

Green Jobs: Hope or Hype Redux

Brief Analysis No. 702

by H. Sterling Burnett and James Franko

April 29, 2010

On the campaign trail in 2008, then-Senator Barack Obama announced a plan to create five million new “green collar” jobs. Since becoming president, he has repeatedly touted his support for green jobs; for instance, in his 2010 State of the Union address and Earth Day remarks on April 22, 2010. In addition, recent stimulus legislation and appropriations bills have contained provisions to subsidize or promote green job creation.



Dallas Headquarters:
12770 Coit Road, Suite 800
Dallas, TX 75251
972.386.6272
Fax: 972.386.0924

www.ncpa.org

Washington Office:
601 Pennsylvania Avenue NW,
Suite 900, South Building
Washington, DC 20004
202.220.3082
Fax: 202.220.3096



Unfortunately, there is growing evidence that government support of green industries will cost more jobs than they create.

Spain. President Obama has identified Spain as a model for a new economy driven by green jobs. But a 2009 study from Madrid’s King Juan Carlos University showed that for every green job the Spanish government created, 2.2 jobs were lost as energy-intensive industries either closed down or moved to other countries with lower energy costs:

- The government’s green job push created approximately 50,000 jobs, but resulted in a loss of more than 110,000 jobs in other industries.
- Only 1 in 10 of the new green jobs was permanent.
- Each green job created since 2000 has required about \$774,000 in government subsidies. [See the figure.]

Denmark. On Earth Day in 2009, President Obama cited Denmark as another country that

has benefited from subsidized green job creation. Like Spain, Denmark’s green industry — primarily wind-powered electricity generation — was heavily subsidized and likely would not have existed without government support. According to “Wind Energy: The Case of Denmark,” a 2009 report by the Center for Political Studies, a Danish think tank:

- The Danish government spent \$90,000 to \$140,000 to create each wind job.
- About 28,400 people were employed in the Danish wind industry, but only about 1 in 10 were new jobs — the remaining 90 percent were simply positions shifted from one industry to another.
- From 1999 to 2006, the average government-subsidized clean energy technology worker added \$10,000 less to the Danish economy than did the average employee in other industrial and manufacturing sectors.
- As a result, Danish gross domestic product was about \$270 million less than it would have been if the wind industry work force were employed in other sectors.

Thus, a 2006 report from the Danish Economic Council concludes, “The wind power expansion in the 1990s is an example of a policy that was unprofitable

Green Jobs: Hope or Hype Redux

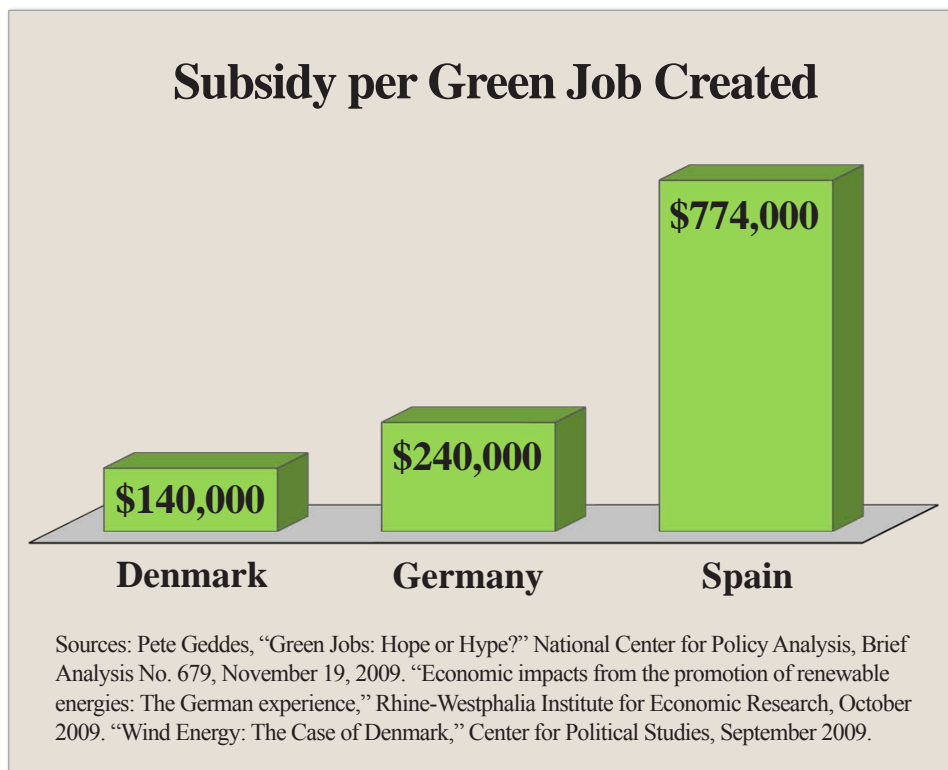
from society's point of view, even taking the economic advantages that the wind business enjoyed into consideration.”

Germany. According to a 2009 report from the Rhine-Westphalia Institute for Economic Research:

- Germany instituted a feed-in tariff — which requires regional or national electric grid utilities to buy renewable electricity — and as a result, wind energy costs three times as much as conventional energy and solar power costs eight times as much.
- The total net cost of subsidies for wind and solar power production since 2000 has topped \$101 billion, producing less than 7 percent of the electric power generated nationwide.
- The government spent an average of \$240,000 in subsidies per each new green job.

Six studies cited in the report found that the net job effect of Germany's green job policies were either negligible or negative.

American Recovery and Reinvestment Act. The American Recovery and Reinvestment Act of 2009, popularly known as the stimulus bill, has produced few if any green jobs so far. For instance, Indiana set a goal to weatherize 25,000 existing homes over three years in order to increase energy efficiency. Yet, according to the *Washington Post*, only 82 homes had been retrofitted as of November 2009 and no jobs had been created. In Virginia, stimulus spending was so slow that most of the work has been done by existing employees, rather than new workers.



Sunil Sharan, director of the Smart Grid Initiative, argues in another *Washington Post* story that green job initiatives will actually increase unemployment. That is because they are predicated on doing things more efficiently — using less energy and less labor to produce the same results. In hopes of increasing the efficiency of America's power grid the stimulus plan laid out the goal of installing 20 million smart meters in the next five years. Sharan's calculations show that achieving the stimulus' smart meter goal would create about 1,600 jobs. Unfortunately, Sharan estimates 28,000 jobs will be lost among meter readers alone. Countless others will also lose their jobs, as employees will no longer be needed for such tasks as inputting meter readings at the office.

There are good reasons for installing smart meters and updat-

ing the power grid. Accordingly, the private sector, even without federal intervention, was already moving to improve the system through use of these technologies. Spending tax dollars to accelerate the process will likely do more harm than good.

Conclusion. Private-sector technical innovations will undoubtedly be critical, as global energy demand is forecast to increase 44 percent by 2030. Improvements tested by competition, rather than implemented by regulation or subsidized through a political process, will ensure that the energy produced will be cleaner and more efficient. That being said, green technologies are not a force for short-term job creation.

H. Sterling Burnett is a senior fellow and James Franko is a legislative assistant with the National Center for Policy Analysis.