

Headline: Biden's clean energy factory jobs may elude U.S. union workers

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Employees work on solar panels at the QCells solar energy manufacturing factory in Dalton, Georgia, U.S., March 2, 2023. REUTERS/Megan Varner

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President Joe Biden has pledged that fighting climate change will deliver millions of middle-class jobs with good wages to Americans with union membership cards.

But in the six months since passage of Biden's signature climate change law, a large majority of the \$50 billion of announced investments in domestic manufacturing to support the clean energy transition has been in states with laws that make it harder for workers to unionize, according to a Reuters analysis of corporate and state announcements.

Biden's Inflation Reduction Act (IRA) includes tax credits for businesses that produce clean energy components in the United States, and provides higher credits for developers of renewable energy projects if they use products made domestically.

Of the more than 50 EV battery, solar panel and other factories announced since passage of the Act in August, 83 percent are located in so-called right to work states, which bar companies from requiring workers to pay union dues as a condition of employment, according to a Reuters review of company announcements.

Those facilities represent \$43.5 billion in investment, or 88 percent of the total amount companies have said they will invest.

The situation marks a test for Biden's administration, which is selling its vision of a decarbonized America by vowing that the clean energy jobs will be as good as the ones eventually lost at oil refineries and coal mines – workplaces that are attractive to many workers because of their reputation for high unionization rates, good pay and benefits.

Right to work laws allow employees to work in union-represented workplaces and be covered by collective bargaining agreements without joining a union or paying dues.

There are 27 states that have such laws. Twenty of those states voted for Donald Trump in 2020. Supporters say the laws boost job creation and protect employees' rights to choose whether or not to join a union.

However, right-to-work laws are associated with both lower unionization rates and wages, according to a 2020 study by Georgia Tech researchers who analyzed thousands of collective bargaining agreements struck over 18 years in five states.

Last month, Biden visited a union training center in Deforest, Wisconsin, which passed a right to work law in 2015. A purple banner emblazoned with "Union Strong" hung from a railing. American products, he vowed, would be made with union labor.

“Not ‘labor.’ Union labor. I mean it,” he said.

A White House official noted that just six months have passed since the IRA was signed into law, and investments in that time represent a fraction of what will ultimately stem from Biden’s economic agenda. Many of the jobs created will be union jobs, the official added.

The IRA is broadly viewed as a historic win for labor standards because builders of energy-generating projects like solar and wind farms must pay construction workers prevailing wages and hire apprentices to capture the full value of the law’s tax credits.

But the same is not true for the subsidies created for companies building new U.S. factories that will make everything from EV batteries to solar panels – which will provide jobs long after construction has ended.

A provision that would have created a \$4,500 tax credit for union-made vehicles, for example, was stripped out of the legislation by Democratic Sen. Joe Manchin of West Virginia as part of a deal to win his support. Manchin’s right to work state has a non-unionized Toyota Motor Corp plant that employs 2,000 people, and his vote was crucial to passing the bill in the Senate.

Two project siting experts said right to work policies are among the criteria companies consider when weighing where to do business.

“There’s a perception in C-suite that it is important,” Josh Bays, a senior partner at Dallas-based location advisory firm Site Selection Group. “And because of that it does become a factor in site selection.”

But they add other factors play a huge role in siting decisions, including low power prices, access to highways and ports and cheap and available land.

Three large manufacturers contacted by Reuters – Toyota, South Korean EV maker Hyundai Motor Co and solar panel producer Hanwha Qcells – did not comment directly on whether right to work laws were a consideration. They account for about \$11 billion of the projects announced so far.

Hyundai and Hanwha Qcells said they chose Georgia for their manufacturing projects because of the state’s access to transportation, skilled labor and proximity to suppliers.

Solar panels being built at the QCells solar energy manufacturing factory in Dalton, Georgia, U.S., March 2, 2023. REUTERS/Megan Varner

Some unions are concerned about the location of the first wave of investments in states like Georgia and South Carolina, where union membership among wage and salaried workers is at 4.4 percent and 1.7 percent, respectively.

The national average hit 10.1 percent last year, an all-time low, according to the Bureau of Labor Statistics. Union membership peaked at about a third of the workforce in the mid-1950s and has steadily declined due to deregulation, foreign competition and improved worker benefits among non-union employers.

“It’s not a favorable environment, but we can still organize,” Samantha Smith, senior adviser for clean energy jobs at the AFL-CIO, said in an interview.

Georgia has attracted nearly \$12 billion in announced clean energy manufacturing investment since passage of the IRA – more than any other state – including from Hyundai and Hanwha Qcells.

"Part of the equation across the South that is so attractive for this rebirth of manufacturing is that there is a low unionization rate," Pat Wilson, commissioner of the Georgia Department of Economic Development, said in an interview.

Union officials pointed to a surge in attention-grabbing organizing efforts at places like Amazon warehouses, Starbucks coffee shops and Apple retail stores as evidence of their clout.

The United Steelworkers said they logged a win in a right to work state last month in Anniston, Alabama, where 60 workers, or 98 percent of the eligible workforce, at New Flyer Industries unit Carfair Composites Inc, which makes fiberglass components for hybrid and electric buses, voted to join the union.

But labor representatives acknowledge that they are spread thin, and organizing efforts may be better spent elsewhere.

Jeremy Hendricks, political director of the Southwest Laborers District Council, noted, for instance, that "it's going to be a heck of a battle" to organize Tesla Inc's factory in Texas, a right to work state, given the company's anti-union stance.

Tesla did not reply to a request for comment.

Tesla in January applied for a major expansion of its Texas factory with an investment totaling \$775.7 million, according to government filings. Tesla CEO Elon Musk has criticized California's regulations and taxes and moved large parts of the company's manufacturing operations out of its home state.

In Liberty, North Carolina, Toyota's \$2.5 billion expansion of its EV battery plant is being built with both union and non-union labor after the Japanese automaker declined to enter into a project labor agreement that would have given all those jobs to unions, according to the local Ironworkers union.

Toyota spokesperson Emily Wilemon-Holland said it is up to employees to decide if they want to join a union.

The Ironworkers hope to be hired for some of the permanent jobs at the plant, but said it is difficult to compete with lower-wage workers.

"It's unfortunate that we've got to fight for it," said Dan Segovia, business manager for Ironworkers Local 848 in South Carolina.

North Carolina, a right to work state, has the second-lowest rate of union membership among states at 2.8 percent.

Some union representatives said they are looking to the nascent offshore wind industry for jobs.

Companies including Denmark's Orsted have struck agreements with unions for planned projects, and the federal government has encouraged those deals by offering developers who work with unions a break on their lease payments.

Manufacturing facilities for huge offshore wind turbines and other equipment are expected to follow suit, and unions have their eyes on those jobs too.

“That’s a tougher nut to crack,” Rick Levy, president of the Texas AFL-CIO, said in an interview. “But we’ve got the nutcracker out.”

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