

GLOBALIZATION AND THE FUTURE OF WORK

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A specter is haunting our visions of the good society in the twenty-first century: the fear that jobs are vanishing. The shape of this phantom varies from country to country and in the eyes of one prophet and the next. Some analysts of advanced societies believe that there will be good jobs for individuals with complex skills in fast-growing sectors like information technology or biotechnology; and bad jobs making fast food and the like for the least well-endowed by education, family, and the brute luck of genes. But they predict the irreversible disappearance of jobs that can provide rewarding employment for average human beings, with average intelligence, and average schooling. Others warn of an irreversible loss of jobs on the lower rungs of skill and wages, jobs that used to offer even marginal groups in society --- natives with few skills and little education and immigrants--a chance to support their families through wage employment.

Even more pessimistic, some believe that the combined forces of technological change and globalization threaten both good jobs and bad. In this view, it is not only the German textile worker's job that cannot survive competition from the Pakistani textile industry or the American bank teller, whose job disappears with the advent of the automated teller machine. Rather, even those workers and managers with advanced training and capabilities in fast-growing sectors of the economy cannot compete. Backward societies like

India and China are turning out large numbers of technicians and workers with the same skills as our own best-educated citizens. As one French liberal intellectual, Alain Minc, argued in an attack on free trade: "With the free circulation of capital and technologies, competition will be unbearable with the Chinese, who are fortified by their capitalist chromosome, by their productivity, and their capital and who can work as efficiently as we, for thirty times less."¹

The logical extension of this line of reasoning can be found in a stream of recent best-selling books on the future of advanced industrial societies, like Jeremy Rifkin's The End of Work or Viviane Forrester's L'horreur économique or William Greider's, One World, Ready or Not. Despite differences in tone and emphasis, their finding is simple and catastrophic: work is disappearing. As Forrester concludes: "A majority of human beings are no longer necessary to the small number who shape the economy and hold power. Masses of human beings find themselves without any reasonable rationale for living in this world into which they were born."² Forrester's proposals follow, and they are quite similar, even if more dramatically expressed, to those of the others who predict the end of work, as we know it. Forrester urges that we break out of

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¹ Alain Minc, "La Nouvelle trahison des clercs," Le Monde, 10 June 1993.

² Jeremy Rifkin, The End of Work (Putnam, 1995); William Greider, One World, Ready or Not (xxxxxxx, 199x), Viviane Forrester, L'horreur économique (Fayard, 1996), p.37.

globalization, instead of resigning ourselves to its inevitability. Since there is no more work---at very least, it is in the process of disappearing--- she proposes that we break out of thinking of social contribution as requiring employment. "Why not look for a use for life--of the human collectivity---other than uses in which some people employ others--especially now that this has become impossible?"³

Is this in fact the prospect on which we should focus our attention and our political will as we move to the twenty-first century? I think the answer is no. This afternoon I would like to suggest, first, why I think this view of the world is a misunderstanding of the deep changes we are experiencing; and, secondly, why such an interpretation of the future of work is not only wrong, but dangerous. Just to give you a rapid preview of my conclusions: I want to argue on the first point that analysis of American experience over the past decade does not support the conclusion that jobs as such, or bad jobs, or good jobs generically are disappearing. Rather there has been massive net creation of both good and bad jobs--but they are jobs different from those of the past. The different skill requirements of these jobs, and the fit or lack of fit of these jobs with the capabilities of our fellow citizens is what creates the real problems. There are real problems--and this is the second point. It is dangerous for us to fear an imaginary "end of work" when the main challenges lie elsewhere. If we believe in false demons, we will fail to mobilize the political will and resources to tackle

³ Forrester, p.195.

issues that are creating great and growing human misery in the midst of the most prosperous societies we have ever known in history.

Lessons from a decade of rapid change in economy and employment

There are surely few social scientists today who would have the confidence of a Karl Marx that in studying patterns of the most technologically advanced economy we can discern the trajectory along which all societies must advance. Yet it is striking how the evidence provided to support the arguments about the end of work is drawn almost always from the American case, and how often it seems that “l’horreur économique,” in Viviane Forrester’s terms, is in fact an American horror story, a terrible fate that awaits other societies as they are overcome by the same technological and market processes that have already hit the United States. For this reason, it is especially important to review the evidence of employment destruction and creation in the United States over the past twenty years. These have been years of rapid introduction and diffusion of information technology in manufacturing and services, of greatly increased American integration into the world economy, and of a radical deregulation of the domestic economy.

What are the facts that emerge from an examination of the patterns of the past two decades of employment in the United States? First, it is hardly the case that these great changes in technological and market structures have reduced job growth. In the period 1975-1997, 42 million new jobs were created in the United States. Indeed in 1998, a year in which the Asian financial crisis and slowdowns

in the world economy outside of Europe cut US exports and led to sharp declines in manufacturing employment, net job growth was still close to three million.⁴

What kinds of new jobs are these? In the catastrophic and simplifying visions that I have laid out above, the strong prediction is not only that new jobs will be few, but also that most of them will be low-paying and low-skill service jobs. The evidence from the U.S. case, on the contrary, suggests a far more complex set of changes with new job creation clustered at two points on the wage continuum: there have been large numbers of higher-paying jobs for more skilled workers, white-collar and blue-collar, and, at the same time, many new low-paying jobs. Many of the higher-paying jobs are professional and managerial positions in services, but there has also been a marked increase in higher-paid blue-collar employment in services. As Martin Carnoy summarizes a large body of research: “If there were any effect of investment in new technology in this period [the past 15 years], it was to reduce middle-level production jobs, to expand mainly higher-paying jobs and, to a lesser extent, lower-paying jobs. In the majority of countries, there were also many more higher-paying jobs created than middle-paying jobs destroyed.”⁵

Debates and controversies still continue in the literature over the effects of the new information technologies on the level of skill required within job

⁴ New York Times, January 9, 1999, pp. A1, B3.

⁵ Martin Carnoy, Sustaining Flexibility: Work, Family, and Community in the Information Age (1998 unpublished manuscript), p.33.

categories and over how to interpret the overall balance between processes of upgrading and deskilling. Both large-scale survey data and detailed firm level analysis provide massive evidence of the complementarities between successful introduction of the new digital technologies and skill upgrading.⁶ Without resolving the question of how the balance will settle between those jobs where new technology will reduce the levels of skills required, and those activities in which new technology will raise the level of education and creative effort required of the worker, the data on hand does suggest a complex picture with contradictory tendencies. At very least, what we know now about changes in workplaces that have experienced the greatest transformations from the introduction of digital technologies over the past fifteen years should lead us to reject simple notions of machines making human beings unnecessary in the economy of the future.

On the contrary: human intelligence and imagination may be less and less replaceable in the workplace by processes of mechanization and automation.

One of the great puzzles of the American recovery is why we should have so low

⁶ For a large-scale social survey of changes in skills and levels of responsibility across occupation categories and industries, see the 1986 British Social Change and Economic Life Initiative which interviewed 6000 randomly-selected individuals in 6 cities in Great Britain; for firm-level analysis of skill changes in enterprises with high rates of utilization of information technology, see Timothy F. Bresnahan, Erik Brynjolfsson, Lorin M. Hitt, "Information Technology, Workplace Organization and the Demand for Skilled Labor: Firm-level Evidence (August,1998).

a rate of productivity growth (at best, approaching 3% per year), even as the economy is booming along without inflation. One well-known argument here is that of Alan Greenspan and others who think we are in a New Economy where conventional measures of productivity simply fail to capture the real changes in services and in the rapid introduction of new product generations. But in fact even new research and new methodologies for measuring productivity in services have failed to provide much support for these hypotheses.

The intriguing alternative hypothesis is that the very character of technological progress today explains low productivity growth. The explosion of information technologies has created such a diversity of products and such a rapid rate of turnover between product generations that the economies of scale which were responsible for big productivity improvements in the years of Fordism are no longer possible. Even worse, that is, worse for the rate of growth of productivity, these new products and technologies incorporate elements of the imagination of their creators in ways that make it difficult to conceive automating. If this hypothesis about the links between slow productivity growth and the nature of technological advance is correct, the implications for jobs would be very significant indeed. It would suggest that the explosive growth of high-paying jobs for well-educated workers is likely to continue, and that these workers cannot be easily substituted either by automated processes or by very narrowly-trained technicians in developing countries.

The Real Problems: (1) the “ Disappearing Middle” and Intergenerational Distribution: To dismiss the notion that there will be no more good jobs for average people does not mean that there will be good jobs for all. There are real victims of the transformations in the economy induced by globalization, new technology, and deregulation, and they have paid a heavy price for the prosperity enjoyed by others. Thus far public policies in the U.S. as elsewhere have been strikingly ineffective in reducing the costs of change, which fall disproportionately on certain groups in the workforce, particularly on the older male manufacturing production workers with middle-level wages. Carnoy charts the decline of these middle-wage positions which in 1960 represented 44.7% of the total workforce to 1995, when they composed 32.6% of the workforce, while high wage jobs rose from 24.6% (1960) to 34.4% (1995) and low wage jobs from 31.6% (1960) to 32.8%(1995).⁷ Most of these jobs were in manufacturing, which by 1997 accounted for only 17% of the GDP, in contrast to close to a third in 1953, the best postwar year. ⁸ It is true that even for blue-collar manufacturing jobs; the story has not been one of a rapid and irreversible decline. During much of the nineties, manufacturing employment was quite stable. Even employment in American low tech industries like furniture, carpets, and electric light bulbs, although under severe competitive pressures, still rose

⁷ Carnoy, Table 2-7a. “Employment Shares by Industry/Occupation and Ethnic/Gender Group, All Workers, 1960-1995 ,” p. 34.

between 1992 and 1996.⁹ Contrary to the notion that new technologies destroy manufacturing jobs everywhere, world-wide, the absolute number of such jobs is growing, with production jobs created in newly industrializing countries since 1980 outnumbering those that have disappeared in the U.S. and Europe, as Martin Carnoy has pointed out.¹⁰

But within the United States, these manufacturing jobs have become increasingly vulnerable. This was most recently demonstrated by the massive losses of factory employment in 1998 as a result of the Asian and Latin American recessions and falling US exports. When workers are laid off from middle-level manufacturing jobs, very few of them find new positions that pay as much as they had earned in the lost job. A recent profile of the workers in a Thomson Consumer Electronics television assembly plant in Indiana that closed when its operations were moved to Mexico presents a common pattern.¹¹ Of the 1100 workers who were laid-off, only 100 have been re-employed at their old wages or better. Almost half of the workers accepted early retirements. And the others are either unemployed, in training, or in new jobs at lower wages.

⁸ Louis Uchitelle, "The Economy Grows. The Smokestacks Shrink," New York Times, November 29, 1998.

⁹ "The Strange Life of Low-Tech America," The Economist, October 17, 1998, pp. 73-4. The comparisons in output and employment are for 1992-6.

¹⁰ Carnoy, p. 10.

¹¹ Louis Uchitelle, "Downsizing Comes Back, but Outcry From Unions and Workers is Muted," The New York Times, December 7, 1998, pp. 1. A16.

The high-paying jobs that are being created in great numbers in the economy lie beyond the reach of these laid-off middle-level manufacturing workers, who lack the years of schooling and skills to qualify for them. And the experience of retraining programs for such laid-off workers is that they compensate neither for their initial educational deficits nor for the fact that during their many years on the job, they had little or no experience with learning new skills. The new jobs are going, not to retrained workers, but too much younger workers, who typically have some community college or specialized training beyond their high school degree. The numbers of Americans with such education continues to rise: in 1997 67% of high school graduates went on to college, in contrast to 49% in 1979.

¹² A quarter of all factory workers in 1996 had a year or two of college, in contrast to only 17% in 1985. And increasingly, companies are investing in substantial training for their manufacturing workforce. ¹³ It is this better-educated and younger workforce that gets the new high wage jobs, while the older workforce moves down--and out-- in wages, benefits, security and status. While company downsizing policies and Federal programs provide some cushioning against the full short-term effects of such downward mobility, this protection does not extend beyond a year or two after the lay-offs, after which point the worker bears the full burden of his or her losses.

¹² "The 21st Century Economy; The Human Factor; A Rising Tide," Business Week, August 31, 1998, pp. 72-5.

¹³ "The New Factory Worker," Business Week, September 30, 1996, pp. 59-64.

The feelings of vulnerability, helplessness, and discontent that arise from this mismatch between the qualifications of significant segments of the current workforce and the qualifications required for the good new jobs are considerable. Any serious effort to explain the rise of protectionist sentiment in the United States would likely discover the importance of rising insecurity in this part of the population as a key factor. It is remarkable that over the past decade of record prosperity, with rising median wages, protectionist sentiment should have risen; and that an American administration that was able to convince Congress to vote the NAFTA treaty should be unable to get the president's "fast-track" trade negotiating authority renewed. The trade unions, who do disproportionately represent older and less educated manufacturing workers, have played the major role in this reversal of Congressional support for opening borders to trade. The same anxieties feed as well into a rising current of resentment against immigrants.

The Real Problems: (2) The Most Disadvantaged

The fact that the economy generates large numbers of good new jobs has not helped the laid-off workers of traditional manufacturing to find the kind of employment that will allow them to maintain the standard of living of their families. At the same time, the economy's capacity to create massive new jobs has also been of little help to the most disadvantaged groups in the population.

Through most of the economic recovery, these groups have done relatively less and less well. It appears as if the water level of the economic tides required to raise all boats needs to be higher than ever before in the postwar period, for in the past decade of prosperity there has been only a rather short period in which the most disadvantaged workers have seen their wages and employment chances rise at rates comparable to other groups in the population. Through most of the past two decades, inequalities have widened significantly between the best and worst paid workers. The share of aggregate income claimed by groups in the highest fifth of the income distribution has risen over the past thirty years, while the share of the lowest fifth has remained flat. At the bottom of the social ladder, there has been little or no opportunity for the population living from variable combinations of temporary work and welfare to move into regular employment remunerated at wages that can support a family.

In contrast to the passivity of public policy confronted with the plight of the displaced middle-level workers, state and federal governments have been extremely active over the past few years in reforming the rules that regulate the distribution of income to that segment of the population which lives principally from welfare. Welfare as we know it has been decreed at an end by public authorities of both major political parties. And in order to make it so, the possibilities of continuing indefinitely on welfare payments have been sharply reduced, and welfare recipients are being obliged to seek jobs. Here the key piece of Federal legislation is the 1996 Welfare Reform Act.

The paltry results of these public efforts to push people living on welfare payments into work have exposed the sharp limitations of the kinds of employment that our society is capable of producing---even in a period of economic boom. The big questions are whether there are enough jobs in the economy for these new workers and what it would take to create enough jobs of a kind and in locales that would be suitable for these people. These are the issues that Robert M. Solow, the Nobel-laureate economist, addresses in a recent devastating critique of welfare-to-work reforms.¹⁴ Solow starts by considering why it would be desirable for welfare recipients to hold jobs, and why most such recipients do in fact desire to work. He then asks what changes would be required in the system to generate enough new jobs to employ the roughly 1.75 million adults currently living on the major welfare program, Aid to Families with Dependent Children (AFDC). He concludes that the fastest path by which those now on welfare might find work would be by driving down the wages and displacing currently-employed workers with few or no skills. They in turn would through competition put pressure on workers on the next rung up that would result in a decline of their wages.

If changes in the real wage level were the only mechanism at work to produce the changes that had to generate the new jobs, Solow estimates that it would take something like a 3-5 % drop in the average real wage to yield net new

¹⁴ Robert M. Solow, "Guess Who Pays for Workfare?" The New York Review of Books, November 5, 1998, pp. 27-37; and Work and Welfare (Princeton, 1998).

jobs sufficient to make jobs for two thirds of the adults now on AFDC.¹⁵ Since in fact this competition for jobs would take place not across the entire labor market, but in the bottom end, the effects would be greatest on unskilled and semi-skilled workers, whose wages would, Solow estimates, have to fall by “considerably more than 5 percent in order to make jobs available for the 1.75 million workers.” In other words: “the burden of adjusting to any genuine replacement of welfare by work will fall primarily on low-wage workers, especially those virtuous ones who have been employed all along.”

Solow also examines the results from a variety of experiments with moving people from welfare into work across the United States. Considering even the very best of these efforts-- best in the sense that they provided basic education, job counseling, and various services ---as well as the programs that simply cut off welfare payments, Solow finds that they made little difference in the eventual employment status of the participants. The results of the California experiments are revealing of the general pattern: about a third of people on welfare held a job at some point during the year; participating in the California GAIN [Greater Avenues for Independence] workfare program raised the level of those employed by only 4-6 percentage points. He concludes: “Without some added ingredients, the transformation of welfare into work is likely to be the

¹⁵ Solow, “Guess..”, p.28.

transformation of welfare into unemployment and casual earnings so low as once to have been thought unacceptable for fellow citizens.”

What are the “added ingredients” it would take to transform public policy into something other than pressures to increase the competition of low-skill low-wage workers among themselves, pressures driving them into a game of musical chairs in which they chase after unstable jobs displacing others like themselves in their search? Solow argues that any solutions that would not simply increase the burdens already carried by those at the bottom would have to involve two components. First, it would take public job creation of the numbers and kinds of jobs attainable by those now on welfare. As he points out, and as all of my previous argument suggested, this will be far more difficult to do today than in the past, because of the falling demand for unskilled labor and because the gap that workers must leap to move from the ranks of the unskilled/semi-skilled into the ranks of the skilled has opened into a chasm. The disappearance of middle-level positions in manufacturing makes movement along a continuum of wages and skills even less likely.

Solow’s second conclusion from this general prospect is that a decent standard of living for families whose wage-earners remain on the bottom rungs of the labor market will require some combination of earnings and public transfers. The occasional economic tidal wave high enough to lift these low wages is just too infrequent and falls too soon to make a big difference. In sum, major programs of income redistribution at the level of the entire society would

be needed in order to address the issue of the low incomes and unemployability of the most disadvantaged groups. No conceivable set of interventions that targeted these groups alone--whether by providing training, or simply ending welfare--can achieve the goal of making a decent job and life attainable. No conceivable expansion of the economy can remedy the persistent and widening inequalities that the new economy has allowed to take root.

Tentative Conclusions: I have tried in my presentation today to lay out issues about work which should focus our moral and political attention over the next decade. The problem we face, I've argued, is not an imaginary and catastrophic scenario in which work for just about everyone disappears, either through automation or into the Third World. The problems of social injustice we face are hardly new ones, at least in the United States. What is new, however, are the difficulties in resolving them that have been increased by the character of technological change and the removal of trade barriers.

Why should political leaders try to convince our populations of the need for real income distributions --which would be costly for those in the electorate who actually vote; instead of settling for so-called welfare reforms, with the consequences laid out so clearly by Solow? What would such leaders have to gain? What do we stand to lose if we do not produce a larger societal willingness to redistribute the gains of prosperity? As I look at the American political landscape, it is hard for me to identify the elements that could possibly generate a new set of political commitments to tackling these problems. Between the laid-

off middle-wage and middle-aged factory workers and the black teenagers on welfare, no spontaneous coalition of interests is likely to arise, nor can I imagine the unions or the parties endeavoring to organize along these lines. The only zone in which one sees signs of movement dangerous enough to attract the attention of both business and political leaders is trade policy. The rising tide of protectionism is a manifestation of the anxieties and distresses created by the new economy. But as politicians race to lead this movement, the problems which engender it are likely to be left behind.