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Labour mobility is part of structural change

The coal phase-out will also change the affected regions in that part of the workforce will migrate. Politicians should take this process into account in structural policy, because it cannot be completely prevented. A study published by the Halle Institute for Economic Research (IWH) illustrates this with a historical example.

When employees are mobile, they make a significant contribution to successful structural change. This also applies to the three German lignite-mining areas in Lusatia, Central Germany and the Rhineland: they will lose part of their traditional workforce in the next few years due to the coal phase-out. As an analysis by IWH economist Richard Bräuer and his two co-authors Wolf-Fabian Hungerland and Felix Kersting shows, there has already been strong migration in the past when a region was affected by an economic cutback. The three researchers studied processes of change in Prussia between 1880 and 1913, when more and more grain was imported from the USA and Argentina, which depressed prices on the German market. In the grain-producing districts, many employees migrated, and absolute economic output fell. However, the average local income remained constant, and neither the mortality rate of the population nor the popularity of the extreme right increased. Labour mobility helped to cope with the economic shock.

For all the differences between the Prussia then and the lignite regions of today, the study provides another example that supports earlier IWH analyses. “Labour migration is an important compensatory mechanism in structural change,” says IWH Vice President Oliver Holtemöller. Well-qualified people who lose their jobs in the lignite industry can currently find well-paid alternatives relatively easily in many regions of Germany. “There will be migration from the regions affected by the coal phase-out. With today’s political planning, one should assume that the labour force there will first decline somewhat.” According to Holtemöller, the main task of politics is to help the affected employees, for example by helping them to move or by further improving the infrastructure for commuters. After all, commuters support the purchasing power in a region. He also said it is important to make regions attractive for the immigration of new workers.

Methodological Background:

For their study, the three economists compared two types of counties within the same Prussian provinces in the decades before the First World War: those that specialised in grain cultivation with those where, for example, vegetable cultivation or animal production predominated. The former experienced a trade shock because of rising grain imports from America, by which the latter were not or hardly touched. By comparing the two types of counties, the researchers were able to determine the extent to which the shock affected income, employment, mortality and the success of certain parties. They used different techniques to ensure that the effects were

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caused by the shock and not by other factors. In their calculations, the researchers used various data sources, such as geographical location, wealth distribution and the level of technological development of the counties. They were thus able to corroborate their above-mentioned results.

Publications:

Richard Bräuer, Wolf-Fabian Hungerland, Felix Kersting: [Handelsschocks, Arbeitsmärkte und Wohlstand während der ersten Globalisierung](#), in: IWH, Wirtschaft im Wandel, Jg. 28 (1), 2022, 10-13. Halle (Saale) 2022.

Richard Bräuer, Wolf-Fabian Hungerland, Felix Kersting: [Trade Shocks, Labour Markets and Elections in the First Globalisation](#). IWH-CompNet Discussion Papers 4/2021. Halle (Saale) 2021.

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