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The Vortex of Labor

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THE VORTEX OF LABOR:

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In September 2010 *The Chronicle of Higher Education* published a short survey about “What’s the Big Idea’ for the Coming Decade.” Camille Paglia said:

“Vanishing of jobs will plague the rest of this decade and more. Meaningful employment is no longer guaranteed to dutiful, studious members of the middle class in the Western world.”

Michael Gibbs responded:

“The American Middle class is on the verge of extinction. The cost of a middle class life – a home, healthcare, a college education – [is]... outpacing incomes.”

The decline of jobs that could sustain the middle classes looms large. In 2004 in the *Brookings Papers*, Martin Baily and Robert Lawrence asked “What Happened to the Great U.S. Job Machine”. The job recovery after 2001 was unusually weak, and would continue to be weak for the next six years in most advanced industrialized countries (AICs). Since 2004, it is becoming possible that “the jobless recovery” could be a permanent feature of Western economies despite the vagaries of the business cycle. It continues to drag down social mobility and quality of life. Even after apparent improvements in job growth, uneasy stagnation in labor markets will return to the AICs. Structural unemployment and futile job searches will become common. Meanwhile low paying jobs will expand in less developed countries, while wages and working conditions will play a slow catch-up game.

There are three complex factors that compose the “new global division of labor” that cause this structural unemployment in the advanced industrialized countries:

- (1) Globalization has increased outsourcing and more specifically off-shoring so that manufacturing jobs and increasingly white collar jobs are being moved to China and India. This first affected manufacturing, but it now even applies to high skill and well paid jobs like radiologists. It involves a massive change in direct foreign investment.
- (2) Lean production has moved swiftly throughout the manufacturing industries of the world, with the service industries (especially hospitals) following about a decade behind. Lean production reduces jobs but in many ways it may also increase jobs.
- (3) Advanced communication and automated technologies reduce jobs. The Web has reduced jobs in many industries (newspapers, magazines, retail sales, the postal service, travel, etc.) but it has also created many other jobs. The internet allows people to do information intensive jobs from anywhere in the world, so it aids off-shoring. Automation reduces jobs on assembly lines throughout the world, and creates a few jobs in designing and maintaining equipment.

These three forces destroy and create jobs in a maelstrom of confusing process, some of which seem to have little connection at all, but in actuality, are very much connected.

As corporations and states react to and shape globalization, lean production and the web; they will frame the current state of “work as people experience it.” Globalization will be viewed through the dual forces of outsourcing and the continued growth of unemployment in the developed economies, and low wage employment growth in the developing economies. Lean production is at the organizational level, and the web operates through the job market and in actually doing various jobs by individual workers. This project focuses on the employment futures of nations, and provides the reader with the sociological imagination to provide a bigger picture for workers concerning where they fit in the new and very complex international division of labor.

I. The Challenge: The challenge of conceptualizing this sometimes confusing vortex of labor comes in how these three forces interact at global, national, organizational and local levels. Thus, this project has three parts:

A. Downsizing, Investment and Outsourcing. The flow of jobs has gone from AICs with high wages and benefits to less developed countries with low wages and benefits (Table 1). In the AICs, international corporations and shareholders benefit because the corporations make increased profits as they move production and a certain amount of services out of the AICs. However, workers share little in the profits and tend to be laid off. They then have to look for lower paying jobs and they suffer much higher unemployment rates, and new workers suffer the most with great difficulties in finding jobs. The end result is a bifurcation of benefits: managers, investors and tenured professionals gain, while blue- and white-collar workers and new graduates lose.

Table 1. The Impact of Globalization on Jobs in Advanced and Developing Economies.

<u>Advanced Industrialized Countries</u>	<u>Less Developed countries</u>
A. Impact of Globalization and Outsourcing	
90% job losses mainly in manufacturing	10% job losses in agriculture
10% job gains in shipping, etc.	90% job gains in manufacturing
B. Due to Lean Production	
50% job losses throughout economy.	50% job losses due to leaner organizations
50% job gains due to larger market share.	50% job gains due to larger market share.
C. Due to the Web & Robotics	
30% job losses due to technology and web	20% job losses due to technology and web
70% job gains due to expansion of technology and robotics	80% job gains due to expansion of the web and robotics

B. Lean Production: Once referred to as the “The Machine that Changed the World,” lean production methods have revolutionized manufacturing and are in the early stages of changing services provision. However, some of the companies that pursue lean production do so with a strong emphasis on market expansion that replaces many of the jobs lost. Why do some companies follow this market expansion while others do not?

C. The Impact of Robotics and the Web: There are many different types of technological changes that impact upon employment. One important type is the internet and the web, which can destroy many service jobs in stores and creates other jobs with delivery companies and spawning a myriad of new web based stores. A second technology concerns robots and other automated machinery replacing workers. When jobs are replaced by machines whether robotic arms or programmed websites, how are new jobs produced? What different roles do corporations and the government play in this process.

D. Embedding the Vortex within National Models of Employment Creation. Every country has a different political and economic model of how to put outsourcing, lean production, and new technologies together in national institutions and policies toward investment and employment. While the three forces may constitute homogenizing forces, countries and groups of corporations still exert strong influence on economies to boost growth and employment. At this point, we can delineate three general models toward employment growth for the future in the AICs (and to some extent in the LDCs).

1. The AIC Profits Model focuses on short-term profits, which are rewarded by higher stock prices and dividends. The state is generally reluctant to intervene in the market.

2. *The LDC Market Share Model* has corporations and governments involved in a mutual plan of expanding market share. States promote corporate growth, and corporations become job machines. Toyota is a good example of a market share corporation.
3. *The Neo-Corporatist Model* has the state strongly involved in industrial policy, but firms pursue both profits and market share. The state may promote employment creation through active labor market policies.

II. Scientific Strategy: Research Design, Data and Analysis. The methods to study each of the three processes will include many different approaches. We provide one example for the three strategies listed below.

A. Strategy to Reveal the Impact of Globalization on Jobs in AICs and LDCs: This will involve a quantitative network analysis of investment flows and institutional supports/barriers in 87 countries based on OECD, World Bank, and IMF data. A pooled time-series and cross-sectional regression analysis of jobs created in each country will be done with a variety of independent variables. Network analysis of nations can also involve direct foreign investment and the changing size and nature of the labor force. This will need the development of process theories through case studies to show how outsourcing/offshoring occurs.

B. Strategy to Show the Impact of Lean Production in Manufacturing and Services.

Organizational analyses of the supply chains of firms and subcontractors using lean production would show where jobs are created and eliminated. This can be based on quantitative network analysis of growth or contraction of these systems of organizations. It would be important to identify the workings of lean production in national employment generating models (see I. D. above), especially with profits and market share.

C. Strategy to Uncover the Impact of New Technologies on Jobs: Global “consumption and employment chains” would show how products evolve as fewer and fewer workers are employed in making it, and at the same time, focus on how new products may produce replacement jobs. For instance, a “consumption-employment chain” that operates for movies would go from: (1) a theater to (2) Blockbuster video stores to (3) Netflix hand-operated mail order to (4) Netflix automated mail order to (5) direct streaming through home video. The relative levels of investment in production facilities and sales processes in each step would have implications for employment. Similar chains could be outlined for robotics and other forms of automation.

D. Embedding within the Vortex. The critical issue in this research is to not only analyze markets with a more complex institutional and sociological frame, but to relate diverse levels and entirely different types of investment and employment markets. The main markets are for investment and labor. Both types of markets exist at global, national, organizational, and local levels.



Developing the mixed methodologies to do this in the next ten years is a major challenge.

III. Recent Research Results & Standing Questions in the Field: The existing research in the social sciences does not as yet put these three issues together. The popular literature in all three areas points to how globalization, lean methods, and the web (less so for automation) can make your business or company tremendously successful. In the social sciences, each one of these areas is studied quite separately.

IV. Range of Contributing Disciplines: There is a broad array of disciplines that can contribute to an open approach to political economy: sociology, economics, political science, and business to name a few. Education and geography also have important contributions to make. A cross-disciplinary project like this requires that each discipline be more open than usual to the approaches of other disciplines. Economics and sociology generally have differing views on the market and the value of teamwork, but the strengths and limits of both social mechanisms are necessary. Projects in this area would require attention to a variety of social mechanisms, but at the same time, researchers need to develop rigorous theory and not devolve into mere description or empirical generalizations.

V. Implications for Future Research within and across Disciplines: The classical scholars from Adam Smith to Emile Durkheim were followed by institutionalist such as Joseph Schumpeter and Karl Polanyi.” New economic sociologists have engaged the complexity of markets and organizations. A newer economic approach focused on the social construction of markets has opened up with David Harvey’s time compression and flexible accumulation; Alex Preda’s information networks (*Information, Knowledge and Economic Life*, 2009); Michel Callon et al’s automation and informational technologies (*Market Devices*, 2009); and Donald MacKenzie’s social construction of performances and markets (*Material Markets*, 2009). They identify the changing nature of economy and society in a globalized world, and how these processes are socially constructed under structural constraints or opportunities.

The challenge of this three part approach is to put these diverse markets and social forces together in order to explain world levels of employment. It asks for the social construction of the vortex of diverse markets in their flow, performance, and interactive processes. It not only involves actors (corporations, states, labor unions, professional associations, and institutions with rules and regimes), but also the “instruments” and “interactions” of contemporary global networks and information technologies that accelerate near instantaneous flows across the globe. It requires a major effort of scientific synthesis.

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