Inequality and the Changing Nature of Work

[Image: A bar chart showing changes in work styles from 2000 to 2010. The chart indicates an increase in different time, different place work styles and a decrease in working alone.]

Source: Gartner, Nature of Work, 2006
Review

- Why is inequality rising in the U.S?
  - Wages are pushed down by globalization, meaning...
    - Freedom of goods, people, and money to move beyond national borders leads to.......
    - Outsourcing production to low-wage regions and...
    - Importing goods from low wage regions, which...
    - Reduces demand for American labor, which in turn.....
    - Weakens trade unions
    - The weaker the wage earners, the more power for those at the top to increase their own incomes

- How did the decline in real wages contribute to the current financial crisis?
  - U.S. living standards declined threatening the American Dream
  - Cheap credit allowed more borrowing
  - More home ownership for of low wage earners
  - Deregulation, growth, securitization, and globalization of finance
  - Foreclosures
  - Bank failures
Growth of National Debt

U.S. national debt

Total outstanding debt nearing $10 trillion:

Source: TreasuryDirect.gov
Graphic: Angela Smith
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$5 Trillion in household debt

From 2001 to 2006 (inclusive)

We

Private Households ($5,232.4bn)
Federal Government ($2,876.3bn)
Non-Farm Non-Corporate Business ($4,249.8bn)
Non-Financial Corporate Business ($11,074.2bn)
State and Local Governments ($342.3bn)
Farm Business ($537.6bn)
Asset Backed Securitization Issuers ($42bn)
Government Pensions ($24.7bn)
Government Sponsored Enterprises ($2.8bn)
Funding Corporations ($17.7bn)

Owe

$10.73 Trillion

Ourselves

Foreigners ($3,091.5bn)
Commercial Banks ($2,465.6bn)
Insurance Companies ($4,404.3bn)
Federal Reserve ($1,193bn)
Mutual Funds ($826.0bn)
Savings Institutions ($405.8bn)
Brokers and Dealers ($531.6bn)
Finance Companies ($307.2bn)
Monetary Authority ($267.1bn)
Money Market Mutual Funds ($243.5bn)
Credit Unions ($227.5bn)
Private Pension Funds ($70.3bn)
Closed-End Funds ($60.7bn)
Exchange Traded Funds ($50.7bn)
REITs ($9.2bn)

... add another $20.6 trillion for debt incurred before 2001!

www.DollarDaze.org
Household income does not cover household debt....

Comparison of Average Household Debt to Median Income

- Future Gov't Obligations
- Current Gov't Liabilities
- Private Debt

www.DollarDaze.org
Private investment in the U.S. falls off..........
Rise in unemployment

Average Nonfarm Employment Change

Change, thousands of jobs

Source: Bureau of Labor Statistics
More collapse...Reducing imports

Import of Goods

Imports of Goods: Balance of Payments Basis (Millions of Dollars)
This U.S. Employment Downturn in Historical Perspective
An International Labor Market means functional, not national competitiveness

• If foreign companies are doing well in the U.S., American workers are better off than with American corporations
• What are the causes of competitiveness then?
• The function you serve in the global, not the national economy
A Class economy, not a national economy

• American industries no longer compete against other “national” industries
• The stateless corporation?
• How does the international Economy intensify the class Economy?
Three Categories of work......

• 1) work that delivers high level management services,

• 2) work that delivers routine production services

• 3) work that delivers routine personal services.
The Symbolic Analyst
High level symbolic analysts account for 10 per cent of U.S. jobs

- Services are in global demand
- So their standard of living has risen
- They are part of a global, not a national labor market
- Services are scarce
- More productivity redounds to their benefit
- The job is to CUT COSTS, increase profits, push up share price...
Aren’t Americans competing with others for these Jobs?

- Friedman’s argument: Yes
- But wait......
- Jobs for symbolic analysts in the U.S. have increased!
The Routine Production Worker
These jobs were once well-paid......
But now no longer competitive...
Jobs in manufacturing in the US have declined.
While service jobs grew......
Routine Personal Services


- Natural resources and mining: 1%
- Construction: 5%
- Manufacturing - Durable Goods: 6%
- Manufacturing - Non Durable Goods: 4%
- Wholesale trade services: 4%
- Retail trade services: 11%
- Transportation and warehousing: 3%
- Utilities: 0%
- Information Industries: 2%
- Finance and Insurance: 4%
- Real Estate and rental and leasing: 2%
- Professional and business services: 13%
- Educational Services: 2%
- Health care and social assistance: 12%
- Other Services: 4%
- State Government: 4%
- Federal Government: 2%
- Local Government: 11%
- Leisure and Hospitality: 10%
Sheltered from the direct effects of global competition......

• But not the indirect effects.....
A New Core and Periphery?

Core

Periphery

Symbolic Analyst
Routine Production worker
Routine Personal Services

A New Core and Periphery?

Core

Periphery

Symbolic Analyst
Routine Production worker
Routine Personal Services
For the Economic Nationalist.....

• Decline of National loyalty for the most competitive group......
• A loss of manufacturing jobs......
• Loss of National Wealth
• Loss of National Power
For the Communitarian....Breakdown in Community and Class Interdependence

- Workers are coming to have different competitive positions in the global economy
- Less basis for community....

- **Gov. Arnold Schwarzenegger:**
- "You know, the benefits for auto workers are maybe too high. ... We have, like, in America, you sell a car, and you have $2,000 of each car just goes to benefits. So I think that there’s a way of reducing that..."
Geographic divisions

• New York likely to remain strong
• The “Slump Belt” will weaken even further
• And the South might rise again....
• Will the “sun belt” disappear?
Why is this happening?

- Information Technology and “Reengineering”
- Lean Production
- Globalization
- Emerging Markets: demand and supply effects
- Transformation of Employment
- From Manufacturing to Services
- Decline in Union Strength
- Portfolio Careers
Information Technology and “Reengineering”

Total Business Inventories/Sales Ratios: 1991 to 2000
(Data Adjusted for seasonal, holiday, and trading–day differences but not for price changes.)
But in the financial crisis....

Total Business Inventories/Sales Ratios: 1999 to 2008
(Data adjusted for seasonal, holiday and trading-day differences but not for price changes)
Lean Production
All of this means........
manufacturability, flexibility, just in time production
Lean production means higher productivity with lower skills

- Japanese use $1/10^{th}$ of the number of parts and tools required in German production
- Employment interviews place little importance on skill
- Instead they look for
- Dexterity, enthusiasm, team spirit
So Is Training Really the Answer?

• If symbolic analysts are so competitive, could education mean upward mobility?
• Second tier symbolic analysts......
Explains rising productivity and low wages....

**Productivity Rising in Manufacturing Nations**

- United States
- Germany
- Japan
- UK

**Real Wages Struggle**

Average weekly earnings of U.S. workers in 2008 dollars, since 1964

Source: Department of Labor, Bureau of Labor Statistics
Changes in Nature of Employment

• No more lifetime employment
• Rise in Temporary workers
• Rise in Portfolio careers
What will be the responses to the changing nature of work in the North?

– Trade protectionism?
– Currency devaluation?
– Redeployment of capital and human resources?
...and in the South?

– Will liberalization continue?
– Will the gap between rich and poor widen?
Immigration: A problem for the North?

- Net growth in labor supply is taking place in the “global South”
Four Big issues that may result from this change in the “core”

• Neither declining real wages nor long term unemployment is sustainable
• Energy shortages and environmental disasters
• Security problems
• Global financial crisis
Globalization and global inequality
Income Inequality by region

Liberal View of Globalization and inequality

• Tariff reductions $\rightarrow$ trade $\rightarrow$ rising wages for low-skilled workers in the South + wage reduction for skilled workers in the North $\rightarrow$ reduction in global inequality

• Not verified in empirical studies
The IMF’s perspective

• Tecnology
• Education
• Flexible labor markets

• The IMF prescription: A golden straightjacket?
A Dependency Theory perspective

Panel 1 (All countries)
Contribution of globalization
Exports
Tariff liberalization
Inward FDI

Series1
Series2

(Average annual percent change)
In income disparities

0.4
0.3
0.2
0.1
0
-0.1
-0.2
What can be done?
What Developed country governments can do....

• Debt cancellation
• Be markets for goods from the South while allowing them to erect tariff walls to their own goods....
• A regulatory framework for MNCs
• Corporate social responsibility
NGO’s Using the tools of globalization to reduce inequality

• Critique of IMF and World Bank
• The creation of a global civil society is necessary to reduce inequality
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