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Other sources pointed out that while the green movement will be a contributor to any job recovery, it doesn't yet have the scale to pull the economy out of its job slumber.

Sarah White is a senior associate with the Center on Wisconsin Strategy and formerly of the Wisconsin Department of Workforce Development. White said that green jobs have "tremendous opportunity, and not just for environmental, moralistic reasons." But she added that somewhere along the way, the message of potential job creation, which could be driven by massive public and private investment in clean energy, was mistaken for a promise of actual job creation. "The environmental movement tied the green movement to the jobs agenda without talking to people who understand labor markets," she said.

As a result, "I think in many ways green jobs have been oversold. If people are looking for [a lot of] new green jobs around the corner, they aren't there," said White. "All jobs can and should be greener. But green jobs are not going to solve the structural problem in the job market."

That's because there is an ongoing mismatch between labor skills and demand, but the mismatch is not unique to green jobs, White said. It applies across the economy, and, according to White, the mismatch is particularly relevant among low- and middle-skilled workers. "We don't have people ready for the workplace. ... There's not a lack of green skills. Many workers don't have basic skills."

Fix that problem, and you've gone a long way toward fixing the mismatch problem while preparing workers for a

rainbow of jobs, not just green ones. It's a myth, White said, that "green jobs are new and different. ... There isn't an identifiable suite of new green skills. Most green jobs will involve traditional skills in traditional occupations."

That notion shouldn't necessarily disappoint or deter advocates either. Rather than something completely new and different in the economy, green jobs in many ways have always existed; innovation has regularly delivered new products and processes that are less energy-intensive because it helps firms be more productive and thus profitable.

"Green jobs [are] not necessarily a new phenomenon," said Barbara Wagner, a senior economist with the Montana Department of Labor and Industry and head of a multistate consortium looking at green jobs. "The challenge is to ask how the green move-

ment impacts the long-term functioning of our economy."

For example, Wagner said, "The movement to be more environmentally friendly is changing consumers' preferences and is changing what types of goods are produced in our economy." That's likely to continue, even accelerate, given greater recognition of environmental costs of burning fossil fuels, which Wagner believes is a "long-term trend in our economy."

"Whether or not the trend continues to be labeled 'green' or some other label remains to be seen," said Wagner. "Green jobs have made a number of headlines in the last few years, and some of that attention may fade over time." ■

Welcome to the fudgy, grey world of green jobs.

Even the Bureau of Labor Statistics, the nation's arbiter of all things jobs, is stumped.

## The many shades of green

*Drawing boundaries around green jobs is a subjective art*

By RONALD A. WIRTZ  
Editor

Imagine reading this job description:

Must have experience in one or more of the following: renewable energy, waste reduction, resource utilization (or nonutilization, really) and environmental sustainability and preservation (inquire within for technical description). Job involves these things either in part or in whole and is either production- or service-based (though we can't tell you which one). If you think you qualify (and you probably do), apply at your nearest state labor information office.

Welcome to the fudgy, gray world of green jobs. While politicians and environmental advocates promote the promise of green jobs, labor economists have been, well, laboring over how to define and count them.

Even the Bureau of Labor Statistics (BLS), the nation's arbiter of all things jobs, is stumped. It's been looking at the green jobs issue for a couple of years now. In 2009, it joined forces with state labor economists on a working council to examine the matter more closely. One of its first tasks was to review what had been done to date.

"The general impression was there was no consensus on the definition of green jobs," said Dixie Sommers, BLS assistant commissioner for occupational

statistics and employment projections. The bureau now is in the throes of a formal, \$8 million study "to identify green economic activity and produce data on the associated jobs."

State labor departments and others are also spending time and money playing definitional catch-up in hopes of getting a better grasp of what green jobs are, and are not. While many jobs might appear green on the surface, a little definitional scratching shows that many have only a green veneer.

Unfortunately, green jobs don't fit well into the hierarchy of traditional job classifications that researchers use to tally employment. Current methods are akin to counting apples using the alphabet. Labor economists are developing methodologies to better bridge this measurement gap, but in doing so, considerable subjectivity seeps in, leaving virtually any methodology open to debate.

### A closer look

The BLS has gone further than anyone to identify green-hued areas of the economy.

"As a statistical agency, we're concerned with measuring standard things. But we want to address what's happening in the economy and what people are asking about," said Sommers. The agency undertook similar efforts when

high-tech and information technology jobs were all the rage a decade ago to determine whether a fundamental transformation was occurring in the economy. "One way to find out is to measure it," Sommers said.

The matter is also important, she said, because green policy and investments are going forward despite the lack of good data. Other data-gathering organizations are looking to the agency for leadership. "We knew that states would be pushed to do their own [green] data collection," Sommers said, and the BLS wanted to have some methodological stakes in the ground to help guide those efforts.

Ultimately, the hope is that the BLS will be able to track total employment and wages for businesses producing green goods and services, and to do so at both the industry and the occupation levels, for jobs like geothermal analyst and solar engineer. In other words, it hopes to track green jobs as accurately as positions in a specific industry or trade.

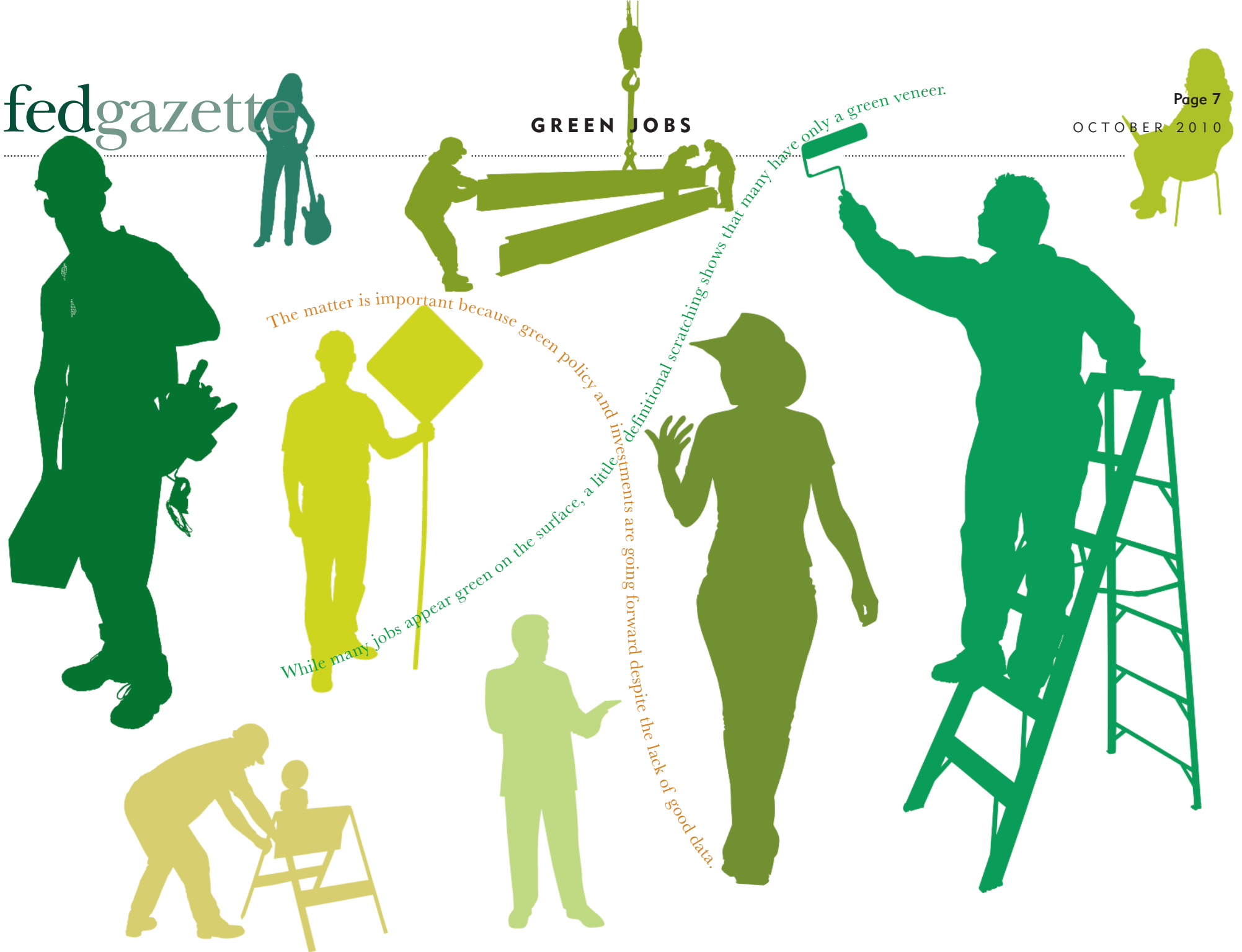
That's no small undertaking; it requires the agency to first settle on a definition of green. In studying the matter, the BLS states that "the common thread through the studies and discussions is that green jobs are jobs related to preserving or restoring the environment." The agency added that other categories like renewable energy, ener-

gy efficiency, pollution mitigation and natural resources conservation are areas "nearly universally cited" in any study or definition of green jobs.

As a general matter, there might not be much to quibble over. But once this definition is applied to the industrial and occupational world, it quickly turns into quicksand. "It's been an interesting exercise, to say the least," said Sommers. "People have different perspectives on this issue."

The central difficulty with defining green jobs is that the concept of green permeates many occupations in some form, and it doesn't fit neatly into the existing framework the government uses to measure jobs, said Steve Hine, research director at the Minnesota Labor Market Information Office. For example, the federal North American Industry Classification System (NAICS)—a go-to source for occupational data—is production oriented, while much of the green economy (like energy conservation and environmental preservation) is less concerned with the direct output of goods.

So the BLS (and some states studying the matter) has developed a hybrid methodology that combines output and process approaches—in other words, identifies firms that either produce green goods or services directly or use environmentally friendly processes and practices—and then counts associated jobs.



In a March issue of the *Federal Register*, the BLS published its definition and methodology and sought feedback. It received 156 comments “all over the map,” said Sommers. Some suggested that the effort and the agency’s definition were on target; others said the agency had no business undertaking such an amorphous study. Still others represented certain constituencies who said, “You should count our jobs as green.”

Ultimately, the BLS took the feedback and revised its definition—though not a lot, according to Sommers. “It’s fair to say that our overall approach is still there. ... We’re not attempting to get a consensus definition.” Instead, the bureau wants a definition it can “operationalize” into a survey of employers, Sommers said.

In some cases, firms and employees covered by the BLS’s definition are pretty obvious, like jobs in renewable energy production. “People agree that’s pretty green,” said Sommers. Then the BLS looks at the share of revenue that a firm (like a utility company) earns from renewable sources to get a proportional measure of jobs at that firm. “That’s also pretty straightforward,” she said.

However, in other cases, divining greenness is much more difficult. For example, is the wholesale or retail distribution of a green product—say, a pollution scrubber for power plants—a

green job? Some certainly think so; without it, there is no net environmental benefit because the scrubber stays in the factory. But is it a uniquely green service?

“We decided not to count those jobs” as green, Sommers said, “because there was no particular benefit to the environment.” That is, the transport itself was no different for the scrubber than if the firm was transporting barrels filled with oil.

The BLS nonetheless identified almost 600 green NAICS codes, and “not everyone is going to agree” on what did and did not make the list, Sommers said.

That might be putting it kindly. Some of the industries included are “absurd,” said Hine. For example, small-arms ammunition manufacturing made the list because environmentally harmful lead is being increasingly phased out of bullets. Bags, pouches, packages and sheets made of plastic—yes, plastic—also made the list by virtue of resin recycling in the new product.

The haggling will continue for some time. The BLS doesn’t expect to have its first estimates for green jobs nationwide until fiscal year 2012.

### 50 different answers?

The BLS is not the only dog in the green job hunt. States are doing their

own homework on green jobs, funded mostly by federal grants in last year’s stimulus bill. A total of 30 awards ranging from approximately \$760,000 to \$4 million were made to individual and groups of state workforce agencies. The Minnesota Department of Employment and Economic Development (DEED) received a \$1.2 million stimulus grant to investigate green jobs and already has added a green category to its existing job vacancy survey.

The Montana Department of Labor and Industry (MDLI) is spearheading a seven-state research effort (including the Dakotas) to improve green jobs data gathering and analysis by state labor market information offices. The effort received a \$3.8 million federal grant to develop a methodology for surveying firms to “close the green jobs information gap,” according to a federal summary of state-based initiatives.

The Montana agency had been researching green jobs before it received the grant because various constituencies—policymakers, businesses, job seekers, media—had been asking about this topic, according to Barbara Wagner, senior economist with the Research and Analysis Bureau, a data-gathering arm of MDLI. Early efforts stemmed from the fact that Montana is home to one of the world’s largest superfund sites—a shuttered asbestos plant in Libby—“and policymakers were

interested in the types of jobs, the availability of workers and the training needed to adequately staff work to restore the superfund site,” said Wagner via e-mail. That’s when the proverbial green light went on, resulting in “even more questions about green jobs and acknowledgment of environmental costs.”

In a July 2009 report, the agency encapsulated much of the methodological difficulties of green counting, applying seven different methodologies and estimating the number of green jobs between 4,000 and 22,000. More recently, the department completed a firm-level survey of green jobs and expects to make preliminary results available in October, according to Wagner. Other states in the consortium were in the last stages of data collection as of late summer, and final reports from all states are due at the end of May 2011, Wagner said.

Despite this and other research efforts, labor economists have a lot of work to do before they can confidently claim to have boxed in green jobs. To that end, federal and state investigations might have an equally important public relations function.

Said Hine, from LMI, “I think if there is a benefit [to the green job studies], it is to make it more apparent to people that there is not an easy-to-define green economy out there.” **f**

# Green: What role government?

*Address market failure.*

*Hint: It's not jobs*

**R**unning against conventional wisdom, some labor economists say it's unlikely that green jobs are going to be the revolution that some want or believe them to be.

Big deal, right? In the scheme of things, estimates are just estimates—no one gains or loses a future job, right? Things will sort themselves out later. In the meantime, pay no attention to those economists behind the curtain.

Except that there is a consequence if public policy is taking its cue from conventional wisdom—as appears to be the case—and policymakers prefer to focus on green job creation and co-opting the larger goal of limiting greenhouse gas (GHG) emissions and particulate pollution created by burning fossil fuels.

Some criticize all environmental regulation as bad. But markets do fail, and government has a unique role in correcting market failure. In this case, market forces have led to an overreliance on fossil-fuel-based production, failing to properly price the particulate pollution and GHG emissions that result. The best role for policy, therefore, is helping markets recognize, price and manage the pollution and emission problems of a carbon-intensive economy.

Some might assume that myriad existing laws, policies and programs at all levels of government are doing just that. But policy design is critical, and economic theory suggests that most of the green-chasing that goes for public policy today will not create the desired outcomes for either the economy or the environment.

From an economics point of view, the task for policymakers is to find the right tool for the right job. In this case, the “job” or underlying problem is not employment-based, but environment-based: Along with well-recognized pollution effects from fossil fuels, the current scientific consensus says that atmospheric levels of carbon dioxide, methane and other GHGs are too high, are a risk to the global climate and need to be reduced.

High unemployment is certainly a problem, but it's a separate problem—one that is not well aligned with the goal of reducing GHG emissions. Even if it were, the strategy of subsidizing green firms and jobs in hopes of creating net growth rests on weak evidence. Past research (including by the Minneapolis Fed) has shown that incentive wars among local and state governments to attract or retain jobs—green or not—is a zero-sum game at best. Though the competition often forces other governments to participate (or become the prey), that doesn't rationalize the competition itself.

If the problem at hand is excessive GHG emissions and other pollution, policy should focus on effective strategies for reducing them. Government's track record at inducing jobs in the private market is spotty, and attempting to create policy that both reduces GHG emis-



**The task  
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sions and creates jobs risks doing a poor job of both.

In terms of tools, economists prefer those that directly address a problem. In this case, the problem has to do with what economists call externalities—the harmful GHG emissions and pollution that are not included or captured in the price of fossil fuel. If society is getting too much of something it doesn't want, that means prices are too low; meanwhile, society bears these external costs in the form of environmental damage, health problems and the like.

So the right tool to reduce pollution and GHG emissions is to put a price on them, which will discourage their production as businesses and consumers avoid the higher cost of energy-intensive production techniques, running electronic gadgets all day long or driving five miles for a cup of coffee. Economists generally also prefer direct pricing—in this case, a tax on carbon emissions—over indirect pricing (like cap-and-trade permits) because the implementation of a tax is more straightforward and less prone to the political contortions that are invariably associated with cap-and-trade policies.

Other popular green policies—promoting energy efficiency or renewable energy use—are less efficient at reducing emissions because they suffer leakage. For example, greater energy efficiency is not always realized as lower carbon emissions; lower costs on your fuel bill might convince you to nudge up the thermostat a few degrees during the winter because of savings from energy efficiency.

Moving to economists' preferred policies to reduce GHG emissions and pollution is not presumed to be easy; indeed, setting the “right” price for these emissions is fraught with difficulty and comes loaded with transition costs as businesses and consumers adjust to new cost structures. The current tangle of green initiatives at all levels of government also is proof of society's dislike for recognizing these externality costs explicitly through taxation. It's often more palatable to promote well-intended policies that appear to avoid the trade-offs implied by higher taxes.

But good intentions—and the easier, more wide-ranging and incremental policies that have resulted—do not necessarily produce good outcomes and may ultimately be more harmful in ways not easily recognized. As currently designed, many environmental policies are doing double duty: attempting to reduce pollution and GHG emissions, and create jobs.

A full accounting suggests that such efforts tend not to yield many net jobs, nor do they achieve environmental goals that would be realized through a more direct policy approach. And all the while, significant financial and political capital is consumed avoiding hard policy choices and pursuing green jobs.

—Ronald A. Wirtz

# Taking root

## Organic farming continues to grow in the Ninth District

By ALISON SEXTON  
Research Assistant

When you think of organic agriculture, you probably imagine yourself eating leafy greens and other vegetables you buy for a salad. For that reason, you might not think that Ninth District states, which specialize in major commodity crops and livestock, have a large role in organic production.

But, in fact, the Ninth District is a major organic producer, and its organic footprint continues to expand as more farms undergo the certification process that ensures that their practices exclude or strictly limit the use of synthetic fertilizers and pesticides, plant growth regulators, livestock antibiotics, food additives and genetically modified organisms.

Although it remains a small component of total U.S. agriculture (0.6 percent in 2008), organic farming has been expanding both nationwide and in Ninth District states. For example, the

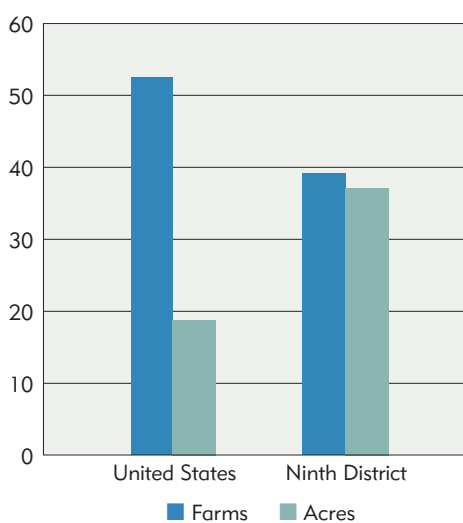
number of organic farms in district states increased by almost 40 percent from 2005 to 2008, slightly lower than the 52 percent growth across the country, according to the most recent data from the U.S. Department of Agriculture (USDA) (see Chart 1).

Wisconsin was the only district state to see higher growth (75 percent, or 436 farms) than the national average (see Chart 2). In fact, Wisconsin ranks in the top five states for the number of farms producing organic dairy, beef, poultry, other livestock, crops, vegetables and melons. Wisconsin's organic farms are diverse in both size and crop, but they are on average smaller than similar farms in other states, which likely contributes to its larger numbers.

Conversely, the rate of acreage certified as organic grew faster in district states during this period—37 percent compared with 19 percent nationwide (see Chart 3). In terms of total organic acreage, all five district states ranked in the top 11 states in 2008. Growth was

stronger in pastureland and rangeland (63 percent) than in cropland (28 percent), but all district states rank high in both categories.

CHART 1 Organic growth  
Percentage change in organic farms and acreage, 2005 to 2008



Source: U.S. Department of Agriculture

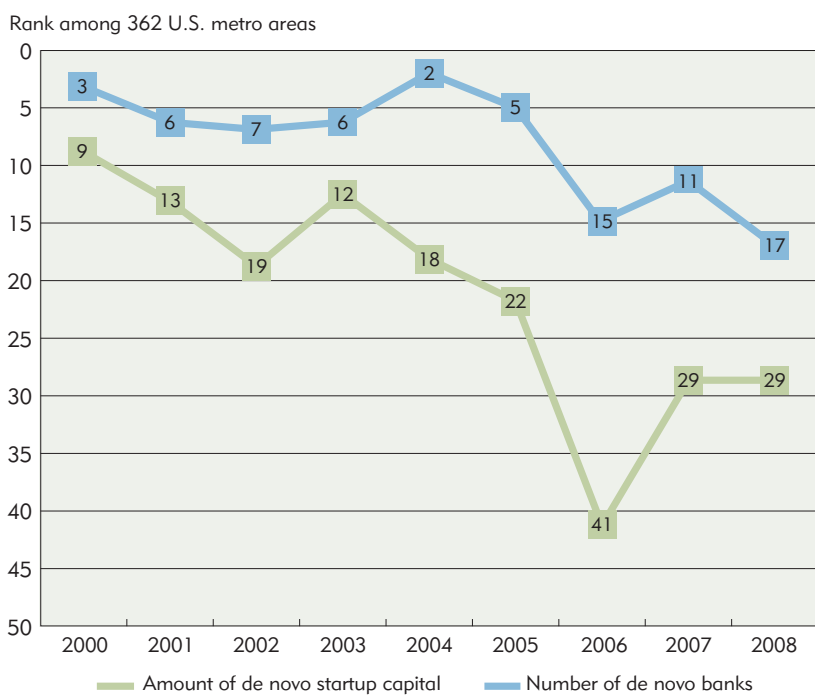
Districtwide acreage growth was largely driven by two states. Total organic acreage in South Dakota almost tripled, and roughly doubled in Wisconsin. South Dakota also saw organic pastureland and rangeland increase ninefold, or 100,000 acres, during this three-year period. This growth is perhaps due in part to the addition of about 3,300 organic beef cows (a 500 percent increase) over the same period.

Montana is the district outlier, having negative growth both in the number of certified organic farms and in acres. These data are based on information from USDA-accredited state and private organic certifiers. But certifications by the Montana Department of Agriculture—the state certifier—actually increased by 44 farms (67 percent) between 2005 and 2008.

The Montana department also suggested that the decrease in certified acres may have resulted from a number of farms dropping certified acres never

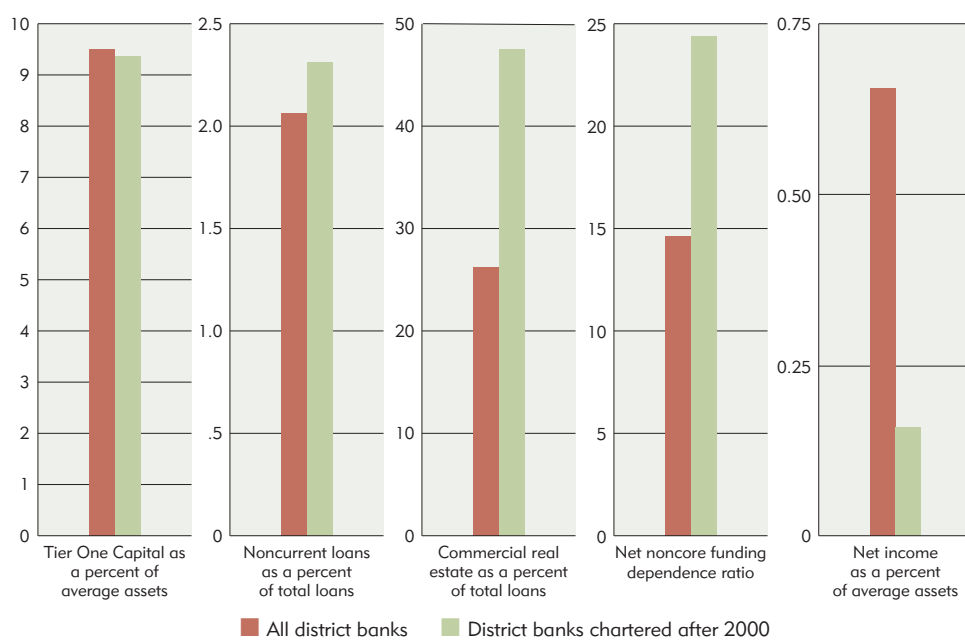
Continued on page 16

CHART 3 Twin Cities area ranks high, but falling  
National rank, annual bank charters and new investment\*



\*There were no new bank charters in the Twin Cities during 2009.  
Source: Federal Reserve

CHART 4 De novo banks have more CRE loans and lower net income  
Financial comparisons of de novo banks and all district banks  
Median ratios as of June 30, 2010



Source: Federal Reserve

### De novo banks from page 14

concentration in comparatively risky commercial real estate. Moreover, de novo banks rely to a greater extent on

more volatile sources of funding (so-called noncore funds like jumbo certificates of deposit and brokered deposits rather than traditional savings). And unlike the mature banks, the average de

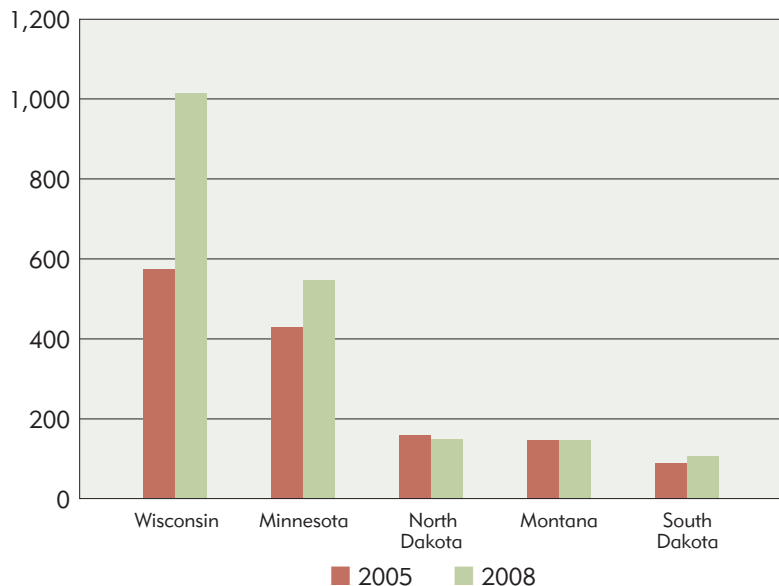
novo bank earns a very small profit.

As long as capital remains strong and loans continue to perform, young banks can remain stable and healthy. But these basic measures

reveal that riskier loans, less reliable funding and lower income continue to challenge de novo banks. ■

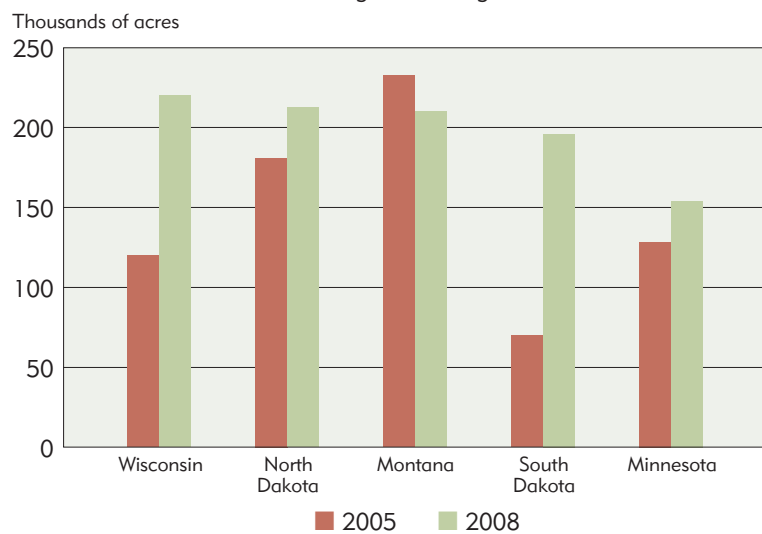
Taking root from page 15

CHART 2 Organic farm growth modest, save for Wisconsin  
Organic farms



Source: U.S. Department of Agriculture

CHART 3 Organic acreage up, especially in Wisconsin and South Dakota  
Organic acreage



Source: U.S. Department of Agriculture

put into use. For example, one operation certified 36,000 acres of organic pastureland for several years in case it ever sold some of its herd, but eventually dropped the organic designation. The drop represented a significant decrease in the total certified acreage, but did not affect production.

### The new bread and feed basket

The district's biggest organic footprint is in grains, producing 30 percent of the U.S. total (see Chart 4). Between 2005 and 2008, the district increased production of almost all grain crops with the front-runner being corn. Acreage increased by 61 percent, and each district state saw an increase in acres of at least 19 percent.

Multiple drivers apparently are

behind this trend in organic corn and other grains. The USDA reported, for example, that breads and grain products were a leader in organic food and beverage introductions.

But probably more relevant, especially for district states, is a growing organic livestock market. Demand for organic livestock and poultry has been increasing in the country as a whole, and also in the district. These animals require organic feed in order to be certified USDA organic, and corn often makes up a majority of livestock diets. District states already specialize in feed production for conventional uses, and it makes sense that they would play a prominent role in the growing organic feed market.

From a fairly small base in 2005, the organic livestock market has witnessed robust growth. Organic cows, pigs and sheep increased by 142 percent in the

United States between 2005 and 2008, while chickens and other poultry increased by a comparatively paltry 13 percent. Trends were somewhat the opposite in the district, with chickens and poultry seeing very strong growth (147 percent), while organic cows, pigs and sheep grew by 72 percent.

Wisconsin is the district's clear leader in both organic livestock categories, ranking second nationally in livestock and fifth in poultry in 2008. Minnesota is the next-largest producer in the district, but has only a fraction of the animals that Wisconsin has in both categories.

Overall, the outlook for the organic food industry is positive, but there are challenges, including a shaky economy that has pushed some consumers to

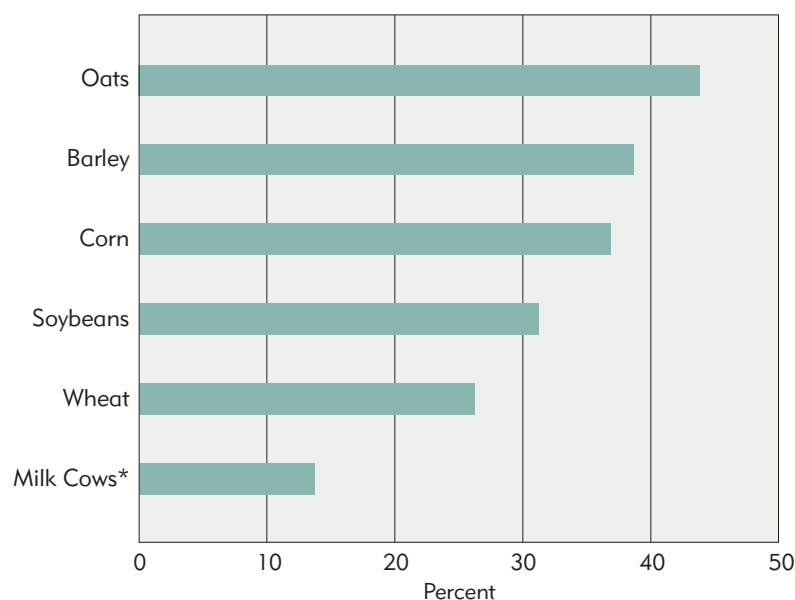
cheaper foodstuffs. Organics are also battling increased competition from foods labeled "natural"—a less expensive and less regulated classification.

According to a recent *Nutrition Business Journal* article, price inflation in the organic industry is expected to lag that in the conventional industry (where prices have already started to increase). This will cause the price premiums for organics to shrink and should help bring back consumers lost to higher prices during the recession.

The outlook for organic livestock is also positive, as demand for organic dairy and meat is expected to increase. In fact, the *Nutrition Business Journal* predicts that the meat, poultry and seafood category will be a "bright spot" for organics in 2010. **f**



CHART 4 Percent of U.S. organic acreage in district states  
2008



\*Percent of organically fed cows  
Source: U.S. Department of Agriculture

# Small talk: An interview with three small-town advocates

*Challenges and opportunities abound in rural communities*



Jane Leonard, former president of Minnesota Rural Partners



Dave Engstrom, executive director of the Minnesota Association of Small Cities



Bart Finzel, Center for Small Towns interim director

*This summer, the Center for Small Towns at the University of Minnesota-Morris hosted a two-day symposium regarding the health and outlook of small towns. Afterward, the fedgazette took the opportunity to organize a round-robin interview via e-mail with three small-town and rural advocates: Bart Finzel, CST interim director; Dave Engstrom, executive director of the Minnesota Association of Small Cities; and Jane Leonard, former president of Minnesota Rural Partners and now manager of the leadership and community engagement team at the Bush Foundation.*

**fedgazette:** First, how did small towns fare during the recession?

**Jane Leonard:** Small towns and rural areas did better than urban and exurban areas in the first year of the recession, due primarily to strong commodity prices for farmers, which in turn contributed to small-town Main Street doing better relative to its urban counterparts.

Small towns were not as affected by the housing downturns and contractions in finance and banking, in part because they weren't as exposed as urban areas in the residential housing and commercial real estate markets. However, the length of the current recession is now making its mark on rural areas and small towns because of job losses and the resulting belt-tightening by consumers.

**Dave Engstrom:** I agree with Jane that small towns have done better than urban areas in general. Small cities in the lakes region and those with tourist economies have done fairly well. These cities tend to have higher-than-average property tax capacities because they have higher-end homes and thriving commercial districts.

However, as the recession has lingered, some towns seem to have been hit harder by the recession, like those with poor property tax capacity and a dependence on [declining] local government aid from the state. It seems to be almost a survival of the fittest.

**Bart Finzel:** I agree that, in general, small towns initially weathered the recession better than most urban areas. They haven't been immune, however.

In addition to what's been mentioned, I would add the decrease in credit. Many small-town banks sought higher returns by investing in the speculative run-up in commercial real estate in urban areas. This has left them weakened and less likely to lend to any but their most creditworthy customers.

**fedgazette:** Does population size matter to the livability or survivability of a small town? If so, what is a critical mass?

**Finzel:** I believe viable small towns can come in all sizes. More important than numbers of residents is the role the small town serves in the region. Viable small towns must be gathering places. It may be that people gather because the town provides essential services—financial, legal, medical, recreational, retail. In such instances, what is most important is the population these services can be expected to provide for.

However, small towns need not be only about service provision. A small town may be viable if it is the central gathering place, [such as] for a local religious community or a local school. Of course, this implies that small-town residents depend upon larger population centers to fill in the gaps in needed services, but all communities rely upon others to