

The welfare costs of job loss and decarbonization: Evidence from Germany's coal phase out

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Job losses in fossil industries are often prominent in policy discussions. Why are job losses costly? Who is most affected? How can welfare costs be reduced? We present a simple job search model to calculate lifetime welfare costs of job loss. Based on the universe of German employment biographies, we apply the model to the archetypical fossil industry - coal mining. Contrary to public discourse, unemployment is a small factor, with wage differentials and job security much more important. Counterfactual policy simulations quantify the increase in welfare costs of faster decarbonization and potential benefits of bespoke labor market policies.