruction of a densely populated area of 800 square kilometres near the river Emscher that had suffered much from industrial exploitation.

- 35 Cities and three municipalities presented the “Concept Ruhr” the first initiative for the sustainable urban and regional development of the whole Ruhr Area. The “Concept Ruhr” focuses on the “Ruhr-basics” - five guidelines for the development in the next decade- and includes 274 projects with a total investment of EUR 6 Billion.
Many of the components of renewable energy technologies originate from mining technology. Two of the world's leading producers of wind turbine parts, Voith Turbo, BHS Getriebe and IBC Wälzlager GmbH were originally producers of coal-mining machinery. Siemens once produced conventional coal-fired power plants for the Ruhr area, and now the company is developing biomass generators. Instead of helping companies dig for coal, mining suppliers like Teramex are providing drilling machinery for geothermal energy.
The role of social partnership

- the main actors of the economy, the regional government, municipalities, employers and trade unions were closely acting together throughout the post war decades in managing the economy and its transformation. Germany and Rhineland capitalism had been famous for its co-operative industrial culture where co-determination of employees is a core value. Co-determination in the German coal and steel industries has a qualified version, ‘Montan-Mitbestimmung’

- Coercive institutional co-operation may also lead to blockades and to a lock-in situation, as we have seen in case of the Ruhr for almost two decades (from the mid-sixties to the mid-eighties).
• employment in mining in the Ruhr area had gone through a radical downsizing during the last decades, from 473 thousand in 1957 to 11448 by the end of 2013.

• In 1993 that the bargaining parties first signed an agreement guaranteeing a socially responsible approach to the manpower restructuring programme. The workforce agreed to forgo a wage increase and in order to avoid compulsory redundancies a work redistribution programme – referred to as ‘free shifts’ was introduced.

• A personnel restructuring process of such a magnitude requires a targeted and coordinated set of statutory, collective-bargaining and contractual regulations and initiatives. Early retirement has been the central element based on the transition payments system (APG) for coal industry employees that the state legislators introduced in 1972. A monthly-paid financial bridging support is made available for a maximum period of five years to workers after early termination of employment and until they first qualify for the pension insurance scheme. All employees who lose their jobs before 31 December 2022 are entitled to the scheme.
Just transition

- Measures were also taken for facilitating the labour market transitions of dismissed workers. In larger cases this was done via targeted agencies that specialised for employment promotion and training (Beschäftigung und Qualifizierungsgesellschaft).
- Coordination with the employment office about the qualification goals depending on local conditions and the potential / current labor market needs in viable areas
- Individually designed training and counselling is matched to company demand
- The Ruhr restructuring experience also showed that a complex process of restructuring from a resource intensive industrial base towards a green resource-material and energy efficient economy needs a comprehensive policy framework.
Structural and regional policies not only included industrial policy, regional development, urban recreation policies, but education, labour market policies were equally important. Moreover, what proved to be a decisive moment, land-use and building regulation was also of key importance. A new concept for the utilization of land in form of industrial and landscape parks gave a new impetus to regional development. In previous decades it were the big firms that prevented the establishment of new project by jealously sticking to the vast lands they did not use.
Trade union role: the positive agenda: active policy role and social dialogue to meet the challenge

Trade unions are committed to more ambitious climate policy at the same time demand a framework that provides a balanced approach: just transition

This makes a comprehensive policy approach necessary: climate + employment + training + social + industrial policy

Such a comprehensive policy framework does not exist yet

Current employment policies are not fit to cope with the more ambitious climate policy that would be needed for the 2050 targets

Managing labour market transitions would need a European Employment Fund for the Green Transition (like Globalisation Adjustment Fund)

Just burden sharing during the transition - job quality and managing job transitions
“From an aggregated perspective, the increase in power prices is not as dramatic as often asserted in public debates“ (Expert Commission for the Assessment of the first monitoring report on the Energiewende, December 2012)

Source: DUH (2013)