THE END OF JOBS

Employment is one thing the global economy is *not* creating

By Richard J. Barnet

It was just a little more than a year ago, at the Democratic Convention in New York City, that Bill Clinton, in accepting his party's nomination, called the creation of more and better jobs "the work of my life." The unemployment rate was 7.8 percent, and, if elected, Clinton would do something about it: a four-year, $200 billion program of spending on cities, infrastructure, education, and worker training, including $20 billion annually to "rebuild America." The country would no longer have a president who, in Clinton's words, was "willing to do anything to keep his job, but nothing to help average Americans keep theirs."

Earlier this summer, a House-Senate conference agreed to add to the fiscal 1993 budget $170 million for summer jobs for teenagers and another $50 million to expand a training program for people under thirty. Clinton's job-creation proposal—the billions in federal funds to rebuild America—had come to this. The true "stimulus total," according to the *Wall Street Journal*, would amount to only $660 million, despite the fact that Clinton was presiding over a still troubled economy in which the official unemployment rate hovered at 7 percent and the annual rate of increase in employment was sputtering at less than 1 percent. Another phrase from Clinton's campaign comes to mind: outside an unemployment office in Toledo, just weeks before election day, he had spoken of joblessness and the lack of new good jobs as problems with "no end in sight." He would not say that now, but he could.

Of course, the burden is not Clinton's alone—or America's, for that matter. Across the planet, the shrinking of opportunities to work for decent pay is a crisis yet to be faced. The problem is starkly simple: an astonishingly large and increasing number of human beings are not needed or wanted to make the goods or to provide the services that the paying customers of the world can afford. Since most people in the world depend on having a job just to eat, the unemployed, the unemployable, the underemployed, and the "subemployed"—a term used to describe those who work part-time but need to work full-time, or who earn wages that are too low to support a minimum standard of living—have neither the money nor the state of mind to keep the global mass consumption system humming. Their ranks are growing so fast that the worldwide job crisis threatens not only global economic growth but the capitalist system itself.

In 1914, Henry Ford raised the pay of his workers enough so that they could buy Fords. The *Wall Street Journal* immediately denounced the cranky automaker for committing an "economic crime," but Ford understood that, as he once put it, "if you cut wages, you just cut the number of your customers." Now, however, the social system based on high-volume assembly-line production employing well-paid workers who can afford to purchase what they make is fast disappearing. Since 1989, the United States has lost 1.6 million manufacturing jobs, and such losses will continue to mount. At the very mo-

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ment the tax-and-cut Democrats and cut-and-cut Republicans were winding up their debate on the Clinton stimulus package, Procter & Gamble, the nation's largest maker of household goods and the employer of 47,600 workers in the United States, acknowledged that its "Strengthening Global Effectiveness" strategy (the company also employs 58,600 abroad) would mean the loss of up to 10,000 jobs.

Thanks to automation, the increasing use of subcontractors, suppliers, and temporary workers (many of whom cut, sew, and punch data at home), and the reorganization of the workplace in order to provide greater output per worker, steady jobs for good pay are becoming poignant memories or just dreams for more and more people. This is true not only in factories but in banks, stores, insurance companies, brokerage houses, law firms, hospitals, and all sorts of other places where services are rendered. Between 1979 and 1992, the Fortune 500 companies presented 4.4 million of their employees with pink slips, a rate of around 340,000 a year.

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As factories moved out of the United States in the 1970s and 1980s, the Panglosses of the day called it progress and celebrated the transition to a "service economy" that would provide an ever-expanding source of jobs at every level of society. The dirty factories would move abroad and the nasty work would be done in the poor countries. The United States would invent the software on which the new global system would run, and highly paid lawyers, accountants, deal makers, and other servants of corporations and rich investors would somehow generate enough economic activity to keep armies of fast-food handlers, health-care aides, and clerks gainfully employed. In the era of Reagan prosperity, between 1982 and 1988 (already of dim memory), 15 million new jobs were created. The mushrooming service sector, however, turned out to be vulnerable to the same fierce competition that has shriveled factory payrolls in the United States and caused real wages in manufacturing to drop 9 percent since 1973. Indeed, there are by and large more low-wage jobs today in the service sector than in manufacturing.

To be sure, as Secretary of Labor Robert Reich has frequently noted, manipulating word-processed data of symbolic value—masterminding multibillion-dollar foreign-exchange transactions, say, or creating bond prospectuses—is now one of the world's most profitable activities. Armies of service providers of all sorts are employed by huge global networks—ad agencies, law firms, investment houses, media complexes. Organizing and communicating data in novel ways or concocting exciting new dishes for expensive restaurants can be extremely lucrative. But punching data and washing pots are not. The global tourist industry is now the world's biggest employer; one out of every fifteen workers across the planet spends the day transporting, feeding, housing, herding, cosseting, or amusing tourists. But most do not make enough money to eat even once at one of the tables they serve and clear.

Job insecurity, however, is no respecter of class. In 1991, overall unemployment in the United States jumped 15 percent as companies "downsized" in the name of efficiency and an increase in productivity. But the unemployment rate for managers rose 55 percent. As the organization of the world's work shifts, more and more of us, from wastebasket emptiers to CEOs of multinational corporations, are waking up to the fact that we are swimming in a global labor pool.

It turns out that just because we have lived and worked in Connecticut all our professional lives is no guarantee that our Connecticut-based employer will not hire a Malaysian or a Russian to do our job. Actors, cameramen, engineers, lawyers, biologists, and medical researchers can be found in Hungary, Russia, or Singapore for a fraction of a U.S. salary. Multinational companies say that Indian programmers and Irish insurance examiners are usually more productive and reliable than workers in the home country. Metropolitan Life employs 150 workers in a village in County Cork to examine medical claims from all over the world. Irish workers cost 30 percent less than U.S. workers, and because work is so scarce in Ireland—a country of 1.1 million jobs and 3.5 million people—there is not much turnover.

The dimensions of what Marx called the reserve army of the unemployed are now staggering. According to the International Labour Organization, an estimated 47 million additional job seekers enter the already overcrowded labor market each year. Approximately 38 million of them are in Asia, Africa, and Latin America. With the exception of Japan, of two industrializing nations in Asia (South Korea and Taiwan) that have been highly successful in creating jobs and building a middle class, of two commercial city-states in the same part of the world (Hong Kong and Singapore) that are free from typical Third World population pressures, and of China, where the majority of people still farm and the industrial economy is growing at an incredibly fast rate, Asia is struggling with chronic unemployment problems. And Africa and Latin America face an employment crisis on a scale far beyond anything Americans and Europeans encountered during the Great Depression. This includes a number of nations that are aggressively pursuing strategies of industrialization.

Within the next twenty years throughout the underdeveloped world, more than 750 million men and women will reach the legal working age and will enter the labor market, adding to the 700 million people currently unemployed or underemployed in poor countries. (These are United Nations figures and represent extremely rough estimates, but it can be safely assumed that the national and international officials involved in compiling these figures have no interest in inflating them.) In countries with the highest population growth rates, such as Mexico, Kenya, and Pakistan, the labor pool is growing at nearly 3 percent a year. In India and China, the birthrate is down somewhat, but the new job seekers are additions to what in 1985 was already a combined labor pool of nearly a billion men and women. Progress in public health resulting in lower infant mortality and prolonged life in many other countries has further diminished the prospects of finding enough work at a living wage for the hundreds of millions seeking jobs worldwide.

The "feminization" of the workforce is also changing job prospects everywhere. As traditional cultural barriers begin to give way, large numbers of women have entered the labor market in Asia, Africa, and Latin America. Because of the numbers of women taking jobs, and also because of the worldwide practice of paying women much less than men, this feminization of the world labor pool exerts further downward pressures on job prospects and wages. To take but one example: in South Korea in the late 1980s, female earnings in manufacturing were 50 percent of male earnings in the same industry.

The global job crisis is so profound and its interrelated causes are so little understood that the best of the currently fashionable strategies for creating jobs just nibble at the problem; others are likely to make it worse. "Jobs, jobs, jobs!," George Bush's famous battle cry as he sallied forth to trade talks last year, remains the main selling point for the North American Free Trade Agreement (NAFTA). The free traders argue that once trade barriers fall, jobs will spread across the earth like buttercups. Pro-NAFTA forces add that only the marriage of U.S. technology with Mexico's low-wage workforce can beat back the onslaught of cheap Asian goods.

But an economic strategy that ultimately requires increasing numbers of American workers to outproduce Mexicans and Chinese does not augur well for either the standard of living or job security in the United States. Unless wages and working conditions in poorer countries improve, global corporations will use the threat of relocation to bargain down working conditions in richer countries. At the same time, the drive for "global efficiency" means that the numbers of Chinese, Mexican, or other workers who land a job in the system, while growing rapidly, will still barely make a dent in the ranks of the jobless.

Fear and confusion about unemployment keep governments from initiating sensible policies. Take the case of the arms trade. The spread of weapons around the world is making the planet ungovernable because the great powers regard overarmed societies that are coming apart as too dangerous and expensive to police. Hence the abandonment of Bosnia to the mercies of genocidal thugs. Yet no government, including the "sole remaining superpower," is taking any initiative to stop the arms traffic or to prohibit weapons production. Quite the contrary. The dollar cost of continuing weapons traffic may not be calculable, but politicians everywhere have a pretty good sense of the number of jobs that would be lost if serious steps were taken to do something about it. (The cuts in the U.S. military budget already projected will cause the loss of 1.9 million jobs by 1997, according to

Illustration by David Suter

the Bureau of Labor Statistics.) The fact that sensible reinvestment and industrial conversion strategies to meet a host of private and public needs could eventually create many more jobs than are lost is cold comfort for politicians facing an election this year or next. The choices are much the same with respect to the environment; water, air, trees, and fish are routinely traded for jobs, disappearing jobs in many cases.

Robert Reich has been eloquently making the case for years about the need to educate and train the American workforce to make American industry more competitive. He correctly points out how the Japanese emphasis on "bringing the bottom half of its primary and secondary school population up to a minimum level of competence" has built a workforce against which poorly educated U.S. high-school graduates cannot effectively compete. Improving America's schools at the primary and secondary levels and making first-class technical training available to workers to help them adapt to the inevitable changes in the job market they will face throughout their working lives are good things to do. But how, in the end, will this create jobs?

Reich says he thinks he knows where the new good jobs can be found. Industry and government should focus on the human dimension of automation by promoting a new class of middle-level technical workers. The education and training systems would be reconfigured to produce more computer-aided machine operators and other semiskilled technical workers for whom a year or two of post-high-school engineering training, apprenticeship, or on-the-job training would open up a choice of good industrial jobs. But the future is now, and it is not sunny. Investment in human-displacing automation has already progressed quite far. I have visited a variety of highly automated factories in the United States and Europe, including automobile, electronics, and printing plants. The scarcity of human beings on the factory floor in these places is spooky.

New jobs will be created by robotics, but more will be lost. Many of the new jobs are designed to pick up the tasks that are too inconvenient, costly, or difficult to assign to robots, and these slots are often temporary because robots are getting smarter and more agile all the time. Labor unions historically have played a braking role in the automation process by putting forward various strategies to protect endangered workers. But because capital can move around the world at the punch of a key and workers are relatively tied to a place, the labor movement has lost power throughout the industrial world. In the United States, organized labor is especially weak; according to the secretary of labor, only 12 percent of the private-sector workforce is now unionized.

A problem with any jobs strategy tied to increased productivity is the perverse consequences of such gains. Workers who raise their hourly output eliminate jobs for other workers and in the long run may endanger their own jobs. Ultimately there is a conflict between, on the one hand, the profitability of individual corporations and the pressures of global competition and, on the other, human needs everywhere for high employment levels, decent pay, healthy working conditions, and job security. It was precisely this contradiction that gave rise to the socialist movement, and it was the failure of authoritarian command economies to resolve it that led to the demise of state socialism.

So education and training alone do not solve the more basic question: What fate lies in store for the millions who are trained for the good jobs they will never get? The $40,000-a-year jobs with good benefits are disappearing, and as this process speeds up, increasing numbers within the "middle class" whom Bill Clinton appealed to in the last election are joining the ranks of the unemployed and the working poor. Workers who put in at least a forty-hour week for poverty-level wages now constitute 18 percent of the U.S. workforce. Why will U.S. workers, however well trained and skilled they become, land the good jobs if the work can be easily dispatched to Mexico, Spain, Singapore, or China—where well-educated, highly motivated workers can start tomorrow for a fraction of a U.S. wage? Training for niches that will not exist is a recipe for replicating the frustration and social tensions that have been commonplace in Third World countries that produce an overabundance of gifted and skilled human beings.

Hopes for "full employment" have traditionally rested on the assumption of technological rescue. The Austrian economist Joseph Schumpeter pictured capitalist development as a series of "gales of creative destruction" in which aging markets, obsolete factories, and unneeded jobs are swept away and replaced by new plants with greater numbers of higher-paying jobs producing for bigger markets. Makers of buggy whips, having lost their jobs because of the horseless carriage, enter the middle class by landing jobs at automotive plants. Laid-off autoworkers, in turn, are to find work in the promising commercial technologies of the near future—high-definition TV, interactive TV, and high-tech information technologies. Unfortunately for this narrative and for countless American workers, the new post-industrial technologies appear to offer consumers either marginal improvements, new wrinkles and styles, or games. These are not fundamentally new products to create new human needs and attract massive new global markets, like the automobile or the airplane, and they are unlikely to trigger what the economist Robert Heilbroner calls a "transformational boom."

Biotechnology, on which great hopes are pinned, is anything but labor-intensive. Amgen, the largest biotechnology company, employs a mere 2,639 people. The genetic-engineering industry—bovine growth hormones that produce supercows and in vitro laboratory production of basic fruits and vegetables—could end up destroying many more jobs than it spawns by wiping out millions of farmers in hot, poor countries. Some, including Vice President Al Gore, argue that an "environmental revolution" in the direction of better pollution control, weatherization, recycling, renewable energy sources, and energy-efficient appliances will spark all sorts of new job-creating technologies. While proposals to control pollution should be pushed, it is not at all clear whether more jobs will be lost than created in the end. Given the nature of impending technological developments, the declining purchasing power of more and more people in rich and poor countries alike, and the size and composition of the global workforce, it is not prudent to count on technological rescue to solve America's job problem, much less the global job problem of which it is an inextricable part.

What can government do to ensure that citizens have good jobs? Tinkering with the economy as a whole appears less effective than it used to be. Harold L. Wilensky, professor of political science at the University of California at Berkeley, has studied eighteen wealthy democracies, including the former West Germany, Japan, Switzerland, Italy, Australia, Finland, and the Scandinavian countries. His conclusion is that even when governments are unusually successful in stimulating job creation, this has no predictable effect on the level of employment or the economic performance of a nation. Great Britain and France were among the poorest job creators and had above average rates of unemployment, but West Germany and Austria, both well below the median in job creation, had low rates of unemployment in the twenty years examined in Professor Wilensky's study. His basic finding is that demographic, social, and structural forces within a society rather than macroeconomic government policies determine who will have jobs and who will not.

As Wilensky sees it, forcing mothers into the job market to feed their infants and toddlers at a time when they would rather stay home and raise them is an excellent way to drive down wages generally and to make the employment crisis worse. (It is also a cruel and shortsighted family policy.) Strategies aimed at improving education and family support in order to reverse the feminization of poverty and "balance the demands of family and work and to avoid child neglect," as Wilensky puts it, will have a greater impact on the job market than policies designed to encourage private investment in job creation—lowering taxes, investment tax credits and other breaks, easing interest rates, and so on.

A recent study by Steven M. Fazzari for the Economic Policy Institute (based on data from firms that account for between 40 and 50 percent of all plant and equipment spending in the United States) lends support to this argument. Fazzari notes that "interest rates and the cost of capital play a very uncertain role" in investment decisions; these have much more to do with financial conditions and prospects of the companies than with interest rates. Fazzari's study suggests that cutting the deficit, a worthy objective under the right conditions, is not the way to put the country back to work.

> WHILE PROPOSALS TO CONTROL POLLUTION SHOULD BE PUSHED, THIS MAY MEAN THAT EVEN MORE JOBS WILL BE LOST

According to the prevailing credo, however, the way to get more jobs is to enable entrepreneurs to keep more of their earnings so that they can invest them in job-creating technologies and expansion. In the Alice in Wonderland world of the 1980s and 1990s, it is ideologically sound to spend millions of dollars in taxpayers' money on "incentive packages" to lure corporations and the jobs they promise into a city or state, but it is politically incorrect for the government to act as employer of last resort, hiring unemployed young people to clean up cities, rehabilitate houses, visit the elderly, and the like.

Subsidizing corporations to make jobs is no answer. Unless long-term obligations are written into the deal, private companies are free to take the money and run once the benefits run out, and they do. Enforcing obligations on global companies is hardly easy. As global competition becomes fiercer, the odds are increasingly stacked against governments that try to buy jobs. Once the corporation has received the land, money, and tax breaks, company executives have every incentive to keep payrolls down. Flexibility, downsizing, outsourcing (hiring temporaries or subcontractors), automation, and relocation are the buzzwords of the day.

What remains? There are a number of sensible ideas for attacking aspects of the job crisis. None is a quick fix.

For example, shortening the workweek could encourage job sharing. This, in turn, would create more jobs, accommodate working mothers, and perhaps encourage the healthy notion that a job is not the whole of life.

Government programs that target poor neighborhoods, where unemployment may reach 40 percent, can help create some jobs if the goal is local self-reliance and the support is designed to enable people to make maximum use of the considerable skills, relationships, and savings that exist even in inner-city blocks from which drugstores and supermarkets have fled. There are now operating in the United States more than a hundred programs to furnish start-up capital for neighborhood businesses along the innovative model of the Grameen Bank in Bangladesh.

And small businesses begun with small amounts of capital, usually from relatives, make up much of the informal economy that is all that stands between millions of people across the world and starvation. This mix of off-the-books activities, ranging from sidewalk barbershops to global drug cartels, eases personal financial problems around the world. The drug trade aside, much informal-sector activity is legitimate, meets important human needs, and should be encouraged rather than repressed by governments.

IN THE END, THE JOB CRISIS RAISES THE MOST FUNDAMENTAL QUESTION OF HUMAN EXISTENCE: WHAT ARE WE DOING HERE?

The suggestions that Walter Russell Mead and other analysts have made to apply Keynesian full-employment policies on a global level are theoretically sound. There are no national solutions to the job crisis. Coordinated strategies at the global level are needed to promote the sort of world economic growth that avoids flooding the planet with goods and services far in excess of what people want or the planet can afford. The government of every industrial power, however, faces such acute problems that cooperation of this sort seems improbable at this time. Clinton's call for an international jobs summit at least makes the global dimension of the crisis more visible. Yet a concerted look at the job-destroying incentives built into the global industrial system and a cooperative strategy to alter this system may well be the only means for dealing with the very domestic political and economic problems that threaten world leaders with early retirement.

The lack of decently compensated jobs under decent working conditions is a global deficit so vast as to require fundamental rethinking about the global economic system itself. The global machine for producing goods and services in ever greater quantities depends upon a growing population of consumers with enough money in their pockets to keep the system going. Even the super-rich buy only a limited number of refrigerators and computers. Yet the pressures on the production system are pushing income distribution in precisely the opposite direction. While millions in the workforce dropped out or dropped down, the average CEO of a large U.S.-based corporation in 1992 was taking home \$3,842,247, a 56 percent increase from the previous year. Between 1960 and 1992, the average salary of a CEO jumped \$3.6 million while the average worker's pay rose from \$4,665 to \$24,411. The recent trend toward greater inequality in the United States, and throughout much of the rest of the world, means that the vast majority of the 8 billion human beings expected to be living on the earth in the first quarter of the next century will be neither producers nor consumers in the new global economy.

The global job crisis is the product of a value system that prizes the efficient production of goods and services more than the human spirit and of an economic strategy riddled with contradictions. Contemporary society is built on a social system in which the individual's livelihood, place, worth, and sense of self are increasingly defined by his or her job. At the same time, jobs are disappearing. The global economic system is fragile because it depends on growth fueled by the expansion of consumption, but the fierce drive to eliminate work and cut wages is clearly not the way to bring spenders to the car lots and shopping malls. Except for cigarettes, Coke, and a few other products, most of what the global production system disgorges is consumed by fewer than 2 billion of the more than 5 billion people who now live on the planet.

In the end, the job crisis raises the most fundamental question of human existence: What are we doing here? There is a colossal amount of work waiting to be done by human beings—building decent places to live, exploring the universe, making cities less dangerous, teaching one another, raising our children, visiting, comforting, healing, feeding one another, dancing, making music, telling stories, inventing things, and governing ourselves. But much of the essential activity people have always undertaken to raise and educate their families, to enjoy themselves, to give pleasure to others, and to advance the general welfare is not packaged as jobs. Until we rethink work and decide what human beings are meant to do in the age of robots and what basic economic claims on society human beings have by virtue of being here, there will never be enough jobs.

Some of the elements of a global strategy for reorganizing work are beginning to take shape, but politicians everywhere continue to promise prosperity without confronting the international dimensions of the problem. We have yet to summon the courage and imagination to face the human assault on human beings that we call the "job problem." ■