



NEW REPORT: The Impact of Energy Booms on Local Workers

A new [IZA World of Labor report](#) publishing today finds energy booms create a broad set of benefits for local workers in the short term including lower unemployment and higher wages. But there are externalities to consider and the long term implications are less clear.

Technological progress in recent years has enabled the extraction of unconventional energy sources, such as shale gas and oil, spurring rapid development in many areas. But energy booms in particular can be a difficult type of economic shock for communities to manage because they are often short-lived and followed by “bust” periods, which can impose transitional hardships on local residents. Furthermore, there are externalities to consider such as significant environmental degradation.

According to economist Grant D. Jacobsen of the University of Oregon, it is crucial to discuss the empirical evidence on the effect of “energy booms” on local workers. In his report he cites a number of recent studies finding a positive short term effect. For example national studies of the most recent US energy boom suggest that it led to 220,000 additional jobs in booming counties and 640,000 additional jobs when considering spill-over effects to neighboring counties. Interestingly, these employment increases were not confined to the mining and extraction sector but also positively affected the accommodation, construction, retail, and transportation sectors.

These studies find substantial short-term benefits to local workers in the form of increased employment, wages, and incomes. According to Jacobsen these benefits accrue across industries, occupations, and segments of the wage rate distribution, suggesting that most workers are able to benefit from the effects of booms on local labor markets. However, in policy debates related to placing restrictions or bans on energy development, benefits would have to be considered relative to negative factors. These include environmental externalities as well as opportunity costs: Pursuing the opportunities offered by the booming sectors may come at the expense of pursuing other opportunities related to career development. Jacobsen shows that energy booms are associated with reduced educational attainment in local areas. This might leave workers less equipped for the workplace once the boom has ended than they would have otherwise been.

Literature on the long-term effects of energy booms is much smaller, partly because the recent fracking boom is not yet mature enough to evaluate its long-term implications. However, the available evidence seems to suggest that long-term effects are generally neutral or negative. While energy booms have had substantial short-term benefits on local labor markets, they seem not to have an obvious impact on long-term economic prosperity. According to Jacobsen *“policymakers should thus consider enacting policies that increase the probability of boom-related long-term benefits and reduce the overall volatility of the boom-and-bust cycle.”*

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The site offers relevant and succinct information on topics including diversity, migration, minimum wage, youth unemployment, employment protection, development, education, gender balance, labor mobility and flexibility among others.

Established in 1998, the Institute of Labor Economics (www.iza.org) is an independent economic research institute focused on the analysis of global labor markets. Based in Bonn, it operates an international network of about 1,500 economists and researchers spanning more than 45 countries.