

Principles for Meaningful Transition Support for Workers in Carbon-Intensive Industries

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Thank you for the invitation to meet with your Committee today.

The Centre for Future Work is a research institute based in Sydney and associated with the Australia Institute, conducting and publishing research into a range of labour market, employment, and related issues. We are independent and non-partisan. Our research is publicly available at <http://www.futurework.org.au/>.

Our Centre has considerable familiarity with international research into the economic and social impacts of major industrial restructuring episodes. Unfortunately there have been many such episodes of major downsizing or closure of industries in Australia's recent past – including the shutdown of most of the textile, clothing, and footwear industry; the closure of major automobile manufacturing facilities (now culminating in the cessation of vehicle assembly here altogether); the closure of major primary metal facilities in various communities; and downsizing in the mining industry.

We do not have a comprehensive longitudinal system in Australia for tracking the consequences of these transitions for affected workers. But specific Australian researchers have endeavoured to undertake some such investigation on the basis of customised surveys and other resources. Of particular note here is the published work that was performed tracking displaced workers from the TCF restructuring and the Mitsubishi factory closure in SA in 2008; also valuable is new work currently being performed by academics in Melbourne (on the auto layoffs), Wollongong (on displaced

steel workers), and the University of Queensland (on displaced coal miners). There are numerous international studies available as well.

This research has highlighted several broad common elements in the labour market experience of displaced workers from these industries, including:

- The effects of retrenchments are worse when they are large, when they occur in regional locations (with fewer alternative jobs), when they occur with short notice.
- The effects of retrenchments are generally worse for workers who are older (above 45), have fewer recognized degrees or qualifications, and who may have poorer English or numeracy skills. It is wrong to say these people are “unskilled”: they likely have decades of experience, but tied to a particular job or company (and hence not valued or recognized by other employers).
- Retrenchments aren’t limited to large industrial facilities. Some service sectors also have high rates of job loss due to retrenchments (including hospitality, transportation, and administration).
- The Mitsubishi closure is the best-studied retrenchment in Australia’s experience, thanks to the pro-active work of the researchers who developed the survey of displaced workers. Unfortunately that doesn’t happen in most cases. Even ABS data regarding layoffs, retrenchment, and worker mobility has been reduced in recent years (eg. they cancelled their once-useful Labour Mobility Survey in 2013, probably due to funding cuts).
- A “1/3 – 1/3 – 1/3” pattern of transition experience seems to be validated in various settings. One-third find decent/comparable work, one third are placed into inferior or precarious work (part-time, casual, or self-employment), and one-third don’t work again (retiring, remaining unemployed, going on disability pension, or otherwise leaving the workforce).
- Adjustment to major closures is very difficult in conditions of generalized economic and labour market weakness, such as we see in Australia right now. When there are few job vacancies, and a general trend to overqualification (that is, people with training whose work doesn’t use their full capacity), then the idea that workers’ adjustment can be facilitated through more training just doesn’t make sense. At best, the more marketable of those displaced workers will displace someone else who was also in the queue for work – so on a net social basis there is no improvement (although some of the specific individuals displaced by the original closure end up better off).
- At a macroeconomic level, there is no evidence to suggest that Australia suffers from a skills shortage, so the idea of “retraining” is merely to assist these workers in getting a shot at alternate jobs. Retraining will not in itself solve the problem of inadequate labour demand that exacerbates these workers’ challenges.
- Australia’s vocational training and employment services sectors are among the most fragmented and chaotic of any industrial country. Both functions have been privatized, and there is no coherent planning or consistency in the services offered.

Thus, addressing restructuring by simply giving money to private training and placement agencies will be especially ineffective.

- Strong emphasis must be placed on expanding the overall demand for workers and job-creation. This is not to say that training is not important, and obviously society should assist workers displaced by major industrial restructuring events. But without a strategy to create jobs for them to go to (including in the regions where they live), training is not going to have sufficient positive effects.

Regarding the employment transitions that will be associated with the phase-out of coal-fired electricity generation in particular, we are presently initiating a new research project considering the experience of electric power utilities in 3 continents (Europe, North America, and Australia) in managing the employment aspects of the transition away from coal-fired generation in the electricity system. Results of our research will not be ready for several months, but there are already some key principles that have become apparent in our survey of international practices:

- Management of transitions is more effective when there is ample notice of the timing of closures. This allows workers and their families to prepare for the event, including taking advantage of opportunities in intervening years. It also allows human resource managers to anticipate and smooth adjustments in the workforce.
- Mobility across locations provides another important buffer in managing transition effects. If there is a single closure to be managed, then all of the workers in that facility will be impacted immediately, with no ability to share the adjustment burden across a greater population. Some may qualify for early retirement and other opportunities, but many will not and hence involuntary redundancies will be likely. When transition can be managed across several locations, however, then there are greater opportunities for taking advantage of cross-location demographic differences and the staggered timing of closures.
- In my view, the potential for multi-location transition planning is one of the most important conditions for effective transition planning.
- One key advantage in planning for transition in this specific sector is the relatively advanced age of most of the facilities in question – and hence the consequent demographic profile of its workforce. A substantial proportion of affected workers will be at or near retirement age when the facilities close. When combined with appropriate incentives and supports for early retirement (such as income bridging or other guarantees) this can reduce the number of involuntary redundancies. And when access to early retirement incentives is offered across several different facilities in different communities, then the potential for using demographic transition to smooth the overall industry adjustment is magnified accordingly.
- The need for long-term transition planning, and for an integrated multi-location approach, both highlight an underlying need for greater coordination of the phase-out. When individual facilities are owned by fragmented private owners, each seeking to maximise their own profits and minimize their own corporate exposure

to the transition, private decisions will be made in an atomistic, unexpected, and sometimes counter-productive

For all of these reasons, the Recommendation in your Committee's interim report to establish an energy transition planning authority with powers and resources to engage private power producers, develop a long-term timeline, and integrate transition planning across locations, is one with which I heartily concur. This type of deliberate integrated planning is essential, in my view, to minimizing the adjustment burden on workers and communities.

This key finding is exemplified by one of the case studies covered in our project: the province of Ontario, Canada. The Ontario experience confirms the importance of advance planning, integrated multi-location mobility, and strong coordination capacity. Ontario phased out all of its coal-fired generating stations (19 units in total, at 4 different locations, with a combined capacity of 7,500 MW) over a 9-year period between 2005 and 2014. All the facilities were owned by a single public entity, a Crown corporation called Ontario Power Generation. OPG also operates about 75 other facilities in the province (including nuclear, gas, and hydro-electric generating facilities), along with a wide range of administrative and other operations. The closures were staggered. Affected workers were given opportunity for early retirement as a first option (at OPG, too, the demographic profile of the workforce was relatively old). They also had opportunity to transfer to other OPG operations (most of the closed coal-fired facilities were located in smaller regional centres, one was near a major city). One of the coal-fired plants was converted to a biomass generating facility, which actually increased employment at the site (in addition to stimulating new jobs in regional biomass suppliers). The whole phase-out was accomplished with no mass involuntary redundancies. In fact, in comparison to other staffing transitions which OPG faced at the same time (including adapting to a decline in electricity demand, the restructuring of some of its nuclear operations, and other organizational and technological changes within its operations), the task of facilitating transition of workers at the coal-fired plants was relatively straightforward.

I would also like to recommend to the Committee the research work of Professor Robert Pollin and his colleagues at the University of Massachusetts in the U.S. He has been conducting detailed industry-specific research into transition programs for workers in U.S. fossil fuel industries (including, but not limited to, coal-fired electricity generation). He has similarly emphasized the importance of advance planning and mobility (including across locations in the same industry, and between fossil fuel jobs and new positions in alternative or renewable energy operations) in managing transitions so that they do not impose an undue burden on a group of existing workers. By taking a very long view of the transition timeline, maximizing the role of demographic transition of a relatively old workforce, and taking pro-active measures to connect displaced (non-retiring) fossil fuel workers with new positions in other industries, Professor Pollin has shown that a transition with strong income and job guarantees can be facilitated at remarkably modest costs. Professor Pollin will be consulting on our own inquiry into

transition plans in the coal-fired generating industry. I will file a copy of his research on this topic with the Committee's secretariat.

The successful experience of the phase-out of coal mining in Germany, in a similar context of long-run planning, inter-facility and inter-industry mobility for workers, and strong coordination, is another example of best practice in these types of transitions. It also occurred without any involuntary redundancies being imposed on affected workers. (I recognize that the German experience deals with a different industry, mining, which was phased-out for different reasons, but it nevertheless confirms the value of integrated planning, advance notice, and inter-location mobility.)

In summary, while the phase-out of coal-fired electricity is a major and complex challenge, the employment transitions associated with this process are manageable so long as government and the industry take a suitably long-term, coordinated, and well-resourced approach. By providing ample notice of phase-out, ensuring that the closure of particular facilities occurs in line with the public interest and an advance timeline, ensuring that transition and adjustment actions are integrated across locations, and providing adequate resources to protect and support workers through the process, this necessary transition can indeed occur in a manner that is as fair as possible. The phase-out of coal-fired generating plants is being undertaken to accomplish a vital social and environmental goal: namely, to reduce future greenhouse gas pollution and limit the damages of climate change. It is only reasonable and moral that the costs associated with that transition be shared fairly across society, without imposing an undue burden on a group of workers who happen to be employed in one of the first-affected industries.

I respectfully submit this evidence to your deliberations and thank you again for the opportunity to participate in this important discussion.

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