



International
Labour
Organization

▶ Greening Enterprises

Transforming processes
and workplaces



Executive summary

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Enterprises are increasingly recognized as crucial to a healthy environment and to making progress on climate change, as well as being key actors in achieving a just transition – a transition based on equity and the participation of all stakeholders. To this end, it is equally important to look at enterprises as places where people work, and not only in terms of how goods and services are produced. Indeed, the workplace is where business opportunities in the green economy take shape and where workers and employers in their respective capacities can change production processes in ways that improve resource efficiency, reduce pressure on the environment and make enterprises greener.

What is a green enterprise?

In general, several options are open to enterprises to reduce their impact on the natural environment, or “go green”. One option is to produce green goods and services, for example solar panels. Another option is to adopt greener production processes – in other words, to use renewable energy and sustainable raw materials, relying on technology that produces more output with the same level of inputs (resource efficiency), and to manage waste more efficiently.

However, there is more to enterprises than what they produce and how they produce it. Enterprises are also workplaces. For many enterprises and workers today, the greening of workplaces can play a meaningful role in reducing carbon emissions. For example, sustainable commuting, energy and waste management at the workplace, teleworking and sustainable food at work are relatively common. In this context, the extent to which enterprises may be considered green depends on the extent to which they green their outputs, production processes and workplaces.

Which enterprises are taking green measures?

Among enterprises in the European Union (EU), in EU candidate countries, including Türkiye, and in the United States of America, large enterprises, enterprises enjoying high revenue or that sell their products or services to public administrations, were, in 2021, the year covered by the survey, more likely to have taken resource-efficient measures. This is in part because they benefit from easier access to green technology and have more legal obligations. But many micro, small and medium-sized enterprises (MSMEs) also implement energy-saving and waste management measures and save on material inputs. Some MSMEs working in supply chains are encouraged to adopt green measures at the request of buyers and investors.

While green measures are taken in all sectors of the economy, enterprises engaged in the most carbon-emissive sectors are more likely to implement green initiatives than other enterprises, especially those providing technical services. The latter include manufacturing, electricity, gas, steam and air-conditioning supply. This report finds that the share of green enterprises is higher in countries with more stringent environmental standards, such as Austria, Norway and the United Kingdom.

The demand for greener enterprises is driven by consumers and clients, environmental regulations, and cultural and institutional factors

The impact of consumers and clients on business rationale for sustainability

Consumers and clients are increasingly demanding sustainable products, as illustrated by Google searches for sustainable goods, which rose by 71 per cent between 2016 and 2020. Higher demand is a push factor for informal enterprises, especially those in the circular economy, engaged in the sale and purchase of recycled materials and the maintenance and repair of various goods. The major clients of MSMEs along global supply chains are large enterprises, which in turn are concerned about their reputation with consumers, investors, shareholders and their respective governments. The increase in environmental, social and governance (ESG) investing – which prioritizes the alignment of financial targets with ESG outcomes and the corresponding disclosure requirements – is an additional push factor.

The growing scarcity of resources and the increased frequency of natural disasters are also drivers of the green transformation of enterprises. Green enterprises are more resilient to the consequences of environmental change. Some MSMEs have experienced adverse environmental impacts directly and have been forced to budget green investments as a means of survival, such as changing the site of production because of droughts.

The role of laws and regulations in promoting environmentally sustainable enterprises

The price of goods, just like the cost of waste disposal, does not fully reflect the fact that natural resources are limited and that waste has long-term effects on the environment, resulting in market failure. This is why legislative action and support for enterprises in transition can add value to both the economy and society, recognizing the specific constraints faced by enterprises.

Regulations on the sustainable consumption of resources at the workplace and sustainable transport are a major driver of the greening of enterprises. Labour legislation governing teleworking and working-time organization, and providing workers with rights to protect the environment, is also becoming a common way to promote green workplaces. Green procurement and the legal framework for sustainable business

models appear to be powerful tools to make enterprises greener and to better integrate their sustainable economic, social and environmental development.

Many of the regulations that have an impact on enterprise environmental sustainability, green procurement and sustainable business models are fairly recent – two thirds of the regulations in force in 2019 were introduced after 2004 – and imply a vast adaptation effort on the part of enterprises. All regions are concerned, though Asia, Europe and Latin America have taken more legislative action than other parts of the world. Countries have continued to adopt legislation promoting sustainability and resource efficiency through environmental and labour legislation during the COVID-19 pandemic. In parallel with these regulations, enterprises continue to play an important role in protecting workers from occupational safety and health (OSH) risks resulting from climate change, and standards governing OSH are vital in this regard.

A variety of legal and policy measures to make workplaces greener can be found around the world. Some of these measures are not compulsory, notably for MSMEs, but they provide a wealth of practices from which MSMEs can draw inspiration on their path to sustainability and a just transition.

Although many environmental regulations have initial costs, such as energy-related measures, others mostly involve changes in behaviour. In both cases, training and technical advice, particularly on energy efficiency and waste management, are important to inform employers' decision-making.

Culture, norms and social dialogue

Culture and norms play a role in shaping the strategy adopted by entrepreneurs regarding the green transition, particularly that of owner-managers of smaller enterprises.

Climate change has enlarged the traditional areas of negotiation between the social partners in many national and international contexts. However, more social dialogue at national level does not always mean more dialogue at the enterprise or local level. In fact, it is rare – though not unheard of – for social dialogue at lower levels to focus on supporting businesses' efforts to change their production processes in order to reduce emissions and promote green workplaces.

What obstacles do enterprises face?

Several constraints hinder climate action by multinational enterprises, such as uncertainty in climate policies, unavailability of green technology and lack of investment profitability. The adoption of green practices also remains limited in MSMEs in both developed and developing countries owing to limited access to finance and skills, lack of information and knowledge about innovation, and weak regulation enforcement in some contexts.

Some MSMEs face barriers such as the complexity of administrative and legal procedures or the lack of supply of required materials, and a majority reported a lack of financial support for the green transition. In the case of informal enterprises, both formalization and the transition to environmentally and economically sustainable production are hampered by structural weaknesses of the economy and inadequate regulatory frameworks at the national and sector levels.

Skills mismatches are identified as major obstacles to the greening of enterprises, notably in sectors outside energy and energy efficiency.

How many enterprises adopt green processes?

In the EU, in EU candidate countries, including Türkiye, and in the United States, 90 per cent of enterprises in 2021 had taken action to green their production processes or their output. The share of enterprises that had taken no green measures varied greatly across countries, ranging from 42 per cent in Albania to less than 2 per cent in Italy and Norway.

In a larger sample of countries, including lower- and upper-middle-income developing countries, 70 per cent of formal enterprises reported in 2019 the recent adoption of at least one measure to green their production processes. The most frequently reported measure was energy saving, followed by anti-pollution and water management measures.

What is the effect of greening enterprises?

Among EU countries, EU candidate countries, including Türkiye, and the United States, two thirds of enterprises reported that resource efficiency action had either lowered their production costs or had had no impact on them. The most common resource efficiency actions included minimizing waste and taking energy-saving measures.

A green transition based on substituting traditional sources of energy with renewable ones and increasing energy efficiency creates jobs at the global level, albeit on a modest scale. This raises the question of where these jobs are created and whether they are created in enterprises that implement green processes. In the study sample including developing countries, the introduction of greening processes has had no impact on employment in the surveyed enterprises, except in lower-middle-income countries. In the latter, greening processes are associated with a decrease in employment at the enterprise level, a result that has also been observed in relation to other kinds of technological changes. And while greening of production processes is crucial for the transition, enterprises that supply green products and services create more green jobs than do enterprises implementing resource efficiency measures and are, in that sense, leading the transition.

The decision by enterprises to implement green processes has repercussions for training needs, which is an important element to consider when devising skills development policies.

The impact of the COVID-19 pandemic on the greening of enterprises

The COVID-19 pandemic is another external shock that enterprises have had to deal with, in addition to natural disasters and climate change. The pandemic has had a huge negative impact, especially on MSMEs. According to a qualitative survey conducted for this study, most MSMEs in Colombia, Kyrgyzstan, the Republic of Korea and South Africa have experienced a temporary partial or complete closure. MSMEs in sectors considered to be essential by the government have been least affected.

Some MSMEs have placed less priority on environmental issues. However, in part to respond to the COVID-19 pandemic and protect the health and safety of their staff or to reduce operational costs, some MSMEs have taken measures that have a positive impact on enterprise emissions, such as energy efficiency measures and teleworking. In general, MSMEs reported that they would welcome public financial support that linked pandemic recovery to the green transition.

What is a just transition for enterprises?

For multinationals, just transition means establishing better green and labour practices along global supply chains, including through transparent corporate social responsibility initiatives and strengthening the capacity of enterprises to apply labour standards within the supply chains. Beyond the business response, most MSMEs, and sometimes employers' organizations too, are not aware of specific environmental policies and implications for their businesses and have no knowledge of just transition or of the impact of climate change on labour markets. A just transition to sustainability is also a transition to formality. For informal enterprises, just transition is based on both formalization and environmental sustainability. This requires explicit attention to increasing the ability of the economy to absorb informal workers and enterprises, as well as the ability of workers and enterprises to join the formal economy.

The way forward

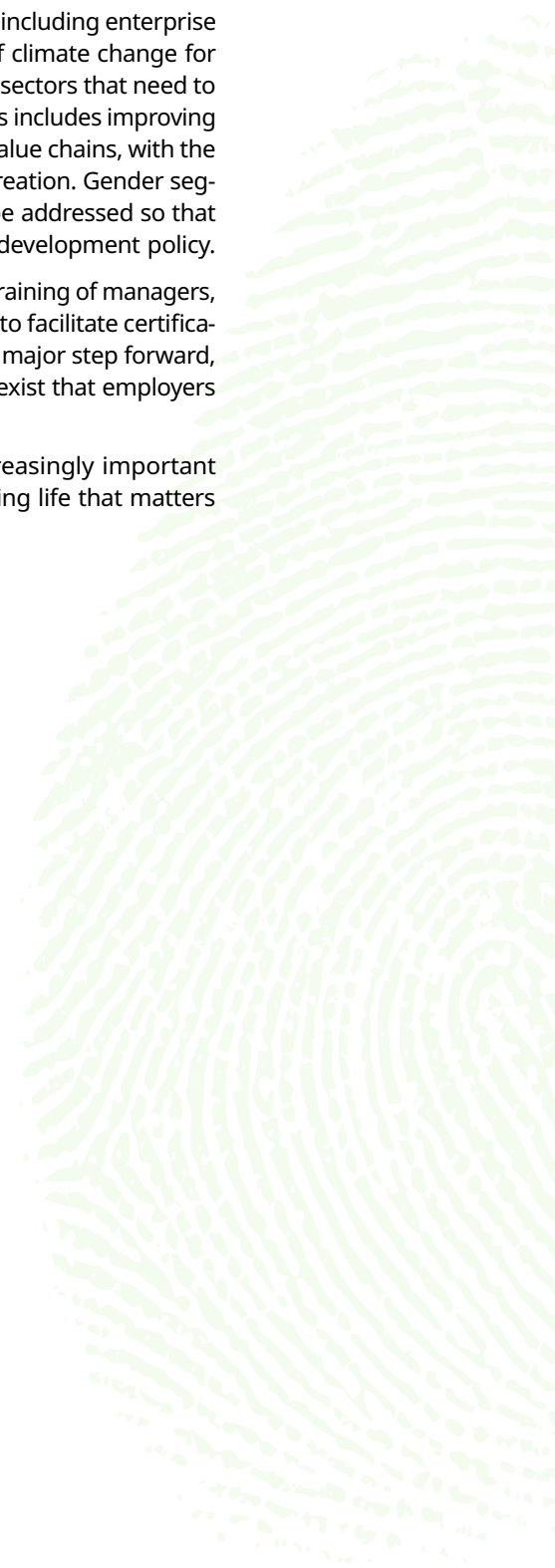
Overall, the world of work is doing a great deal for environmental sustainability, particularly small businesses, at a time when many other changes are taking place aside from the COVID-19 pandemic, such as in digital technology, demography and globalization. Enterprises have also given more visibility to the greening of workplaces as a vehicle for the greening of enterprises. However, the results of this report show that, while responsible businesses are key to a just transition, responsible consumption is also part of the equation. A just transition, in addition, involves more than how successful enterprises and workplaces are in transitioning from high- to low-carbon practices and adapting to the impacts of climate change. It also means ensuring that workers are part of this process. The outcomes of enterprise transition need to promote opportunities for decent work.

More could be done to coordinate and promote changes at the enterprise level. There is a need to redesign the landscape of enterprises by means of macro-, sector- and enterprise-level green interventions, taking into account the COVID-19 pandemic and other global challenges. At the macro level, it is vital to improve the policy and regulatory framework to create an enabling business environment, and to give clear information to enterprises and other actors on the strategy towards environmental sustainability, including via monitoring and when adapting the strategy to new circumstances. Business representation in policy debate around the green transition is an important step in that respect, but more could be done to make the transition more inclusive of all stakeholders. Sustainable business models, as an approach for enterprises to pursue their economic objectives as well as environmental and social goals, seem to offer a promising avenue in that they integrate the environmental, economic and social dimensions of sustainability.

At the sector level, a shared approach will allow all stakeholders, including enterprise management and workers, to prepare for the consequences of climate change for jobs, skills and wages and to ensure a just transition both in the sectors that need to be downsized and in those with the potential for job creation. This includes improving the operation and development of green markets, sectors and value chains, with the view that productivity gains are a major driver of decent work creation. Gender segregation by occupation in these two types of sectors needs to be addressed so that women will benefit from job creation, including through skills development policy.

At the micro level, a green entrepreneurship policy involving the training of managers, technical interventions, and interventions at the enterprise level to facilitate certification formalities and the adoption of green processes could be a major step forward, depending on the type of enterprise and sector. Practical tools exist that employers and workers can use to make their workplaces greener.

The report shows that the greening of workplaces is an increasingly important element of the greening of enterprises and an aspect of working life that matters greatly to many workers and employers.



Advancing social justice, promoting decent work

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