

Real Estate Strategies

How Many Jobs Can The U. S. Lose?

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FREEDOM AND ECONOMIC OPPORTUNITY – PRIMARY COMPONENTS OF THE AMERICAN DREAM – ARE THREATENED BECAUSE FEDERAL POLICIES (AND THOSE OF MOST STATE GOVERNMENTS) ENCOURAGE JOB OUTSOURCING WHILE IGNORING THE REALITIES OF 21ST CENTURY POPULATION GROWTH.

These policies may lead us down the path of social instability and second-class nation status.

Let the numbers tell the story.

Since mid 2000 alone, the number of manufacturing jobs decreased by more than 3 million. In 1950, manufacturing accounted for 33.7 percent of all non-farm jobs in the U.S.; by 2000, the proportion had dropped to 14 percent.

Can the U.S. afford to lose this manufacturing base?

The loss of industrial jobs does not bode well for the American Dream, especially considering how global population growth impacts the world job market. The UN projects that world population, currently at six billion persons, will grow at 78 million annually and reach 9 billion by 2050.

Imagine 44% more cars on the road during your morning commute. The Census Bureau estimates that U.S. population will increase 404 million by 2050 and 275 million in 2000. The U.S. needs to make massive infrastructure investment in the near future, particularly on the outskirts of major cities.

The makeup of the U.S. population also is changing. Immigration now accounts for 40% population growth. And our aging native population is increasingly dependent on immigrant workers.

Until the recent recession, Congress allowed large numbers of HI-B visas for immigration of “knowledge workers,” mostly Asians, especially those from India. But as high-technology growth gets back on track, the high-tech industry in the U.S. will be increasingly dependent on immigrants.

The U.S. tends to attract immigrants at both extremes of the educational ladder. In addition to the highly educated, there is a large portion (37%) of immigrants that are high school dropouts, while the U.S. native-born population has a 14% dropout rate.

As economic opportunity and education systems continue to improve in places such as India and China, we will see a decrease in those highly educated immigrants. On the other hand, the number of immigrants with substantially lower skills will likely increase.

Two-thirds of the post high-school graduates in the world during the 1990s were in Asia. Graduate enrollment in

engineering in the U.S. is approximately 101,000, in India it is 291,000. Between 1985 and 1996, two-thirds of the growth in engineering and science Ph.D.s in U.S. universities were attributable to foreign students, many of whom returned to their native countries to become educators.

Many U.S., European, and Japanese companies are moving their R&D to China and India – national security considerations notwithstanding – to take advantage of a deep market of highly trained engineers and scientists who are willing to work for less. Cheaper labor will carry the day as U.S. dominance in technology and innovation diminishes.

How do we save the middle class and protect the American Dream?

We must recapture jobs lost to low-cost labor overseas. Overseas competition in manufacturing has been gradually lowering wages for low-skilled U.S. workers and decreasing opportunities for the middle class.

Congress and state governments must offer tax credits or other incentives to those companies willing to invest in technology and training to allow low-skilled U.S. workers to produce products at reasonable costs.

In many of the industries that have gone offshore to take advantage of low-cost labor, technology exists or can be developed to allow those products to be competitively produced in the USA.

Foreign labor costs of \$0.60 - \$2.00 per hour may not be completely offset by technology. When we add transportation costs, adapting product design, and inventory control, a highly automated U.S. facility can often offset some of the wage differential. Without government support, it is simpler to move manufacturing to low-cost labor countries like China, Vietnam or India.

Within 10 years, China will be the world leader in manufacturing, if it can maintain domestic political, social, and economic stability.

The U.S. needs to develop a Marshall Plan approach now to keep its remaining manufacturing base. While the U.S. cannot expect to recapture the jobs lost to offshore production, we can slow that process and even reverse it in some areas.

To reverse the out-migration of manufacturing jobs, state and federal governments must financing the re-tooling of American companies that find it difficult to compete with foreign competitors due to higher labor costs.

While the loss of some jobs to automation may be difficult it is better than losing jobs to offshore relocation. Thus, we can support international trade without sacrificing U.S. jobs.

We need to improve state and local existing economic development programs – many are weak, fluff legislation with little value. Most states provide considerably less assistance to companies already in their state, compared to those considering moving into the state, driving many companies from one state to another or offshore.

Our universities need to revisit their tendency to emphasize liberal arts over science education that is more costly and less profitable. The U.S. has lost its industrial dominance and is losing its technological dominance, which does not bode well for economic growth. Some universities in India have comparable, if not better, engineering programs than the best U.S. programs.

Our nation's strength comes from our middle class, which during the 20th Century, was anchored by a solid K-12

education system, and manufacturing that provided good wages and benefits. The U.S. middle class is being seriously eroded as our work force ages and is replaced by less educated immigrants who won't have the same stepping stone to the middle class once provided by manufacturing jobs.

The good news is that U.S. dominance in finance and biotech will grow. The U.S. will be the hospital to the world and plays an important role in genetic engineering, where R&D is necessary to feed billions of new people worldwide. We must recognize the trends of the new millennium and address them positively in order to maintain the American Dream.

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