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## Offshoring fears

The exporting of manufacturing jobs to countries with far cheaper labour rates is arousing widespread fear and resentment among America's surviving blue collar sector which has shrunk by 2.8m in the past three years.

The television network CNN has compiled a list of hundreds of US companies that are outsourcing manufacturing overseas. Meanwhile some 70 per cent of 900 manufacturing employees across four US states surveyed recently on behalf of the International Association of Machinists said they felt their jobs were under threat as a result of the offshore outsourcing trend.

If these results are reflected across the entire 14.3m-strong US manufacturing workforce, the strengthening and increasingly vocal opposition to the export of US jobs overseas could prove a significant political issue in this year's presidential election.

Even though the share of manufacturing jobs across the US labour market has declined steadily from a peak of about 40 per cent just after the Second World War to about 12 per cent today, the surviving rump of blue-collar workers remains an important part of the electorate.

The Democrats could expect to attract most of these votes in any election campaign but Senator John Kerry, the party's candidate, is hoping to take the "swing vote" of undecided workers with promises of tax credits for companies that source their labour in the US. This would reverse the advantages to be gained from tax deferrals on profits made by US companies in their overseas operations under existing arrangements.

While such measures could be interpreted as anti-competitive subsidies, they are not without their supporters among a minority of economists who remain unimpressed by the prevailing "overseas market growth" argument driving the policies of the Bush administration. Dissenters question whether the trading potential gained from a growth in overseas economies will outweigh the economic impact on domestic buying power from the shunting of employees to the low-paid service sector.

I am old enough to remember similar fears in the UK during the 1960s when the Labour prime minister of the day, Harold Wilson, led a much-publicised "I'm Backing Britain" campaign. We all bought our tuppenny plastic carrier bags emblazoned with the Union flag. But it did little to halt the decline of British manufacturing.

I suspect that various similar, but as yet small-scale initiatives now appearing in the US will prove equally futile. Fortunately the creation of new jobs in most western economies - the nearest thing to a call centre in the 1960s, remember, was the telephone operator - has compensated for those that have disappeared. Unfortunately the best new jobs do not always appear, not overnight anyway, in the places where the old manufacturing jobs decline.

While there is no shortage of US economists willing to stand up and argue the case for allowing jobs to go abroad, a detailed outline of David Ricardo's theory of comparative advantage, underpinning this trend, is unlikely to win votes among

families who have suffered job losses.

Equally, the popularity of outsourcing work, another form of job displacement, can be explained by Ronald Coase's law arguing that the size of a business should be determined by the comparative costs of performing functions internally or externally.

But these arguments are useless for politicians. In wartime, people are willing to die for their country but at other times laying down your job, not your life, for what some argue is the greater economic good will not wash with a disaffected electorate. The right to work and the opportunity to find work are pillars of a healthy democratic society.

Nor should the problems associated with job losses in a comparatively wealthy society be understood as a matter of putting bread on the table. For many of those involved the most pressing issues are maintaining their mortgage or running a second car.

But we must learn to live with these issues. The power of globalisation, underpinned by advances in information and communications technology, is going to grow, not weaken. Attempts to analyse the organisational and employment implications arising from the eddies of these developments are notoriously difficult and as much influenced by mood as they are by empirical evidence.

Business process re-engineering in the early 1990s, white-collar redundancies and the overlapping dotcom euphoria of 1999 created an almost overwhelming impression of change. Yet here we are in 2004 and the salaried job remains the most popular form of employment.

Companies continue to merge and the people who run them continue to attract ever growing rewards. A recent study of pay among chief executives in Standard & Poor 500 companies found that their median earnings, including bonuses rose from Dollars 3.6m (Pounds 2.14m) in 2002 to Dollars 4.6m in 2003, a 27 per cent increase, according to the Corporate Library, the independent research organisation, which carried out the study.

Will these trends continue or is something going to give? A cluster of recent books is questioning the sustainability of the hierarchical organisation as a model of future employment. Shoshanna Suboff and James Maxmin suggested in their book, *The Support Economy*, that a new "distributed capitalism", accepting that value originates in individuals, is creating what they call a "Copernican inversion". This, they argue is a form of capitalism that no longer revolves around the producer as the sole source of value and wealth, but increasingly around the demands of the individual for psychological self-determination.

Another recent book, *The Future of Work*, by Thomas Malone, a management professor at MIT Sloan School of Management, argues that the corporate system needs to accommodate democratic principles for the same reasons that democracy became popularised in the nation state. He makes a case for a decentralised system of corporate management. If this is linked to collaborative, networked, systems of employment there are big opportunities to remove costs associated with the permanent job, including that of the highly paid chief executive who concentrates on empire building and deal making rather than value creation and the intrinsic operations of the business.

These systems can, and do, work: Prof Malone points to the textile industry near Prato in Italy where large company operations that once dominated the region proved unsustainable and broke apart. Today more than 15,000 companies, each averaging five employees, supply a market, aided by brokers. You might argue that the UK retailer, Selfridges, has become another form of collaboration - a house of brands in a branded high street box.

Vested interest and protectionism will be unsustainable in the future of work. Cross-border networked collaboration based on value, expertise and choice seem to be defining the future.

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