Relief Programs for Displaced Oil & Gas Workers

Elements of an Equitable Transition for California's Fossil Fuel Workers

From "A Program For Economic Recovery And Clean Energy Transition In California" by Robert Pollin, Jeannette Wicks-Lim, Shouvik Chakraborty, Caitlin Kline and Gregor Semieniuk

California's oil and gas jobs currently offer significant compensation and benefits, providing workers in these jobs with security for themselves and their families. As California moves to meet its existing climate commitments—to cut greenhouse gas emissions by 50% by 2030 and to reach net zero emissions by 2045—the oil and gas industries will contract, and **it is critical to invest in a strong, ongoing relief program to take care of displaced workers, their families and their communities.**

California's fossil fuel workers are highly paid with good benefits

- About 112,000 people are employed in California in fossil fuel-based industries, or about 0.6% of the total California workforce in 2019. This includes:
  - Frontline workers, managers, engineers, and administrative support workers.
  - Oil and gas extraction, refining, drilling, surveying, exploration, cementing, hydraulic fracturing, fossil fuel electric power generation and equipment manufacturing.
- **High pay:** fossil fuel jobs have an average overall compensation of $130,000 (including CEOs, lawyers and frontline workers, compared to $97,000 for solar industry workers, who are the highest paid workers in California's clean energy sector.
- **Good benefits:** over 70% of workers in the fossil fuel sector have employer-provided health insurance, 65% receive retirement benefits and union membership levels are at 23%. Of all workers, 65% have less than a Bachelor's degree (30% have a high school degree or less, 35% have some college or an Associate degree).
- **Demographics:** The workforce is 44.6% people of color (below the state average of 63%) and 22% women.

Prevalent Job Types in CA's Fossil Fuel Industries*	Percent
Construction (equipment operators, laborers, electricians)	17.5%
Production (power plant operators, inspectors, supervisors)	12.4%
Architecture and Engineering	12.4%
Management	10.4%
Extraction (drillers, roustabouts, mining machine operators)	9.9%
Installation & maintenance (electric powerline installers, home appliance repair)	9.4%
Office & administrative support	7.9%

*Job categories with 5% or more employment
Source: Table 6.3

An Equitable Relief Program for Displaced Workers

Displaced fossil fuel workers need to be supported as the sector phases out. This will necessarily include different types of support for workers at different stages in their careers:

- Workers at all stages in their careers will need health care coverage during transition.
- Entry and mid-career workers will need wage insurance and retraining and re-employment guarantees, peer counseling, as well as access and to and support for continuing education; mid-level and near retirement workers should be provided opportunities to transfer credentials, certifications and experience.
- Workers close to retirement who choose to retire will need pension guarantees.

Pension guarantees: California can ensure pension funds remain solvent as the fossil fuel sector contracts by mandating full funding at the state level, coordinating with federal regulators at the Pension Benefit Guarantee Corporation, prohibiting companies from paying dividends or financing share buybacks until plans have been funded, or placing liens on company assets when pensions are underfunded.

Priority Hire: With the high level of public funding for the new clean energy sector, the state will have the leverage to require job preference provisions for the displaced workers.

Policy Package for Displaced Workers in California's Fossil-Fuel-Based Industries	
Pension guarantees for workers (65+) voluntarily retiring	- Legal pension guarantees
Employment guarantee	- Jobs provided through clean energy and public infrastructure investment expansions
Wage insurance	- Displaced workers guaranteed 3 years of total compensation at levels of fossil fuel-based industry jobs
Retraining Support	- 2 years of retraining, as needed
Relocation support	- $75,000 for one-half of displaced workers

A Planned, Steady Transition off of Oil and Gas is Significantly Cheaper, and Better for Workers

To keep costs down and ensure the least disruption for workers, the State of California and industry should cooperate to plan as steady a closure of the fossil fuel industry as possible. A 50% closure of the oil and gas industry from 2021-2030, equals total job losses of 57,600 jobs statewide over 9 years, not factoring in voluntary retirement. How the industry shuts down matters: a steady, even closure each year is less disruptive and cheaper than a closure that happens in several large events. Real world closures will likely look a little different than either of the closure scenarios described below:

- If there is a steady closure of the fossil fuel sector, about 3,200 workers per year would require reemployment statewide between 2021 – 2030 while another roughly 2,500 will voluntarily retire each year. The costs of a generous just transition package for all fossil fuel industry-based workers losing their jobs would come to about $470 million per year.
- If the fossil fuel sector closes in three large episodes (for example in 2021, 2026 and 2030) with one-third of job loss each time, then in each episode, 4000 workers would voluntarily retire, 2800 workers close to retirement (age 60-64) would be provided with a glide-path to retirement, and 12,500 would require re-employment.
- Over the nine-year period, **the total number of workers who would be displaced and need reemployment in a steady closure is 32,000 and in an uneven closure is 37,000.** Achieving California's climate goals is estimated to create a total of 1 million jobs from 2021-2030.
- The costs of an equitable transition will be significantly lower if the transition is able to proceed steadily rather than if industry closure happens in several big events. The episodic or **uneven closure will cost an additional $4.4 billion, or 80% more, than a planned, steady closure.** This is due in part because a steady transition allows for greater voluntary retirements versus large, abrupt layoffs where compensation is required for workers aged 60 to 64 who will need a relief package providing a glide path to retirement.

> **"California must invest in a strong, ongoing relief program to take care of displaced workers, their families and their communities."**

	Total costs over 12 years*	Average costs per year over 12 years*
Steady Contraction (even contraction each year)	$5.6 billion	$470 million
Uneven Contraction (three big closure events over 10 years)	$10 billion	$833 million
How much more does an uneven contraction cost than a steady contraction?	**$4.4 billion (79% more)**	**$364 million (78% more)**

*The transition programs last 12 years because three years of benefits are provided, so the program lasts three years after the last closure in the 9 year period.

Source: Table 6.11

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