

Employment effects of green energy policies

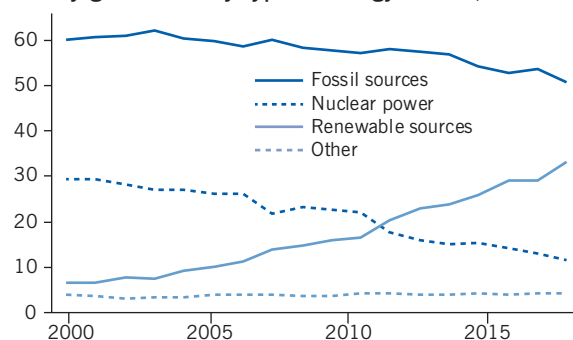
Does a switch in energy policy toward more renewable sources create or destroy jobs in an industrial country?

Keywords: employment, energy policy, renewable energy sources, energy turnaround

ELEVATOR PITCH

Many industrial countries are pursuing so-called green energy policies, which typically imply the replacement of conventional fossil fuel power plants with renewable sources. Such a policy shift may affect employment in different ways. On the one hand, it could create new and additional “green jobs” in the renewables sector; on the other hand, it could crowd out employment in other sectors. An additional consideration is the potential increase in energy prices, which has the potential to stifle labor demand in energy-intensive sectors and reduce the purchasing power of private households.

Electricity generation by type of energy source, Germany (%)



Note: Figures for 2017 are preliminary and partly estimated.
Source: AG Energiebilanzen e.V. Online at: <http://www.ag-energiebilanzen.de>.

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KEY FINDINGS

Pros

- ⊕ A green energy policy creates more “green jobs” in renewable energy sectors.
- ⊕ A shift toward more renewable energy sources improves environmental quality by reducing emissions of ambient air pollutants, which is beneficial for health and labor productivity.

Cons

- ⊖ Subsidizing renewable energies by feed-in tariffs increases energy prices for firms and private households.
- ⊖ Rising energy prices put industrial jobs at risk when labor and energy are complementary inputs in industrial production.
- ⊖ Estimates of net employment effects are, though positive, small at best.

AUTHOR’S MAIN MESSAGE

Empirical studies reveal both positive and negative employment effects related to green energy policies. These effects are, on the whole, quantitatively moderate. Job creation and destruction across sectors seem to cancel each other out, such that the overall net employment effect is rather limited. Neither the proponents nor the opponents of green energy policies should put forth job creation or destruction as an argument in the energy policy debate. Policymakers should ultimately evaluate green energy policies on whether they reduce air pollutant emissions and secure a steady supply of energy for industrial production at a reasonable cost.