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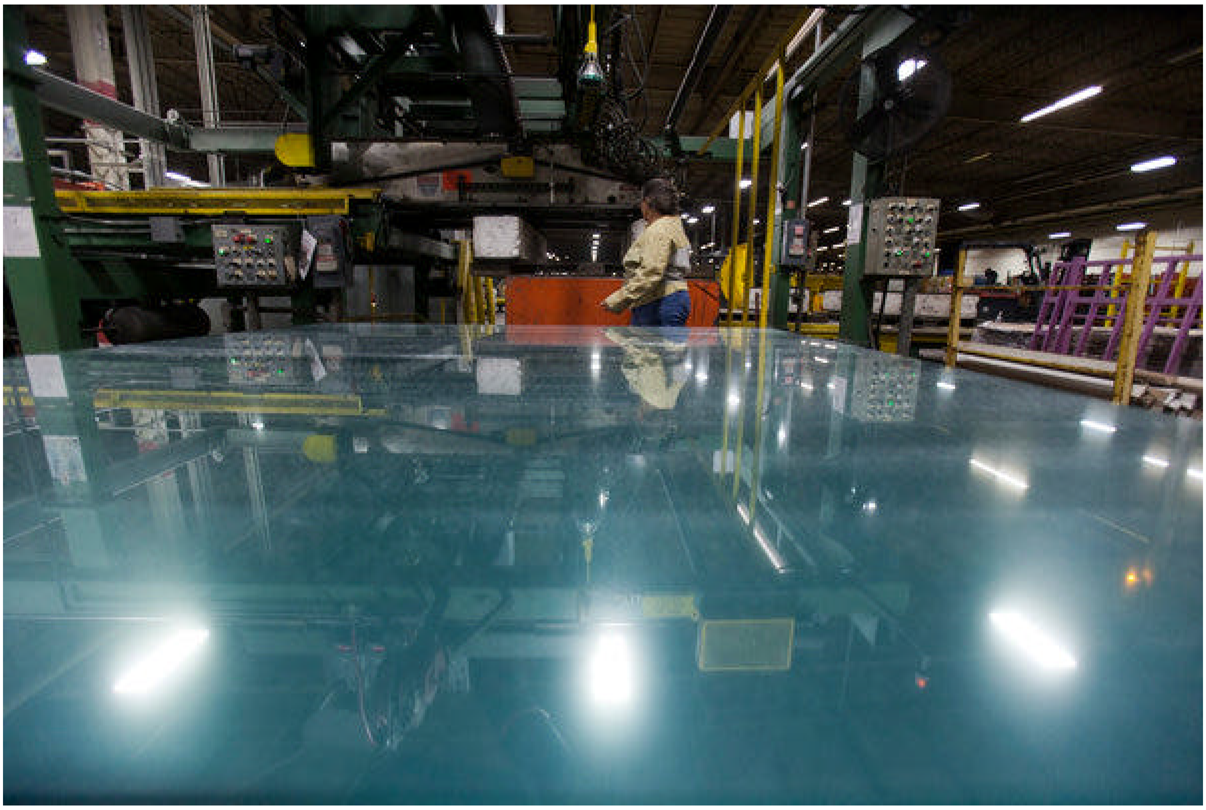
Rumors of a Cheap-Energy Jobs Boom Remain Just That



Natural gas is used at the PPG Industries glassmaking plant in Carlisle, Pa.

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These are good times for Libbey, a 125-year-old American glassmaker that nearly went bankrupt four years ago. The company's shares have risen to almost $20 from below $1, sales of its tableware are at a record high, and its energy-intensive factories saved more than $5 million in 2012 as natural gas prices fell.

Despite all the upbeat news, however, Libbey recently announced it would lay off 200 workers at its plant in Shreveport, La., and move some production to Mexico as it cuts costs and discontinues several products.

Libbey's decision is just one example of why manufacturing, for all its renewed promise, is likely to fall far short of the claims by industry groups that millions of new factory jobs are about to be created in the United States because of the unlocking of abundant supplies of domestic energy.

“Even though the U.S. is more competitive globally, manufacturing doesn’t give you the kind of direct job creation it did in years past,” said Joseph G. Carson, director of global economic research at AllianceBernstein, a Wall Street investment firm. “At the end of the day you still want a strong manufacturing base, but there aren’t as many people on the factory floor.”

Indeed, while the sector has added 500,000 jobs since the recession ended and the value of what the nation’s factories churn out is close to a high, there are nonetheless two million fewer manufacturing workers today than in 2007. Ever since the early 1960s, the share of jobs in manufacturing has been on a nearly uninterrupted downward slope, now accounting for less than 9 percent of all employment in the United States.

The dream that a reinvigorated manufacturing sector will restore prosperity to the middle class and bring back millions of well-paying blue-collar jobs has made for some unlikely political bedfellows recently.

Even as heavy industry has garnered strong support from the White House — in his State of the Union address in February, President Obama proposed financing 15 new centers for manufacturing innovation — a number of lobbying groups have been promising that more drilling for natural gas will lead to a jobs boom in dozens of industries that would benefit from cheaper energy. They argue that if additional land is opened for exploration, especially shale formations where hydraulic fracturing, or fracking, can increase production, millions of manufacturing jobs that migrated overseas will return to the United States.

Fracking’s environmental impact has made it a flash point for activists, but the promised job gains, other than in the petrochemical industry, have been slow to materialize.

“It’s not going to happen as fast as a lot of people think and it will be selective,” said Stephen T. Maurer, who heads the manufacturing practice at AlixPartners, a consulting firm. The sector may not be hemorrhaging jobs as in recent years, he said, “but it’s going to be a long, slow climb back.”

For all the caution of experts like Mr. Maurer and Mr. Carson, industries that benefit from cheaper gas have not been shy about talking up the coming manufacturing jobs bonanza they foresee. A December 2011 report by PricewaterhouseCoopers and the National Association of Manufacturers predicts fracking could help add one million manufacturing jobs in the United States by 2025.

“It definitely is a game changer for the United States,” said Chad Moutray, chief economist at the National Association of Manufacturers. “It puts us in a position that we might not have been in a couple of years ago.”

A May 2012 study by the American Chemistry Council, which represents the chemicals industry, estimated that increased gas production could create 200,000 jobs in the broader manufacturing sector, including several thousand in the glass industry. “It’s resulting in a renaissance in manufacturing,” said Kevin Swift, the chemical council’s chief economist.

But glass industry veterans say cheaper natural gas, which is used to melt sand into glass and is critical to the manufacturing process, isn’t a game changer in terms of jobs, however beneficial the cost savings are. Pressure from inexpensive imports remains intense, and labor in Mexico and China is still cheaper than in the United States.

While demand for their products is improving thanks to a more robust housing market and other factors, don’t expect a ramp up in hiring, said Richard A. Beuke, vice president for flat glass at PPG Industries, a Pittsburgh-based glassmaker.

The production lines run 24 hours a day, seven days a week at PPG’s plants, including one in Carlisle, Pa., that makes flat glass. It’s among the plants benefiting from a rebound in housing.

“Because it is automated, we won’t have to add a lot of employees with the upturn in the construction industry,” Mr. Beuke said. “You don’t touch a piece of glass in our factories.” At PPG, production is up 10 percent since the recession — but employment remains flat.

Glass isn’t the only manufacturing sector that has struggled to add jobs recently. Other industries identified by American Chemistry Council as potential winners from the energy boom, like paper producers and foundries, have continued to lose jobs in recent months.

It’s not that manufacturing itself is disappearing. But nearly all of the American manufacturers that survived the lean years of the last decade are globally competitive companies that depend on high productivity and advanced technology for their success more than masses of assembly line workers.

“There is this incredibly powerful long-run trend of declining employment in manufacturing,” said Robert Z. Lawrence, a professor of economics at Harvard’s John F. Kennedy School of Government. “It’s the same story as in food and farming.

We're producing more food with many fewer workers. The only way we compete with our higher wages is by being more innovative."

Still, it's clear why the jobs at Libbey are ones the White House wants to see more of in the United States, not less.

Salaries for union workers top out at nearly $22 an hour, providing a middle-class wage in an area where workers without a college degree typically earn half that much.

But while Libbey's Shreveport plant is close to some of the most abundant gas supplies in the country, it's ultimately more efficient to run six production lines off one furnace instead of four each on two furnaces, with 200 fewer workers.

Libbey officials declined to be interviewed. In a statement, the company said it has "right-sized its Shreveport plant to be more focused, flexible and run more efficiently with improved asset utilization."

On the ground, that means saving well over $5 million a year, said David Broussard, who represents the workers in Shreveport for the United Steelworkers union.

Mr. Broussard says he can't argue with the logic of saving that money and moving some production of beer mugs and other glassware to factories in Monterrey, Mexico, and Toledo, Ohio.

"They're a decent company to do business with and this is a pretty docile union," said Mr. Broussard. "It was a business decision. I'm never O.K. with losing members but when you understand the dynamics behind it, it's tough to disagree with."

Even boosters of natural gas development concede that the benefits they foresee won't translate into a jobs boom in some parts of the manufacturing sector.

"There are industries you may never see come back to prerecession levels," said John Larson, a consultant with IHS Global Insight who helped produce a study for America's Natural Gas Alliance in 2011 that estimated the shale gas industry could eventually create 1.6 million jobs in the coming decades.

"Jobs are not the only measure," he said. "It's also about how productive American workers are."

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