

POLICY BRIEF: ENSURING A JUST TRANSITION

Rethinking retirement and support mechanisms for South Africa's older coal workers

Simbarashe Mhaka

September, 2026

JUSTSA

On behalf of:

Federal Ministry
for the Environment, Climate Action,
Nature Conservation and Nuclear Safety

IKI INTERNATIONAL CLIMATE INITIATIVE

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

TIPS TRADE & INDUSTRIAL POLICY STRATEGIES

of the Federal Republic of Germany

Acknowledgements

This publication is a product of the Just Transition to a Decarbonised Economy for South Africa (JUST SA) Project. JUST SA is a project funded by the International Climate Initiative (IKI) through the German Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety (BMUKN) and with the Department of Forestry, Fisheries and Environment (DFFE) as the political partner. JUST SA is implemented through a consortium led by the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) and comprises of the Trade & Industrial Policy Strategies (TIPS), the National Business Initiative (NBI), and the World Wide Fund for Nature (WWF SA).

Author: Simbarashe Mhaka, JUST SA Economist
Cover photo: pexels.com

Implementing Partner: Trade & Industrial Policy Strategies

Trade & Industrial Policies Strategies (TIPS) is an independent, non-profit, economic research institution established in 1996 to support economic policy development. TIPS undertakes quantitative and qualitative research, project management, dialogue facilitation, capacity building and knowledge sharing. Its two areas of focus are trade and inclusive industrial policy; and sustainable growth.

info@tips.org.za I +27 12 433 9340 I www.tips.org.za

Introduction

The coal industry remains one of the sectors most affected by climate-driven structural transition – given its significant contribution to greenhouse gas emissions. The sector's performance is expected to decline as cost pressures rise, profitability falls, environmental constraints tighten, markets shrink, and mines and coal-fired power stations reach the end of their operating life. This decline is already evident. The shutdown of Komati Power Station in Mpumalanga in 2022 led to the closure of three nearby coal mines around the same time (Parliamentary Monitoring Group, 2025). In 2025, Thungela coal mine reported an 8% drop in its share price following a sharp fall in profits (Steyn, 2025; Tsobo, 2025), driven partly by weak coal prices and restructuring costs. The coming decade is expected to bring further declines and job losses in coal sector, driven by the planned shutdown of 23GW of coal-fired power between 2029 and 2042 (Department of Electricity and Energy, 2025).

Despite straightforward evidence of the coming transition, policy support for vulnerable workers remains limited. Coal mine workers face varying levels of vulnerability and adaptability, calling for differentiated policy responses. The older workforce faces unique advantages and challenges that demand targeted support. Older coal workers bring valuable experience and bargaining power that could enhance their re-employment prospects. Administrative tax data shows that coal workers aged over 60 earn a median real monthly wage of at least R50 384 – approximately 13 times higher than that of young workers aged between 15–24 (R3 812) (Bhorat et al., 2026), highlighting significant wage disparities across age groups. Yet these same strengths often make them less attractive to employers due to higher wage expectations. With fewer working years left before retirement and, in many cases, limited adaptability to changing systems and technologies, many older workers struggle to secure alternative jobs in an increasingly competitive, low-carbon labour market. Coupled with relocation barriers and persistently high unemployment, these factors leave older coal workers especially exposed to job displacement.

Coal mine workers face varying levels of vulnerability and adaptability, calling for differentiated policy responses. The older workforce faces unique advantages and challenges that demand targeted support.

It is essential that labour policies explicitly address the unique needs, strengths, and constraints of South Africa's older coal workforce. Drawing on international experience, this policy brief proposes a short to medium-term support package to help older workers transition out of the labour force.[1] The brief highlights practical instruments and implementation mechanisms suited to South Africa's socio-economic and political realities. The goal is to equip policymakers with actionable lessons from global transitions to better support older workers, especially those with limited prospects of re-employment. The next section examines the nature and scale of impacts facing older coal workers, providing a foundation for identifying suitable policy responses.



1 *The policy brief is the second in a two-part series derived from the report titled "Building a Just Future: Policy Solutions for South Africa's Coal Workforce Transition – Insights from Global Experience." The first Policy Brief focuses on policy support for South Africa's coal youth workforce.*

Impact of Coal Mine Closure on the Older Coal Workforce in the Transition

The closure of coal mines will severely impact South Africa's older coal workforce. An estimated 25% of South Africa's coal workers are expected to exit the labour force naturally through retirement over the next decade (Bhorat et al., 2024). Coal mine workers nearing retirement face unique challenges that limit their future employment prospects and financial security, underscoring the need for a dedicated policy package tailored to their circumstances.

The extent and severity of the transition's impact on older coal workers depends on several factors, including financial readiness, years remaining until retirement, access to social protection, and family responsibilities. While many coal workers contribute to a pension or retirement fund (80%), participate in the Unemployment Insurance Fund (UIF) (over 90%), and benefit from medical aid (72%) (Bhorat et al., 2024; Makgetla et al., 2019), these measures alone are insufficient for a fair and inclusive transition. Without additional, proactive support, many older workers will struggle to adapt, leaving them exposed to economic and social vulnerability. The impacts of mine closures on older coal workers are wide-ranging and include, for example:

- Inadequate pensions due to early job loss
- Limited eligibility for re-employment
- Loss of community roles and workplace identity
- Deterioration of physical health and mental well-being
- Risk of homelessness and poverty
- Vulnerability to predatory lending and informal debt

This is further complicated by broader educational and economic realities facing older South Africans. For example, at least 28% of adults aged 55–64 are functionally illiterate, with education levels below Grade 7 (Standardised Regional Development Indicators, 2024), which can limit access to retraining and alternative employment. While this may not directly reflect the profile of all coal workers, it highlights the wider structural constraints that may affect transition pathways for older workers. At the same time, older workers contribute roughly 17% of total taxable income (South African Revenue Service, 2025), underscoring their significant role in the economy. A loss of income among this group would weaken both local demand and broader economic participation.



A Short to Medium-term Transitional Assistance Policy Package for Older Workforce

This section outlines short and medium-term interventions to support South Africa's older coal workforce as they transition out of the labour force, drawing on lessons from international experience. To understand the design of such a policy package, it is useful to draw on existing typologies of transition assistance policies used elsewhere, and then organise these into short and medium-term intervention packages.

Four main transitional assistance strategies commonly emerge in other countries when managing older workers in transition. These are compensation, exemption, transitional adjustment assistance (TAA), and comprehensive adaptive support (CAS). They differ in policy objectives and the scope of losses they seek to address. Compensation and transitional adjustment assistance (TAA) focus on a narrower range of financial losses incurred by workers, while exemption and CAS address both financial and non-financial impacts. Compensation and exemption strategies also aim to restore workers to their pre-transition position, whereas transitional adjustment and CAS strategies focus on helping workers adapt to the new realities of a low-carbon economy.

International experience offers valuable insights into how these strategies have been implemented. United Kingdom (UK), Poland, the Czech Republic, Spain, Germany, and the United States applied some combination of these approaches (see Table 1). Compensation measures were the most common, typically taking the form of unemployment benefits, financial bridging for early retirement, severance packages, or compensation for lost earnings. Germany stands out as the only country that adopted tax exemption strategies for managing older workers. Transitional adjustment assistance (TAA) as used in the UK, Poland, the Czech Republic, Spain, and Germany, included employment services, retraining, and redeployment programmes. CAS strategies, combining training and employment services with social assistance, allowances, and health benefits, were implemented in some form in the UK, Poland, the Czech Republic, Germany, and the United States.

Table1: Summary of transition assistance measures for older workforce

	COMPENSATION	EXEMPTION	TRANSITIONAL ADJUSTMENT ASSISTANCE (TAA)	CAS
UK	Unemployment benefits and other welfare benefits	–	Employment services, training, redeployment	Government funding for the Coal Industry Social Welfare Organisation
Poland	Early retirement	–	One free retraining course, redeployments	Coal allowance for mining pensioners
Spain	Early retirement	–	Training, support for small business.	–
Czech Republic	Early retirement; compensation for lost earnings	Tax exemptions for new enterprises	Transport, allowances, support for small business	Health and social benefits
German	Early retirement, unemployment payments	Tax exemptions for wage reductions	Retraining	Social safety nets
United States	Transitional payments	–	Retraining; employment services	Retraining for employment in renewable energy

These country experiences highlight the need for a layered approach that addresses both financial shocks and longer-term adaptation challenges. The next section provides a systematic discussion of transitional assistance strategies from a short and medium-term perspective, demonstrating the institutional and financial mechanisms used by other countries and their practical relevance for South Africa's Just Transition.

Short run support packages for older workforce in transition

In the short run, older workers facing retrenchment due to the coal phase-out must deal with immediate loss of income and limited re-employment prospects. With age, limited adaptive capacity, and reluctance or inability to relocate make it difficult to secure new jobs for older workers. In these circumstances, compensation strategies are essential to ensure a smooth and voluntary transition out of the labour force while maintaining financial stability.

International experience shows that early retirement schemes and severance payments are the most common compensation instruments for supporting older workers in transition. As in Germany, these measures can be complemented by tax exemption strategies to ensure financial security. The following subsections explore how other countries applied compensation and exemption strategies and highlight their applicability to the South African context.

Early retirement schemes for managing older coal workforce in transition

Early retirement schemes allow workers to retire before reaching the legal retirement age. In South Africa, that age isn't fixed in law; it depends on what's written in employment contracts or pension fund rules(Kotze, 2025). For years, most people expected to retire somewhere between 60 and 65 (Makhetha, 2021). However, the South Africa Pension Reforms 2026 have now scrapped the old default retirement age of 60 altogether (Pension Policy International, 2026). As a result, employers and pension funds must update their bylaws, which may delay access to full pension benefits and gradually shift retirement toward 65-67 or even later, thanks to rising life expectancy and growing pressure on pension sustainability.

Early retirement can serve as a short-term compensatory strategy to manage the transition of the older coal workforce out of the labour market. In a just transition context, early retirement is most effective when it combines early exit options with financial bridging support until workers reach pensionable age. Importantly, early retirement schemes must remain optional and not used as a backdoor to push people out of the labour force. When introduced as a voluntary option for older workers, early retirement can gradually reduce employment in the coal sector before closures take effect, easing the shock at the point of mine closure.

Early retirement can serve as a short-term compensatory strategy to manage the transition of the older coal workforce out of the labour market.

For early retirement schemes to achieve the intended impact, two elements are critical: (1) flexible eligibility criteria; and (2) fair and adequate financial bridging support. Relaxing eligibility criteria, such as lowering the qualifying age, allows more workers to benefit. Financial bridging, usually expressed as a percentage of the final salary before early retirement, ensures workers have income security until they qualify for pension benefits. Both can be adjusted over time depending on how well the policy achieves its goal.

Germany's experience provides a useful example of this flexibility. Since 1972, Germany's legislative framework allowed coal miners to retire early with monthly bridging payments until pensionable age. Initially, underground miners over 50 years and surface miners over 57 years qualified (European Commission: Directorate-General for Energy et al., 2024). In 2014, early retirement reforms linked eligibility to years of unemployment insurance contributions, allowing those with at least 35 years of contribution to retire at 63. By July 2022, close to two million Germans had retired at 63 instead of 66 (Carter, 2025).

The Czech Republic linked early retirement eligibility to work experience and the number of underground shifts. Under Government Regulation No. 557/1990 Coll, miners could retire at 50 if they had 25 years of experience (including at least 15 in mining), completed 5600 underground shifts, and faced job termination before 1992 (European Commission: Directorate-General for Energy et al., 2024). Later reforms in 2009 and 2016 relaxed the requirements, allowing miners with at least 3 300 underground shifts to retire seven years earlier than the legal retirement age (63 years and 10 months for men and at 60 or 63 years of age for women).[2] While about 3 900 miners could have benefited from the 2016 amendment, only a few took the offer to retire early. This is a reminder that even generous policies must be trusted and well-communicated.

Poland's experience shows that generosity and flexibility matters. The country's first early retirement scheme in 1993 offered early retirement to miners within three years of pension eligibility, paying them half of their salary for up to three years (Bhushan and Banerjee, 2023; Szpor and Ziółkowska, 2018). Early retirement was offered to all eligible underground miners who were facing retrenchment due to mine closures. Beneficiaries were allowed to retain several privileges, including an annual bonus and a coal allowance. A year later, the monthly pension bridging amount was increased to 55% of the final salary (Szpor, 2017). Despite these measures, only a few miners took early retirement (Karbownik and Bijańska, 2000; Śniegocki et al., 2022). Due to the low uptake, the government launched the Mining Social Package (MSP) in 1998, which strengthened both eligibility and financial bridging benefits. The qualifying period was extended from three to five years, while compensation increased from 55% to 75% of the final salary. This made the package far more attractive, with approximately 37 000 miners opting for early retirement (Śniegocki et al., 2022; Szpor, 2018).

Spain's experience offers a practical and instructive example. Confronted with high unemployment and political pressure, the Spanish government used early retirement packages to manage coal restructuring while containing the social cost of job losses. Early retirement was embedded in various coal plans for managing coal restructuring. Under the 1997–2005 and 2006–2012 plans, coal employment was cut by approximately 21 000 jobs (Bridle et al., 2017; European Commission: Directorate-General for Energy et al., 2024). Generous financial bridging made the scheme particularly effective between 1998 and 2018. Early retirees received €1 700–€2 500 per month, two to three times higher than the national minimum wage of about €764 at the time (Bridle et al., 2017). Payments were made through mining companies until workers reached legal retirement age, with pension age adjusted using a 50% reduction coefficient.[3] Crucially, the early retirement scheme was built on strong social dialogue, as government, unions and industry jointly approved the coal plans, ensuring legitimacy and public trust (Del Rio, 2017; European Commission: Directorate-General for Energy et al., 2024).

Overall, early retirement has proven to be a popular tool for managing older workforce transitions in coal regions. When voluntary, inclusive, flexible, and financially generous, it allows older workers to exit with dignity, prevents sudden mass layoffs, and helps countries navigate the complexity of phasing out coal without leaving older workers stranded.

2 The retirement age for women in Czech Republic is lower than for men and depends on the number of children they have raised.

3 Reduction coefficients are factors applied to reduce the number of years needed to get official retirement. The 50% applied meant that each year worked in the coal sector would count as double for achieving the retirement status.

Applicability of early retirement schemes for South African coal workers

South Africa allows voluntary early retirement for mine workers, with retirement ages ranging from 50 to 60 for underground workers and 53 to 63 for surface workers. Despite this provision, existing decarbonisation plans lack a clear compensation framework to provide financial bridging for older coal workers who may opt for early retirement until they qualify for pension benefits.

Early retirement with adequate financial bridging can support the transition of older coal workers in a context of high unemployment and slow economic growth, where alternative employment opportunities remain limited. International experience from countries such as Poland, Spain, and Germany shows that governments have contributed financial resources toward bridging payments, often through co-financing arrangements with coal mining companies. This shared financing approach reduces the burden on firms while supporting worker stability. In South Africa, similar arrangements could play an important role, particularly given that the Old Age Grant remains significantly below typical coal sector earnings, even when supplemented by retirement fund contributions, which cover around 80% of workers (Makgetla et al., 2019; Bhorat et al., 2024).

However, financial bridging payments are not always sufficient to match previous earnings. In response, Germany's transition framework allowed early retirees to supplement their income through additional work and targeted benefits, including tax exemptions to offset wage reductions in lower paying jobs. Mining companies were also required to provide supplementary grants where payments fell below a defined share (e.g. 60%) of previous wages, helping to ensure more adequate income support.

That said, early retirement is not a silver bullet. The primary challenge remains cost, as long-term payouts can become expensive, particularly if eligibility expands to include middle-aged workers who still have more years to reach retirement (Bridle et al., 2017). Beyond fiscal pressures, early retirement also carries broader risks, including the loss of skilled labour from local economies and social challenges such as isolation, declining mental health, and community disruption. Evidence from Spain and Germany further shows that early retirement may contribute to outward migration from mining regions. In addition, generous benefits can create moral hazard, reducing incentives for retraining or re-employment.

Severance payments

Severance payments consist of lump sum payments from or by arrangement with an employer due to relinquishment, termination, loss, repudiation, cancellation or variation of a person's office or employment (South African Revenue Service, 2021). Severance payments can run in parallel with early-retirement incentives, giving older workers the option to remain employed and receive severance in the event of retrenchment, if they choose not to opt for early retirement with financial bridging support. Czech Republic and Poland have implemented severance payment measures, though they differ in design, compensation levels, and outcomes.

In the Czech Republic, remedial measures introduced during the coal restructuring process in the Moravskoslezský region in the early 1990s allowed coal workers to opt for severance pay or to be transferred to other mines. Workers who opted for severance payments received a lump sum equal to 10 months' wages, plus an additional four months' pay for those in hazardous or difficult roles (European Commission: Directorate-General for Energy et al., 2024). In addition, severance payment beneficiaries received a monthly bonus of CZK1900 (5% below the 1991 statutory minimum wage)[4] for up to

4 *The Czech Republic did not have a set statutory minimum wage in 1990. The minimum wage was reintroduced as part of labour market reforms in 1991*

36 months to support their re-employment in other sectors. Unsurprisingly, many miners opted for severance payments. The result was a dramatic drop in the Ostrava Karvina Coal Mines (OKD)[5] workforce, from over 100 000 in 1989 to fewer than 50 000 by 1995 (European Commission: Directorate-General for Energy et al., 2024). Later, in 2016, the Czech government again stepped in, providing aid to cover closure-related costs for some units at OKD, including severance, loyalty, and risk-based bonuses, further proof of a government committed to a fair transition for older workers (European Commission: Directorate-General for Energy et al., 2024).

Poland's experience demonstrates the importance of extensive stakeholder consultation in shaping severance payment packages that are both equitable and widely supported. The 2021 Social Contract for Mining Industry Transformation, signed by the government, trade unions, coal companies, and local authorities, introduced a one-time severance payment of US$31 000 (approximately R535 000) for all coal mine and processing plant workers as of September 2020 (Bhushan and Banerjee, 2023; European Commission: Directorate-General for Energy et al., 2024; Śniegocki et al., 2022). Such collective agreements underscore the importance of coordination among all players in the coal sector when designing severance policies that balance fairness, fiscal responsibility, and long-term transition goals.

Applicability of severance packages for older coal workers in transition

In South Africa, the Basic Conditions of Employment Act No. 75 of 1997 requires employers to pay at least one week's remuneration for every completed year of continuous service when employees are retrenched for operational reasons (Parliament, 1997). It should be noted that once an employee reaches retirement age, they are not entitled to severance pay if they are required to retire (SchoemanLaw, 2022), leaving retirement lump-sum benefits as their only option. The Basic Conditions of Employment Act of 1997 explicitly provides for severance pay in cases of retrenchment, not retirement. As a result, workers can only access a severance package if they are retrenched before reaching retirement age. Severance pay therefore becomes relevant for older workers facing retrenchment prior to retirement. Even then, the statutory formula of one week's pay per year of service is widely regarded as inadequate. Given rising living costs and persistent job insecurity, the current legislative requirement offers little real relief, particularly for low-paid workers, highlighting the need for legislative amendments or supplementary government-financed severance support. In addition, there is also a risk that the money may be quickly spent on basic consumption, leaving workers no better off overall. From a fiscal standpoint, large-scale severance schemes can be expensive. This highlights that, although severance packages are necessary, effective design balances compassion with long-term financial sustainability.

Exemptions strategies for older coal workers in transition

Evidence suggests that combining compensation measures with targeted tax exemptions can reduce transition pressures for older coal workers . Tax exemptions help older coal workers maintain a standard of living closer to what they had before the transition. These exemptions could apply to bridging salaries, severance packages, or income from new, often lower-paying jobs.

In South Africa, retirement-fund lump-sum and severance benefits are taxed using special South African Revenue Service tables rather than normal income-tax brackets: the first R550000 is completely tax-free, and anything above that is taxed on a sliding scale between 18% and 36%, depending on how high the lump sum climbs (South African Revenue Service, 2021).Coal workers aged over 60 earn a median real monthly wage of at least R50 384 (Bhorat et al., 2026). Retirement

5 *OKD is Czech Republic's only hard coal producer which managed about 16 mines. The company has been affected by coal mine restructuring since 1990, resulting in closure of some units. The company remains operational, with extraction at its last active mine scheduled to end in January 2026.*

fund contributions ranges between 12% and 27.5% of pensionable salary in the Mineworkers Provident Fund and at least 17% in the Sentinel Retirement Fund (Mineworkers Provident Fund, 2021; Sentinel Retirement Fund, 2025). While firm level data on retirement payouts is limited, available evidence on wages and contribution rates suggests that lump-sum benefits are likely to exceed the tax-free threshold for a substantial share of workers, exposing them to tax liabilities on withdrawal. This tax reduces disposable income available for annuity payments and may limit income security during retirement. International experience, such as in Germany, shows that targeted tax exemptions on supplementary income for pensioners can help offset these effects and improve retirement outcomes. In 1972, the German government allowed older coal workers who chose early retirement to supplement their income through additional earnings and benefits, including tax exemptions that offset wage cuts when they took lower-paying jobs outside the coal sector (European Commission: Directorate-General for Energy et al., 2024). While this approach could be adapted in South Africa, it would require careful fiscal consideration. Expanding tax exemptions would place additional strain on an already deficit-constrained national budget.

Medium-term policy support packages for the retirement cohort coal workforce in South Africa

In the medium term, policy support needs to help older workers adapt to a new way of life after leaving employment, while addressing the broader range of losses they experience. This goes beyond income replacement to include transitional adjustment assistance (TAA) measures such as support for self-employment and financial literacy training, alongside comprehensive adaptive measures, including access to social support services. Together, these can ensure a fair and dignified transition for retiring coal workers.

Supporting small business initiatives for older workers in transition

Older entrepreneurs often have a natural edge over younger founders. They are more likely to move from simply intending to start a business to actually doing so (Gielnik et al., 2018) and tend to outperform younger entrepreneurs when they do. In the United States, the average age of founders behind the fastest-growing one-in-a-thousand new ventures is 45 while a 50-year-old founder is 1.8 times more likely than a 30-year-old to achieve top-tier firm growth and roughly twice as likely to reach a successful exit (Azoulay et al., 2018).

Much of this advantage comes from experience. Older entrepreneurs typically bring stronger networks, deeper industry knowledge, higher technical and managerial skills, and greater human, social and financial capital (Kautonen, 2013; Azoulay et al., 2018; Gielnik, et al., 2018). When supported properly, these strengths can help some displaced older workers successfully rebuild their livelihoods through entrepreneurship.

International coal transitions offer useful examples. The Czech Republic has long provided loans, training, advisory services and two-year tax exemptions to new start-ups (European Commission: Directorate-General for Energy et al., 2024). Spain's 1998-2018 coal transition similarly backed new enterprises through subsidies, soft loans, infrastructure and training (European Commission: Directorate-General for Energy et al., 2024). In China's Shanxi Province, the Shanxi Coking Coal Group created an innovation centre that helped launch 26 new businesses– 70% of them started by company employees (International Energy Agency, 2023).

South Africa already has the basic ingredients for similar programmes. Agencies such as the Small Enterprise Development and Finance Agency (SEDFA), the Mpumalanga Economic Growth Agency, and various incubators offer training, finance, and enterprise support. In theory, these platforms could be directed toward older coal workers. In practice they remain ineffective. Black entrepreneurs – who form the majority – face deep structural and historical barriers, weak macroeconomic conditions, limited resources, poor networks and market access, and inconsistent government support (Department of Small Business Development, 2017; Ngcuthushe, 2023; Mtshali et al., 2017).

In addition, South Africa's small business sector remains constrained by a market structure dominated by large firms, which limits the growth of small enterprises. These obstacles suppress entrepreneurial uptake and contribute to high business failure rates in the country.

As a result, even though older workers have the capability to succeed as entrepreneurs, the likelihood that older coal workers will start a business is low. With age, the opportunity cost of time increases. Older individuals become less willing to invest in risky ventures with delayed returns and gravitate instead toward secure or immediate-income options (Kautonen, 2013). Older entrepreneurs also face practical hurdles such as limited access to finance and mentorship, complex registration and tax procedures (Companies and Intellectual Property Commission and South African Revenue Service), and poor access to information on starting a business (Botha et al., 2021). On top of that, many older men may still carry the "legacy of a proud male traditional work culture" – a mindset shaped by decades in stable, high-status industrial jobs (Kautonen, 2013). This makes shifting to uncertain or lower-paid entrepreneurial work emotionally difficult and can dampen interest in self-employment.

In a just transition context, the effectiveness of South Africa's enterprise support system depends on its ability to recognise and respond to the specific needs and barriers faced by older aspiring entrepreneurs, enabling their existing strengths to translate into meaningful opportunities.

Expansion of social services provision

The transition out of the labour force brings several non-financial challenges for older coal workers, requiring broader social protection. The challenges include loss of mining infrastructure, such as housing, schools, and recreation facilities along with reduced health benefits and psychological stress. Expanding access to social services, including healthcare, counselling, and community development is essential to help older workers stay active and avoid social isolation or health decline.

Poland and the Czech Republic offer useful lessons when it comes to social protection in a transition. In Poland, a coal allowance was traditionally negotiated through collective bargaining. The coal allowance provided miners and retirees with either in-kind coal for heating or cash equivalents (Śniegocki et al., 2022). When mines began closing, the State Treasury took over these payments in 2012, ensuring retirees continued to receive support. This shift demonstrated the government's commitment to maintaining workers' welfare beyond active employment.

The transition out of the labour force for older coal workers brings several non-financial challenges including the loss of housing, schools, and health benefits.

Similarly, the Czech Republic financed social costs linked to mine closures, allocating around CZK72 billion (€3 billion) between 1992 and 2009, of which 40% funded social and health benefits for miners (Rečková et al., 2017). The state also provided social and transportation allowances, as well as special payments for miners suffering from occupational diseases (European Commission: Directorate-General for Energy et al., 2024).

South Africa has a legal foundation for social protection. The Constitution (1996) guarantees access to healthcare, food, water, and social security (South African Government, 2025), while the Compensation for Occupational Injuries and Diseases Act No. 130 of 1993 (COIDA) provides compensation for workers injured or diagnosed with occupational diseases (Republic of South Africa Government, 1993). However, gaps remain. The Act covers only workers diagnosed during employment and limits medical coverage to two years after the incident, leaving everyone else with no medical support.

Conclusion

The older coal workforce is uniquely vulnerable to the transition, with characteristics that limit their ability to adapt to new employment opportunities. Many face labour market disadvantages, limited mobility, and strong local ties such as housing and family, making them less resilient to job losses. This highlights the need for a targeted support package for those willing to exit the labour force. Drawing on international experience, this brief identified key short and medium-term strategies to support older coal workers. In the short term, compensation measures such as early retirement financial bridging packages, complemented by tax exemptions, can provide immediate financial relief for eligible workers. Eligibility criteria often target those nearing retirement, with benefits linked to prior earnings. Flexible approaches, such as Poland's adjustment of eligibility and bridging payments, show how incentives can be fine-tuned to encourage voluntary participation. In addition, reviewing the current tax policies on retirement benefits to protect disposable incomes through measures such as higher tax-free thresholds on lumpsum withdrawals or exemptions on supplementary income, can help preserve disposable income and strengthen retirement security for coal workers, who are likely to accumulate savings above the current tax-free threshold.

However, compensation alone is insufficient. In the medium term, transitional adjustment assistance (TAA), combined with access to social services can help older workers maintain stability and adapt to post employment life. Importantly, early retirement options need to remain voluntary. Older workers who are willing and able to continue working benefit from access to support packages comparable to those available to other transitioning workers who are not eligible for retirement.

Three key policy implications emerge:

1. **Proactive action:** Introduce voluntary early retirement schemes ahead of mine closures to enable a controlled and dignified transition.
2. **Flexibility and fairness:** Relax eligibility criteria, ensure attractive bridging payments, and retain flexibility to adjust benefits as needed, following successful examples such as Spain.
3. **Worker engagement:** Design eligibility and compensation collaboratively with workers and unions to ensure legitimacy, participation, and social acceptance.

Given that at least a quarter of coal workers will reach retirement age by 2040 (Bhorat et al., 2024), supporting older workers as they exit the labour market will carry significant fiscal costs. For example, if one quarter of South Africa's current coal workforce of 108 000 workers is approaching retirement, this would represent approximately 27 000 workers. Providing each worker with financial bridging support equivalent to 50% of the R50 000 median monthly salary estimated by Bhorat et al. (2026) for workers aged over 50 would cost approximately R675 million per month, or R8.1 billion annually. Policymakers therefore need to anticipate these expenses when designing worker-centred just transition measures. South Africa will also require sustainable and predictable financing to assist older workers transitioning out of employment. This cannot be achieved by government alone. Strong collaboration with the private sector, especially coal mining companies, is essential to co-finance just transition policies and ensure that older workers are not left behind.



References

Azoulay, P., Jones, B., Kim, J.D. and Miranda, J. 2018. Age and High-Growth Entrepreneurship. Working Paper Series. Available at: https://doi.org/10.3386/w24489

Bhorat, H., Kupeta, T., Martin, L. and Steenkamp, F., 2024. Just Transition and the Labour Market in South Africa.

Bhorat, H., Martin, L., Monnakgotla, J., Steenkamp, F., and David, A. 2026. 'Counting and Profiling Coal Mining Industry Jobs: A Guideline to Using Administrative Data'. Working Papers. Available at: https://ideas.repec.org//p/hal/wpaper/hal-05507684.html (Accessed: 25 May 2026).

Bhushan, C., and Banerjee, S. 2023. Just Transition Framework for India, Policies, Plans and Institutional Mechanisms. International Forum for Environment, Sustainability & Technology (iFOREST), New Delhi, India.

Botha, A., Smulders, S.A., Combrink, H.A. and Meiring, J. 2021. Challenges, barriers and policy development for South African SMMEs – does size matter? Development Southern Africa 38, 153–174. Available at: https://doi.org/10.1080/0376835X.2020.1732872

Bradshaw, J., Malý, I. and Sirovátka, T. 2016. ESPN Thematic Report on Retirement regimes for workers in arduous or hazardous jobs Czech Republic. European Commission.

Bridle, R., Kitson, L., Duan, H. and Sanchez, L. 2017. At the Crossroads: Balancing the financial and social costs of coal transition in China. The International Institute for Sustainable and Global Subsidies Initiative Development, Geneva, Switzerland.

Del Rio, P. 2017. Coal Transition in Spain: An historical case study for the project "Coal Transitions: Research and Dialogue on the Future of Coal." IDDRI and Climate Strategies.

Department of Electricity and Energy, 2025. Integrated Resource Plan.

Department of Small Business Development, 2017. Minister Lindiwe Zulu: Achievements of Department of Small Business Development. Available at: https://www.gov.za/news/speeches/minister-lindiwe-zulu-achievements-department-small-business-development-12-dec-2017 (Accessed 20 January 2026).

European Commission: Directorate-General for Energy, Baker, P., Cacciapaglia, M., Ciffolilli, A., Pollock, R. and Pompili, M. 2024. Retirement and support packages for older workers in the EU coal sector: a briefing paper on European cases. Publications Office of the European Union.

Expat. 2025. Pensions & Retirement age in Germany. IamExpat. Available at: https://www.iamexpat.de/

expat-info/official-issues/pensions-retirement-age-germany (Accessed 19 February 2025).

Fothergill, S. 2017. Coal Transition in the United Kingdom: An historical case study for the project "Coal Transitions: Research and Dialogue on the Future of Coal." IDDRI and Climate Strategies.

Gielnik, M.M., Zacher, H. and Wang, M. 2018. Age in the Entrepreneurial Process: The Role of Future Time Perspective and Prior Entrepreneurial Experience. ResearchGate. Available at: https://doi.org/10.1037/ apl0000322

International Energy Agency, 2023. China's coal and steel capacity cuts and worker re-employment – Policies Available at: https://www.iea.org/policies/17837-chinas-coal-and-steel-capacity-cuts-and-worker-re-employment (Accessed 23 October 2024).

Karbownik, A. and Bijańska, J., 2000. Restructuring of the Polish mining industry in the Kamienne coal industry in the years 1990-1999. Publishing Houuse of the Silesian University of Technology, Gliwce.

Kautonen, T. 2013. Senior Entrepreneurship. OECD Local Economic and Employment Development (LEED) Papers 2013. Available at: https://doi.org/10.1787/39915b50-en

Kok, I. 2017. Coal Transition in the United States: An historical case study for the project "Coal Transitions: Research and Dialogue on the Future of Coal." IDDRI and Climate Strategies.

Kotze, J. 2025. When should South Africans retire? Available at: https://www.oldmutual.co.za/corporate/ resource-hub/ all-articles/should-south-africans-retire-at-65-or-60/ (Accessed 21 October 2025).

Makgetla, N., Maseko, N., Montmasson-Clair, G. and Patel, M. 2019. National Employment Vulnerability Assessment: Analysis of potential climate change related impacts and vulnerable groups. Trade & Industrial Policy Strategies.

Makhetha, T. 2021. Employees retirement age: What the Labour law says CHRO South Africa. Available at: https:// zacochro-quesada.savviihq.com/articles/employees-retirement-age-what-the-labour-law-says/ (Accessed 21 October 2025).

Mtshali, M., Mtapuri, O. and Hamase, S. 2017. Experiences of black-owned Small Medium and Micro Enterprises in the accommodation tourism-sub sector in selected Durban townships 6, 1–15.

Mineworkers Provident Fund (2021) Revised Rules of the Mineworkers Provident Fund. MWPF. Available at: https:// www.mwpf.co.za/about-us/fund-rules/ (Accessed: 26 January 2026).

Ngcuthushe, S. 2023. Challenges faced by Black entrepreneurs in South Africa.

Parliament, 1997. Basic Conditions of Employment Act, 1997.

Parliamentary Monitoring Group, 2025. Report of the Portfolio Committee on Electricity and Energy's

Oversight Visit 24 – 28 March 2025. The Portfolio Committee on Electricity and Energy (PCEE). Republic of South Africa Government Gazette, 1993. Compensation for Occupational Injuries and Diseases Act, 1993.

SchoemanLaw. 2022. Severance pay, what makes you think you are entitled to it? SchoemanLaw Inc.

Sentil Retirement Fund (2025) SENTINEL RETIREMENT FUND RULES APRIL 2025. Sentil Retirement Fund. Available at: https://www.sentinel.za.com/main/wp-content/uploads/2025/05/Sentinel-Fund-Rules-April-2025.pdf (Accessed: 26 January 2026).

Śniegocki, A., Wasilewski, M., Zygmunt, I. and Look, W. 2022. Just Transition in Poland: A Review of Public Policies to Assist Polish Coal Communities in Transition.

South African Government, 2025. Constitution of the Republic of South Africa, 1996 – Chapter 2: Bill of Rights Available at: https://www.gov.za/documents/constitution/chapter-2-bill-rights#27 (Accessed 21 February 2025).

South African Revenue Service, 2025. Personal Income Tax – Taxable Income and Tax Assessed by Province, Gender and Age Group.

South African Revenue Service, 2021. Retirement Lump Sum Benefits. Available at: https://www.sars.gov.za/ tax-rates/ income-tax/retirement-lump-sum-benefits/ (Accessed 13 December 2025).

Standardised Regional Development Indicators, 2024. Persons' Level of Education and Literacy. Quantec. Steyn, L., 2025. Thungela crashes 8% amid profit plunge on weak prices, restructuring costs. News24. Available at: https://www.news24. com/business/companies/thungela-crashes-8-amid-profit-plunge-on-weak-prices-restructuring-costs-20250808-0687 (Accessed 20 October 2025).

Szpor, A., 2018. Public policies for restructuring the coal sector – Policy case study.

Szpor, A. 2017. Coal Transition in Poland: An historical case study for the project "Coal Transitions: Research and Dialogue on the Future of Coal." IDDRI and Climate Strategies.

Szpor, A. and Ziółkowska, K. 2018. The Transformation of the Polish Coal Sector. The IISD Global Subsidies Initiative (GSI), Geneva, Switzerland.

Tsobo, L. 2025. Thungela's earnings fall amid weak coal prices and rising costs. Business Live. Available at: https://www. businesslive.co.za/bd/companies/mining/2025-08-18-thungelas-earnings-fall-amid-weak-coal-prices-and-rising-costs/ (Accessed 20 October 2025).

Disclaimer

To the fullest extent permitted by law, TIPS and its employees, directors, contractors, and consultants shall not be liable or responsible for any error or omission in any of its research, publications, articles, and reports (collectively referred to as reports). We make no representation or warranty of any kind, express or implied, regarding the accuracy or completeness of any information in our reports.

Our reports are made available free of charge and are prepared in good faith. Users are requested to acknowledge and correctly reference the source should they decide to use or make reference to any of our reports or any information in our reports.

TIPS and its employees, directors, contractors, and consultants shall not be liable or responsible for any use, collection, processing, or transfer of any of our reports or any information in our reports.

On behalf of:
forestry, fisheries & the environment
Department: Forestry, Fisheries and the Environment
REPUBLIC OF SOUTH AFRICA
Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety
of the Federal Republic of Germany
IKI INTERNATIONAL CLIMATE INITIATIVE
giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
TIPS TRADE & INDUSTRIAL POLICY STRATEGIES
NBI National Business Initiative
WWF
MPUMALANGA GREEN CLUSTER AGENCY
indalo inclusive