Just Around the Corner

The Paradox of the Jobless Recovery

Stanley Aronowitz

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PREFACE

IN THE EARLY 1990s William DiFazio and I coauthored a book called *The Jobless Future*. It represented the outcome of almost a decade of research and reflection about the consequences of the latest technological revolution for the U.S. economy, especially prospects for jobs. We visited industrial workplaces and institutions where the computer embodied the main means of material and knowledge production. We conducted a fairly large series of interviews and ethnographic observations of scientists as well as computer people, managers, and workers. We took these experiences seriously but also valued the theoretical and contemporary work of other researchers. In contrast to the prevailing common sense we insisted on the separation of the concepts of paid work and jobs. "Paid work" may be offered on a contingent, part-time, or temporary basis. This form of employment is almost commonplace in the retail sector but is increasingly being used by businesses that want maximum flexibility in hiring and firing qualified knowledge workers. In most contemporary universities, for example, adjuncts are hired on a semester basis and enjoy no assurance that they will return the next semester, or the next year. Similarly, many Microsoft contract employees have no benefits; while their pay is higher than those with Microsoft jobs, they are subject to termination when their contracts expire. Employees who have jobs, unlike paid workers, presume some assurance that unless business is slack, they stay on the payroll and have health insurance, paid holidays and vacations, and pension benefits.

We concluded that new technologies such as computer-mediated material production, information gathering and dissemination, and entertainment do not make work disappear, but that the prospects for jobs and job growth were dim. We predicted that computers and automation would enable fewer workers to produce more goods, so manufacturing jobs would steadily diminish in the absence of growth in the Gross Domestic Product beyond the historical annual average of less than 3 percent in material production and in knowledge. But our most controversial statement was that, on the basis of our analysis, professional, technical, and scientific labor would also be affected. Contrary to some who claimed that technological change invariably created more jobs than it destroyed, this era of technological transformation would reverse the historical trend; no less than production labor, knowledge work—done by computer programmers, systems analysts, technicians, and eventually engineers—would produce more but offer fewer job opportunities. In other words, the irony of knowledge production is that it displaced its own jobs as well as those of others. We saw the beginning of the well-known transformation of the full-time job with benefits and a degree of security to part-time, temporary, and contingent labor among the most highly qualified workers, including professors. And we noted that the globalization of production would have a lasting effect on the U.S. workplace.[1]

Throughout the late '90s our thesis was widely denied, even scorned, by celebrants of the "new economy." These soothsayers foresaw a recession-free economy for the era, albeit one that would witness the replacement of manufacturing with a generation of "symbolic analysts"—highly educated knowledge workers whose high salaries would more than compensate for the loss of well-paid union production jobs. Based on this claim, the steady two-decade bleeding of more than nine million production jobs in America's industrial heartland was virtually ignored, except in business pages. That the vaunted employment of financial-services personnel also suffered erosion in the midst of a stock-market surge escaped their notice. What they did see, and incessantly hyped, was the dot.com boom that, for the length of the decade, hired tens of thousands of computer people to develop and disseminate the new information technology of the Internet, the proliferation of the personal computer, and the conversion of many economic sectors—especially, but not exclusively, the wholesale and retail trades—to computer-based sales, accounting, bookkeeping, and industrial production.[2]

Needless to report, the 2000–2 recession and the accompanying, more profound dot.com bust sobered the wild and unsupported prognostications of the technophiles, even as thousands of small firms failed and tens of thousands of qualified computer professionals were laid off. But despite the evidence of a "recovery" without commensurate job growth, as the economy picked up in 2003–4 they resumed their mantra that we should remain calm, even as three million more industrial jobs disappeared. As I show in this book, they hold fast to the same neoliberal doctrine that dominates official government and business circles: the conventional wisdom that technological change produces more jobs than it destroys. In the current environment of sluggish job growth, we have seen some of the same experts rehearsing their now questionable arguments. Moreover, as I argue in Chapter Three, what the economists and many politicians count as jobs are of the contingent kind, so-called McJobs. But *Just around the Corner* does not rest content to debunk, disparage, and deconstruct. It offers reasons why we have arrived at a historic crossroads, and a program for addressing our chronic problems. Neither *The Jobless Future* nor this book takes the position of the technophobes. Although we show the dire consequences of technological displacement in a society with huge holes in its safety net, we forcefully argue that technology that eliminates the most physically brutal, mind-numbing and health-endangering forms of labor is a good thing, provided workers share the benefits of greater productivity, so that it is genuinely "labor saving" and not "labor destroying." And we insist that technological innovation be accompanied by a tight safety net. We insist on the imperative for creating jobs that expand our public goods. DiFazio and I proceeded from John Kenneth Galbraith's argument that public squalor amidst private wealth is unacceptable for a country as rich as ours. In an era of privatization and further gutting of our already enfeebled public goods, Galbraith's admonition is even more urgent today.[3] As I show in Chapter Six, if we can afford a half trillion dollars or more every year in military expenditures—whose job-creating impact has been diminished because of technological change—we can create millions of labor-intensive jobs to provide education, child-care, health, environmental, and public-recreational services. We can spend public money to encourage farmers to produce genuinely organic food, and we can provide comprehensive and exhaustive inspection of our seriously endangered food supply. We have the resources to develop alternative energy resources to oil and coal. Equally important, we need to openly acknowledge the limits of the concept of full employment in an evolving economic regime dominated by technoscience and, specifically, the limits of the concept of the full-time job. We suggest that workers in the new economy need shorter hours. On this shift we need to ask questions about the concentration of wealth and power.

I have tried to compress my analysis into a concise essay. Along the way I have accumulated some debts. Ellen Willis and my editor, Micah Kleit, read the entire manuscript and made detailed suggestions; Bill DiFazio's approbation was very important to me. And I want to thank my Labor and Social Theory Seminar in spring 2004 at CUNY Graduate Center for criticism, questions, and comments on some of these ideas.

CONTENTS

INTRODUCTION

RECESSION, Recovery, the market, profit taking, Dow Jones and NASDAQ averages, GDP, joblessness, factory orders, the Consumer Confidence Index. The phrases tumble out of television, radio, and newspaper reports like a waterfall. Many viewers, readers, and listeners often feel they are drowning in business jargon. What do these terms mean, and what does their movement signify for the economy, for our jobs, for our income? Most of us can make only vague sense of these abstractions, yet they are the fare of everyday news. Is the information conveyed by highly charged economic terms meant to shape our perceptions or to sharpen our understanding? Is the business news, as some critics charge, not about the specifics of the economy, but about selling the virtues of the prevailing economic system and reassuring the perplexed that all is well? How much do most of us really know about how the economy and finance really works? For example, when we learn from the newspaper, online Web sites, television, or radio business reports that the unemployment rate has "dipped" from 6 percent to 5.9 percent, the one-tenth of 1 percent drop is almost never translated into numbers. How many people does 6 percent represent? To answer this question one needs to know the size of the nonfarm labor force. Do the announcers supply this information? What does a tenth of a percent drop really signify in relation to broad trends? Aside from its effect on the laid-off worker, does the gain or loss of twelve thousand jobs mean all that much for a labor force of 120 million? Besides, if the tenth of a percent drop in the unemployment rate resulted from the withdrawal of workers from the labor force rather than from an increase in jobs, is it good for the economy, or for those still looking for work?

Conversely, suppose stocks lose value even if unemployment drops and there is more work for the jobless. When factory orders dip but the Dow gains, reporters and commentators often remark that the "market shrugged off" the bad news. But if the Dow lost some "points," the same commentators might attribute this event to the "disappointing" news about industrial activity. And what are we to make of the frequent relationship between layoffs announced by a firm and a dramatic jump in its stock price? Why do investors like a firm that proves to be a relentless cost cutter? If the Dow Jones Index rises coincident with the lowered jobless rate, is this movement a cause-effect relationship or might there be other factors that account for the rise? Will investors even discount the significance of employment gains if they fear inflation that might prompt rising interest rates?

Not so long ago business news was confined to the business pages, far from the purview of all but investors, economists, and professional managers. Today, newspapers like the *Wall Street Journal* and the *Financial Times*, a British business publication, are as likely to adorn the breakfast table as the local news daily. And to compete with the "trade" papers, national newspapers such as the *New York Times*, the *Washington Post*, and the *Los Angeles Times* have expanded their business sections. Mergers and acquisitions, bankruptcies, business scandals, and dramatic changes in stock quotations are as likely to land on their front pages as a presidential speech, political news, or gossip about the latest Hollywood or pop-music star. What has changed?

One explanation for the ubiquity of business news is that many Americans have become small investors. They have replaced savings accounts with stock portfolios. Millions of Americans now have equity in stocks and bonds and, for this reason, are likely to follow the business news carefully, at least the fate of the firms they have put their money on. With the expansion of private pensions, often in the form of mutual funds, Americans have suddenly discovered they have a "stake" in the system, let alone the stock-and-bond markets. The incentive to pay attention is increased because the money managers who control the mutual funds frequently offer individual accounts over which the member has some discretion among a limited menu of options.

For example, a college professor earning a relatively modest salary whose supplementary pension is tied up in one of the largest of these funds with several million subscribers, Teachers Insurance Annuity Association (TIAA), may have accumulated hundreds of thousands of dollars during the stock-market boom of the 1990s, if she chose to invest her money in relatively risky stocks rather than in the safer but less remunerative bonds and Treasury bills. She might have put some portion of her annuity account into real estate and "social" investments, and another percentage into the stock market. Since these programs are composed of funds contributed by both the subscriber and the institution that employs her, it is not unusual over twenty or thirty years for her to have achieved a retirement income, including Social Security, that exceeds her salary. During the peak of the boom, subscribers' supplementary retirement annuities were enough to prompt a good number to retire well before the age when they were eligible for Social Security benefits.

Lunchtime conversations in many workplace cafeterias revolve as much on the latest gyrations of the Dow or of a particular firm as they do on sports or campus gossip. If in the late 1990s some who had heavily invested in stocks gloated over their good fortune, in the past three years such conversations resembled a collective wailing wall as the Dow took a nosedive and, before it hit bottom in early 2003, lost a third of its price; reflecting the so-called dot.com bust, the NASDAQ—the main technology exchange—lost 60 percent. Some who had hoped for early retirement were forced to postpone their plans. A fifty-seven-year-old woman who had hoped to retire early now says she will never retire because she lost so much of her savings during the 2000–2002 bust. Others of retirement age clung to their jobs and transferred their depleted funds to safer bonds and treasury bills. A third group, which had bought houses and apartments that depended on the inflated investment prices or projected retirement income, were obliged to sell their real estate, sometimes at bargain prices.

Another reason for the expanded interest in business news is that in the 1970s, perhaps more than at any time since the post–Civil War era, the United States seemed to have entered a new Gilded Age. Once again, the "business of America is business." In the late nineteenth century industrial and financial tycoons were virtual folk heroes, presidents of the United States were considered by the voters as little more than servants of big business, and the two main political parties brazenly competed for favors from the high and the mighty—leaders of Wall Street and the steel and food trusts of Pittsburgh and Chicago. This is once more a time of overarching business dominance, not only of the mechanisms of political and economic power, but over the hearts and minds of a considerable portion of the American people.

Even as the gap between rich and poor widens, and journalists and academics analyze the "disappearance" of the middle class, Americans watch with awe and wonder as millions of the best working-class factory jobs evaporate and computer programmers and analysts vainly search for work after the collapse of the dot.com boom. But many of the system's victims forgive even when they don't forget, because they believe that one day they, too, shall reap the spoils of America's unparalleled wealth. Rather than rise up in anger, many have displayed infinite patience as they wait for that wonderful day to arrive. More to the point, if they have experienced bad fortune, they believe they have only themselves to blame, not their employers or the economic royalists who have made "business ethics" an arcane term.

That the CEO and other top officers of the Enron and WorldCom Corporations presided over the pillaging of employee-pension funds while drawing millions in salary and perks detains us not at all; even the workers who have watched their hard-earned pensions melt are mostly hoping for some restitution. Few have taken to the streets or to the media to protest; while there are court suits, most employees have prudently refrained from condemnation or from threatening massive legal action against the perpetrators. Laments like "the road not taken" and "if only I had listened" ring in the ears of the disappointed. The view that small investors should shun the stock market and put their money into safer, if less lucrative, bonds or Treasury bills is today termed foolish by investment counselors who promise their clientele that if they can hold out by absorbing sometimes daunting losses, the market will inevitably turn for the better. And, of course, this is little more than a truism. After two years in the doldrums, in summer 2003 the Dow began to climb once more—strengthened, according to some experts, by the faith of small investors. Many who took the heaviest losses in the 2000–3 recession and stock-market fall have become convinced that, despite the catastrophe, they have little choice but to reach for the fast buck, the main chance, and the part of the American dream that ignores the harsh reality: In broad terms, few of us will ever get rich or even accumulate a small fortune. For the awful truth is that "small" signifies that the investor has few, if any, resources to weather the troughs of market behavior.

In sum, in a culture that still celebrates the rags-to-riches myth, the stock market has become the middle-class lottery of choice, and the typical small investor has as much chance of making a genuine fortune as any player has of winning the lottery. The lottery bettor risks relatively little when he stands in line at the corner drug- or grocery store and buys a five-dollar ticket. The difference between the two is that millions have, intentionally or not, placed their pension money in the roller coaster we call the "market" in hopes that they get out with their nest egg intact before the inevitable crash.

Conventional economic wisdom took heavy blows in 2003.

By statistical measures—the growth in the production of goods and services in the domestic economy—government officials and corporate economists announced that America came out of a very short-lived recession in November 2001. According to the logic, economic growth eventually translates into more jobs. But from the perspective of job creation, official unemployment statistics seemed to belie the fact of recovery. Two years after government officials and private economists declared a turnaround, official joblessness hovered around 6 percent, or eight million unemployed. Somehow Americans did not believe the forecasters. "Even though the recession ended nearly two years ago," wrote *New York Times* reporter Steven Greenhouse on September 1, 2003, "polls are showing that American workers are feeling stressed and shaky this Labor Day." Citing the 2.7 million jobs lost over the previous three years—one million of them since the "recovery"—Greenhouse quotes a number of labor economists, one of whom says that "American workers are doing very badly." From where the workers stood in most regions, including the South, which had shrugged off previous recessions, jobs were hard to find. A staple of the regional economy, textiles, had for the past five years joined the exodus of many apparel jobs to Mexico and especially to China.[1]

The story of the migration of Huffy, the world's largest bicycle producer, tells an important part of the story. Five years ago, one thousand unionized Huffy workers put in their last day of work at the company's Celina, Ohio, plant after city and county officials failed in their bid to keep the company from pulling up stakes to move to nonunion Farmington, Missouri, where employees were paid $2.50 less an hour than Celina's $10.50 average wage. Still labor costs were too high, at least compared to Nuevo Laredo, Mexico, just across the Rio Grande from Texas, the company's next move. There, workers were paid half the wage of Farmington workers. Two years later the company "cut its ties to Mexico and began importing its bikes almost entirely from China, where workers earn less than 4 percent of what Huffy paid in Celina," or about forty cents an hour.[2]

Still, in his 2003 Labor Day appearance before what Greenhouse described as a "subdued" audience of skilled Ohio union workers, President George W. Bush insisted that the economy was getting better and worker productivity was rising, even as he acknowledged the apparent disconnect between the (weak) economic growth and rising unemployment. Moreover, unlike previous periods, during the more than two years of statistical recovery between fall 2001 and the end of 2003, jobs continued to disappear. Less than a week after Bush's speech the federal Department of Labor announced that although official joblessness had declined one-tenth of 1 percent in August, contrary to economic forecasts that predicted a modest rise of twenty thousand jobs for the month, the economy lost ninety-three thousand jobs.

How to explain the paradox of sluggish but upward growth of the Gross Domestic Product (GDP) and declining official unemployment amid job losses? Continuing a long-term trend, more than a hundred thousand workers left the labor force in September because they gave up their futile job search. So the total nonfarm labor force—defined by the Bureau of Labor Statistics as those who are working for wages and salaries or are actively looking for work—was smaller, and the percentage of workers seeking paid labor declined slightly. Once again the slippery statistical measures tend to conceal more than they reveal.

On December 6, *New York Times* business writer Louis Uchitelle reported:

> The nation's employers displayed an unexpected reluctance in November to hire more workers despite the improving economy and rising demand for what they sell.
>
> Several weeks of bullish economic reports raised expectations that hiring, at long last would break out of the doldrums. Corporate profits rose sharply in the third quarter. Construction spending is up. So are car sales, and consumer spending, after a brief dip, has picked up as well. Overall, the government estimate of economic growth in the third quarter was revised up by a full percentage point last week to 8.2 percent at an annual rate.
>
> But chief executives have held back on hiring, concerned that the third quarter surge would turn out to be an anomaly. . . . Forecasters surveyed by Blue Chip economic indicators agree with the executives: their consensus estimate of economic growth in the fourth quarter is 3.6 percent at an annual rate.
>
> "There is no question that company managers are trying to squeeze every ounce they can from the existing employees before they give in to hiring," said Nariman Bahravesh, chief economist at Global Insight, a data gathering and forecasting service.[3]