Not 'Green Jobs.' Just Jobs.

In the post-green economy, the obsession with 'going green' has distracted us from the real challenge.

By Andrew Hoffman

We're taking our eyes off the ball. The current obsession with going "green" has distracted us from the real challenge before us. From venture capitalists and company executives talking up "green" technology, to government officials strategizing to develop a new "green" economy, to President Obama promoting low-emission vehicles and renewable energy funding in his "green" stimulus plan, we have forgotten that "green" is just a label—and behind it is the very real challenge of economic recovery and environmental change.

The current overuse of the word "green" is problematic because it politicizes an issue that deserves sober and careful consideration: How businesses can implement sustainability strategies that make fiscal sense. On the one hand, the green label creates an air of irrational exuberance—"green" will solve all our economic problems. On the other hand, it creates a knee-jerk pessimism at what is seen as a left-leaning agenda without market logic—"green" will destroy an economy based on free market competition. The truth is that neither is accurate, and as long as we let the debate be polarized into these two camps, we will fail to address the underlying economic and environmental fundamentals.

A Changing Landscape

As a business school professor, I analyze "green" issues like climate change as the market shifts, remaining agnostic about the science in order to consider the business implications. In this light, we see that companies find their competitive landscape changing as the government puts a price on carbon, consumers add energy efficiency to their buying preferences, investors pursue investment potential in emerging energy technologies, and college graduates look more carefully at a company's values before accepting a job. These changes will amplify through the supply chain as powerful companies like Wal-Mart, Clorox and Procter & Gamble push less powerful companies to comply with their environmental sensibilities. In other words, business drivers—not a leftist political agenda—are at the heart of corporate sustainability strategies.

In the face of any market shift, companies must innovate to survive. They must divest some businesses, acquire others, alter still more and leave some alone. The question, "Does it pay to be green?" is irrelevant. The real question is, "Does it pay to innovate?" To answer this question, leaders must put aside any value judgments about "green" and concentrate on market fundamentals. When it comes to "green" jobs, we focus on new demographics and skill sets in the face of new competitive realities. When it comes to "green tech" we focus on innovation and investment opportunities. And when it comes to "green building" we focus on design that uses improved technologies with lower operating costs and more productive workforces.

By depoliticizing the issue of a market shift, we can see it without the distorting biases created by the word "green." Here are four critical issues:

1. Market shifts create winners, losers and innovators. Joseph Schumpeter's forces of "creative destruction" have both an upside and a downside. But too much of the green jobs discussion focuses on either jobs created or jobs reduced without looking at the true proportions of the composite whole. While jobs in lithium-ion batteries, wind turbines and solar cells may increase with a shift in the market, jobs will be lost in the coal and other sectors. So "green" jobs will be created by new industries, but existing jobs in traditional markets must change, too—for example, Wal-Mart won't suddenly become a wind turbine manufacturing company, but it has created an entire new arm of its marketing department focused on sustainability. The important question is, what will the net impact be on the economy in terms of job losses, job gains and job transformation?

2. Transition periods vary in depth and duration. The shift from one technology to another is not instant or painless. There will be a transition period where net payback is negative. Compact fluorescent light bulbs replace incandescent; but not without an up-front cost that will yield benefits down the road. And, if you don't know about light-emitting-diodes yet, you will; LEDs will soon replace CFLs but are presently net-negative. Shifting to the "green" economy will follow a similar curve. But the critical questions for consumers, investors and policy-makers alike are, how deep does the initial investment need to be and how long will this transition take?

3. Transition periods have regional differences. Consider the U.S. Some regions will be traumatized by this transition. Some—such as Midwest coal states or Michigan auto companies—may experience deep or long transition periods. Some analyses show that a modest price on carbon of $20 per ton may increase overall energy prices by 7 percent, while coal-produced energy will increase by 15 percent. This is an important projection for the nearly 200,000 blue-collar workers in the U.S. coal sector, or the many states that rely on coal for their power or economy.

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But other states may see very little negative transition periods. California, for example, will see an increase in economic production of $33 billion, overall gross state product by $7 billion, overall personal income by $16 billion, per capita income by $200 and jobs by more than 100,000 by 2020 due to the shift to low-carbon technologies. To ignore the areas that will experience pain in this market shift will render any kind of a political solution to the issue elusive. The critical question becomes, how can the issue be framed so as to bring the potential winners and losers into a political coalition to address it?

4. Government policy can alter the depth and duration of these regional transition periods. The government has a wide arsenal of policies: Carbon price, feed-in tariffs, net-metering, renewable portfolio standards, taxes, subsidies, infrastructure improvements (national grid, smartGrid, high-speed rail, home weatherization and nuclear waste disposal), direct procurement policies, R&D funding, building, appliance and auto standards, land use policy, and product labeling. All of these can be applied to balance the load of a shift to a low-carbon economy by acting as a catalyst to shorten the duration and reduce the down side of the transition period across regions. For example, R&D funding for carbon capture and sequestration can shorten the downside for coal combustion; feed-in-tariffs can stimulate markets for new energy sources; cash for clunkers programs can accelerate auto fleet turnover; and price incentives can create markets for new models. The question for policy-makers centers on a balanced suite of policy mechanisms that deal in multiple time scales—immediate (low-hanging fruit such as in the building sector), medium (capital stock turnover) and long term (technology innovation and deployment) time scales.

These are the issues that emerge when we take the passion and advocacy biases out of the debate over market responses to climate change controls. But the U.S. must recognize that these are questions that also must be considered in the global context. Already, other countries' incentives for innovation in energy efficiency, sourcing, and storage have created a technology race in which we have no choice but to engage. As both President Obama and Tom Friedman point out, we can develop technologies like lithium-ion batteries here, or we can expect to buy them from countries like Japan and China in the future. GE has had to develop its wind business in the E.U. (particularly Germany) given the absence of the proper economic incentives in the U.S.

The U.S. must participate in international negotiations on climate change to ensure a level playing field with developing countries on carbon reductions. We must also acknowledge that the field for energy pricing and policy that incents technological development has not been level for years. It is time to dislodge those who support the "win-win" scenario, as well as those who resist this shift because of the liberal and political correctness imagery it creates. Let's move beyond the extremes of debate—that we will destroy the economy on one hand, and that there will be a painless transition to a new economy on the other.

We are talking about fundamental economic and environmental shifts that have redefined how businesses compete, regardless of the political leanings of leaders, employees, or shareholders. Only in considering "green" issues as business issues will companies regain competitive advantage in a post-recession, post-green economy. CRO