

Employment effects of green energy policies

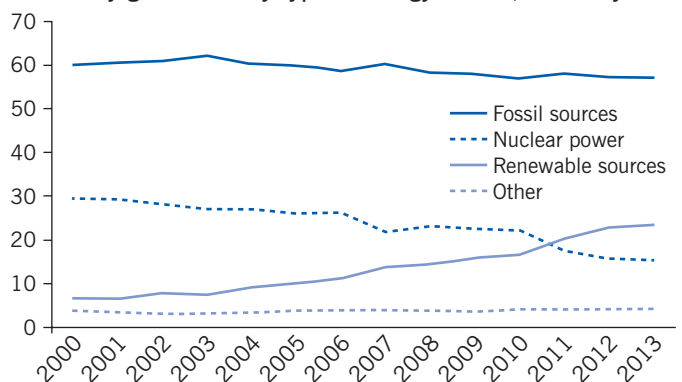
Does a switch in energy policy toward more renewable sources create or destroy jobs in an industrial country?

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

ELEVATOR PITCH

Many industrial countries are replacing conventional power plants with renewable energy sources. Green energy policies might affect employment in different ways. A policy shift toward a low-carbon green economy may create new and additional “green jobs” in renewable energy sources and energy-efficiency technologies. However, this may potentially come with the crowding out of employment in other sectors. In addition, energy prices may increase owing to feed-in tariffs subsidizing renewables. The resulting burden may in turn stifle labor demand in industrial sectors and reduce the purchasing power of private households.

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



Source: AG Energiebilanzen e.V. Online at: http://www.ag-energiebilanzen.de/index.php?article_id=29&fileName=20140207_brd_stromerzeugung_1990-2013.pdf

I Z A
World of Labor

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, 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, especially on the specific German pathway (“energy turnaround”), reveal both positive and negative employment effects related to green energy policies. They are quantitatively moderate. Job creation and job destruction 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 forward job creation or destruction as an argument in the energy policy debate—whether in Germany or in other industrial countries.