The Technology Revolution

The nature of work in the U.S. has changed. Social policies need to catch up.

By Rebecca McReynolds

Some economists are calling it “the jobless recovery.” The U.S. economy has returned to the same level of gross domestic production growth (GDP) that it enjoyed before the global financial crisis of 2008, but there are 7 million fewer workers generating that production. Andrew L. Stern, the Ronald O. Perelman Senior Fellow at Columbia University’s Richard Paul Richman Center for Business, Law, and Public Policy, calls it, “the third global economic revolution.”

Comparing today’s technological revolution to history’s agricultural and industrial revolutions, Stern posits that from this point forward, nothing in our economic cycles will ever be the same. The foundations supporting the creation of wealth and the systems for distributing that wealth through society have permanently shifted, leaving traditional U.S. blue-collar workers and even key levels of middle management behind.

The question now is, how will business leaders and policymakers respond to this new world order to better enable society to adjust from this new paradigm? To get that conversation rolling, Stern, former head of the Service Employees International Union (SEIU), and Carl T. Camden, President and Chief Executive Officer of Kelly Services, led a forum on “The Nature of Work in the U.S. Today and Tomorrow,” sponsored by the Richman Center. The experts offered new insight into the changing structure of work and its long-term implications.

“Good Jobs” Are History

Generations of Americans were raised on the promise that all they needed to succeed in the world was a “good job.” Work hard, stick with that employer through your entire career, and that employer would take care of you and your family for the rest of your life, with benefits, health care and a pension when you retire. “Today I will tell you there are no good jobs by your parents’ definition,” Camden says. “There is an abundance of good work to be done and good opportunity for us, but the social contract as defined in the post World War II is silly in this new world of work.”

In this new world of work, a rapidly growing percentage of jobs are now being filled by what Camden refers to as the “free-agent” worker. These free agents are typically contractors hired by outside firms such as Kelly to provide temporary staffing on an as-needed basis or freelancers who manage their own employment. In fact, these free agents now make up 60% of total labor at major global corporations, and 40% of the total U.S. workforce, Camden says.
Two key dynamics are driving this shift in how people work, Camden says. The first is a change in worker attitude. Younger workers coming into the job market are looking for more control over their own lives and their intellectual capital. Older workers who have put in their time on the corporate treadmill want to strike out on their own now that their kids are grown.

On the other end are corporations that need to remain flexible to keep up with the unprecedented rate of global economic change. Caught in the squeeze are the low-income, minimum-wage workers who don't have the skills or the resources to compete in the free-agent workforce. This group is being funneled into an ever-shrinking job market.

Camden estimates that for every highly educated worker who chooses the free-agent work style, there are one or two minimum wage workers who are being abused by it. They are working fewer hours for lower wages and without the benefits that previous generations of blue-collar workers enjoyed. “We still have a system in place in which there is still the expectation that the employer is going to take care of the workers,” he says.

That system, though, doesn’t recognize the current reality, and the government has been slow to replace the safety net protecting workers that employers once provided. “We have to craft social policy in a world where the relationship between work, job, and employer has been irrevocably broken,” Camden says.

**The Speed of Change is Accelerating**

Despite growing productivity and rising corporate profits, though, even demand for free-agent employees is shrinking at an alarming rate, Stern says. Exponential advances in technology over recent years has made humans obsolete in many once-secure job categories, he says, pointing to massive Amazon [AMZN: Nasdaq] warehouses that are completely manned by robots. “In the 21st Century, America has not created one new net job,” Stern says.

If Moore’s Law – the theory that computer-processing capabilities will double every two years – continues to hold true, more job categories will continue to move onto the endangered list. In fact, this is already happening in the mining sector, says Jesse Greene, a Senior Fellow at the Richman Center and moderator of this lecture. Mining companies are considering replacing standard ore trucks – those monoliths that move up to 400 tons of material around a site – with computer-driven trucks that don’t require drivers.

This trend can also be seen in the resurgence of the U.S. manufacturing industry, Camden says. As wages in developing markets and the cost of transportation continue to rise, more manufacturing is coming back to the United States. In fact, the country is close to setting a new record for manufacturing output, he says. At the same time, though, employment in that sector is shrinking. “We will never employ as many people in manufacturing as we once did,” Camden says.
Comparing the current technological revolution to the agriculture revolution, Camden explains that 100 years ago the agricultural sector employed 50% of the U.S. workforce. Today, U.S. farms are producing record amounts of food, but now only employ 4% of the labor market. “We tend to confuse success in a sector with employment,” he says.

As a result, the old economic model in which workers benefited from corporate growth through more jobs and higher wages no longer holds true. Today’s economic gains are flowing directly – and almost exclusively – to the owners of capital. “There is nothing insidious in this,” Stern says. “It’s just a hard reality.”

Unfortunately, it’s a reality that leaders have been slow to grasp, Stern says. “What is important to understand is that this is not a cyclical change. It’s not a momentary change. It’s not a bubble,” he says. “It’s the nature of how our economy will work going forward. This is a revolutionary moment.”

**Obsolete Policies Won’t Work**

That challenge going forward, then, is that none of the tools that governments have used in the past to moderate the impact of economic cycles will work in this new era, Stern says. He points to increasing calls for increased education spending to create a more technologically savvy workforce. The fact is that today’s college graduates can’t find jobs that they are qualified for, so they are now taking the jobs that high school graduates used to take. As a result, 48% of college graduates are underemployed.

Innovation isn't the answer, either, Stern says. While it was the key driver in job creations through the end of the last century, innovation is now eliminating those jobs. Stern points to Apple Inc. [AAPL: Nasdaq], arguably the most innovative company in the world with the largest market capitalization in history. Still, it employs only 43,000 people worldwide, generating $3 million in sales a year per employee. And most of those employees are only making around $11 an hour, Stern adds. “Innovation doesn't create jobs or wage growth,” he says.

This means that today’s leaders will need to search for new ways to keep the majority of today’s – and tomorrow’s – workers engaged in meaningful and productive employment. That can't happen, though, as long as leaders continue to look to the past for answers, Stern says. “The future is not a matter of chance, it’s a matter of choice, but if we are solving the wrong problem, we will make the wrong choices,” he cautions.