

# Environmental Watch

Examining Environmental Claims and Their Costs • April 2008

## The Hidden Costs of the Push for “Green Collar” Jobs

by Todd Myers

### Claim

“Suffice to say: climate policy done right can help revitalize our local economies, take charge of our energy future, and take responsibility for our planet and the economic and natural legacies we leave our kids.”

*Anna Fahey, Gristmill blog, April 27, 2008, <http://gristmill.grist.org/story/2008/4/25/164449/309> (Accessed May 1, 2008)*

“The point Myers misses is that green jobs are “new” jobs in two senses. If the green-collars (from think tankers to ex-cons) get their way, timeworn skill sets—like sheet metal working or electrical engineering—will be transposed to more energy efficient purposes, like wind turbine or solar panel construction.”

*Dayo Olopade, New Republic blogs - Environment and Energy, May 1, 2008 (Accessed May 1, 2008)*

### Facts

The phrase “green-collar” jobs is now de rigeur for any candidate or activist seeking to justify renewable energy mandates and other environmental regulations. Such mandates, they claim, will lead to a revolution (or “envirolution”) in our economy, creating new jobs and making us all more prosperous. They understand that people are justifiably nervous about the costs of such rules, especially in a time of economic uncertainty.

The problem is that claims about new jobs are simply false. Two recent critiques of our work demonstrate clearly how advocates of green jobs mistake more jobs in one sector for more jobs overall. French economist Fredrich Bastiat wrote the book That Which is Seen, and That Which is Not Seen more than 150 years ago, but the same economic fallacies he highlighted are being repeated today.

Pointing to jobs that are seen while ignoring the job losses in other sectors is not a real accounting of the negative impact of costly green energy mandates on jobs or prosperity.

### That Which is Seen

In her piece “Green Pay Day,” Anna Fahey on the Gristmill blog argues that millions of green collar jobs are being created and the evidence, she says, is all around us. For instance, she notes “California-based solar manufacturers Solaicx Inc. and XsunX Inc. are establishing plants in Portland and Wood Village, Oregon, respectively.”<sup>1</sup> These companies will soon be hiring. These “new” jobs, she argues, will “revitalize” economies, injecting investment that would not otherwise be created.

But these jobs are not “new,” they have simply shifted from other job sectors. Dayo Olopade at *The New Republic* argues that I am simply incorrect. Olopade says:

<sup>1</sup> Anna Fahey, “Green Pay Day,” *Gristmill blog*, April 27, 2008, <http://gristmill.grist.org/story/2008/4/25/164449/309> (Accessed May 1, 2008)



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“The point Myers misses is that green jobs are ‘new’ jobs in two senses. If the green-collars (from think tankers to ex-cons) get their way, timeworn skill sets--like sheet metal working or electrical engineering--will be transposed to more energy efficient purposes, like wind turbine or solar panel construction. Some jobs that were lost will be found. But other positions--like the army of home and small business energy auditors needed to modernize our infrastructure--will be brand new, though the contractors and builders that implement their recommendations will not.”<sup>2</sup>

There are several problems with these arguments.

### **That Which is Not Seen**

First, a steelworker who builds a wind turbine is not a new worker simply because he is no longer working on girders for a hydroelectric dam. It is simply a worker whose client has changed. Electrical engineers wiring a solar array are not “new” now that they are no longer wiring a natural gas plant. For a more tangible example, union workers at the Centralia power plant lost their jobs only to see jobs shifted elsewhere because the “International Longshore and Warehouseman’s Union added 26 full-time positions at the Port of Vancouver last year because so many wind turbines were being offloaded.”<sup>3</sup>

Second, renewable energy is not “more energy efficient.” Wind power, biomass and especially solar energy are far less efficient. Each produces less energy at a higher cost. The staff for Washington’s Climate Advisory Team admitted that the cost of such energy was even higher than they had expected. Technology is improving but at this point the reason we have green energy mandates is that the high cost of “green” energy means that without government requirements or subsidies, these technologies aren’t efficient.

Third, the “army of home and small business energy auditors” may or may not be “new” jobs, but they are not a selling point for those advocating green energy mandates. In many cases these are not new jobs but simply new job classes. The title “Internet programmer” was held by no one in 1960, but by 1990 “computer programmers” started to become “Internet programmers.” Same person, different job class.

Let’s say, however, that Olopade is correct and these are new jobs in the sense that more people are now working than previously. The only way paying for energy auditors makes sense is if energy costs are artificially driven up by government policies. When costs were lower, it made no sense to hire someone to do an energy audit. Now that prices are high, I am willing to see if I can cut my costs by hiring an auditor. Thus, we are, in fact, hiring more people, but those people are simply helping us offset the rising cost of energy. More people are working, but only because the system is less efficient. More people are working but each is less prosperous. This is like banning tractors to increase the number of agricultural workers by making farmers use horses.

Finally, what is not seen is that the investment that is going to “green” technologies by government mandates and subsidies would not sit under a mattress if it weren’t going into these sectors. Anna Fahey notes that “Between 2006 and 2007, venture investments in the U.S. clean-energy sector increased by more than 70 percent.”<sup>4</sup> That statistic, however, is testament to the wisdom of capital investors in the free market. If the government is going to offer them significant re-

<sup>2</sup> Dayo Olopade, “Green Collar Blues,” *New Republic blogs - Environment and Energy*, May 1, 2008 (Accessed May 1, 2008)

<sup>3</sup> Fahey, “Green Pay Day”

<sup>4</sup> *Ibid.*

turns by requiring certain technologies, venture capitalists are going to snap up those returns. If those government incentives weren't there, however, that capital would flow to other sectors of the economy like health care, biotechnology, electronics or any one of a number of promising investments. In each of these sectors, jobs would be created, prosperity improved and the lives of Americans benefitted. These opportunity costs, however, are seldom recognized and they are likely more productive uses of capital. They suffer, however, because government has artificially skewed the playing field in favor of the "green" sector.

## Costs

If something seems too good to be true, it often is. In the market, the rule is often "let the buyer beware." Advocates of environmental regulations and green energy mandates tell us that such restrictions will actually improve prosperity. The hope that they can claim such regulations are actually good for the economy leads them to claim some fairly odd victories.

Kristen Kolb at Sightline argues optimistically that, "Grays Harbor's economy is on the up" due to green collar jobs. She notes that "Hoquiam's old mill is now producing 100 percent recycled paper. The plant's energy source is 100 percent renewable -- it comes from biomass derived from a local source -- Olympic Peninsula logging leftovers." It is now the largest employer in town. Citing this as a success for green collar jobs, however, is more than a bit ironic. Environmental groups and the timber wars devastated the county's economy. Kolb's piece notes that "At the same time, the town was hemorrhaging jobs. *Mother Jones* tells it like this: 'Families were breaking up and moving out. There were suicides. It was really a hard time.'"<sup>5</sup> What Kolb doesn't note is why the town began hemorrhaging jobs in the first place.

Environmental rules caused the economic despair in Gray's Harbor. Bringing a few "green" jobs back, and counting them as "new," is like taking a dollar from someone, then asking for thanks when you return a dime.

In the end, even the activists pushing for these mandates grudgingly admit this, saying that jobs aren't the real goal anyway. Olopade admits that "Sure, there is some tit for tat in terms of net job creation, but even if 5 million 'new' jobs is an overstatement, the hiring trend should put greater market emphasis on nonpolluting industries--the real objective here."<sup>6</sup> Such admissions reveal that environmental activists want the mandates whether they create jobs or not.

There are lots of reasons to be excited about new technology and alternative sources of energy. The history of the free market has been one of finding ever better ways to do more with less. We will likely continue to improve energy efficiency, but green energy mandates are more likely to reduce jobs and prosperity than the opposite.

<sup>5</sup> Kristen Kolb, "Smells Like Green Spirit," *Sightline Daily Score*, April 29, 2008, [http://daily.sightline.org/daily\\_score/archive/2008/04/29/smells-like-green-spirit](http://daily.sightline.org/daily_score/archive/2008/04/29/smells-like-green-spirit) (Accessed May 1, 2008)

<sup>6</sup> Olopade, "Green Collar Blues"