

I wrote the substance of this article in 1999 for a Career Planning Class. The article was published in the "Personnel Association of Sonoma County (PASCO)" quarterly in 2005 with some modification. While the tax implications do not jump out and grab you, stand still long enough and they will.

CAREER ECONOMICS & THE REALITIES OF GLOBAL ECONOMY Faster, Better, Cheaper, Anywhere, Anytime & the Invisible Hand By Jack Geary, Vice President, Geary & Associates, Inc., Santa Rosa, CA

The convergence of the global economy and digital technology is certainly good news for the U.S. Economy. However, as the *Wall Street Journal* pointed out the "reality of the rapidly evolving American Economy has created turmoil for many workers-" and the WSJ was only referring to the declining blue-collar occupations. Most recently the turmoil has spread like the flu to small and large companies who hire highly skilled blue-collar workers. These changes in the economy substantially impact the taxpayer.

Part 1: New Rules for the Employee.

While the digital economy has solved the 'last mile problem' and vigorously penetrated the global economy with intended consequences, the convergence has introduced a new paradigm for the employee. The rules of the labor market have changed. Paul Saffo, *Institute for the Future and Stanford University School of Engineering*, recognized the change when he said "Digital technology is the solvent that is leaching the glue out of all our traditional institutions"

The new realities of the labor market will be especially harsh for the employee who fails to adapt. Here is a short list of the realities of the global economy and strategies that the employee can consider to mitigate the consequences.

- **"Anything that can be repeated will be repeated by an automatic machine – not by an employee."** Your mother may have told you to study hard, be successful in school - or you will be digging ditches the rest of your life! *Unfortunately*, today, you can't even get a job digging ditches – there are machines that dig ditches faster, better and cheaper than you can dig them!"
- **"Anything that can be repeated is being repeated by automatic machines – not by an employee!** Today, those ever super-sophisticated, computerized, high tech machines create higher productivity for every production job which is another way of saying, faster, better and cheaper"
- **Anything that can be digitized is available in real time, visually, in print, with sound anytime, anywhere.** Is your job function obsolete yet? If not, wait until 'convergence' fully penetrates the market!
- **Capital seeks out the highest yield and remains where it is welcomed**, according to Walter Wriston (1919-2005) former Chairman and CEO of Citycorp/Citybank. If Capital does not find the highest yield in your labor market area, it (capital) will go to another labor market (country) - and always does.

Hourglass Economy and the ‘Living Wage. Where and why capital moves to seek its highest level is at the root of what some people call the “hourglass” phenomenon referring to the gap between high wage and low wage workers, or the disappearing middle class. The remedies offered by the political spectrum for the “hourglass” economy are tightening the federal immigration policies and wage supports, such as, the AFL/CIO sponsored “living wage” ordinances.

Capital movement, however, would suggest public policies and tax codes that encourage companies located in the U.S. to compete head to head with foreign companies that employ symbolic-analysts- companies that deliver high value to investors and customers.

Disappearance of the Middle Class. Regarding the disappearance of the middle class, former labor secretary, Robert B. Reich in his book, *The Work of Nations* (1991), offers some insight. Reich said there are three primary types of jobs or functions:

1. low paying in-person service workers, e.g., housekeepers, which cannot be outsourced overseas;
2. routine production services, e.g., steel workers and electronic assemblers that were outsourced years ago; and
3. **symbolic-analysts** or problem solvers who manipulate data, symbols, and oral and visual representations.

Symbolic-analysts. Symbolic-analysts are highly paid and require above average skills. The services of the symbolic-analyst are traded worldwide and compete with foreign producers, e.g., computer programmers in India. The USA does not have a corner on the market for the symbolic-analyst employee. They exist in large numbers in foreign countries where their services can be purchased cheaper, and perhaps, better.

Reich also states, the rest of the workforce in the USA, which is sheltered from global competition, consists of government employees, schoolteachers and college professors, employees of highly regulated utilities, government financed workers such as civilian employees for high security defense weapons and health care workers, including physicians.

What does it all mean for the smart career-minded employee? One could reasonably conclude that the employee in the USA is a target for elimination- an endangered species. What can the ambitious employee do to succeed in the global economy? Consider the following strategies:

- **Build Portable Skills.** A smart career-minded employee responds to the realities noted above by being able to articulate their skills to a new job or employer, keeping marketable skills up to date, constantly seeking new avenues for their skills and using practical intelligence or innovation.

The employee must be constantly vigilant- he/she cannot expect to **park** at the particular company or become a member of the overeducated but permanently poor class that wears their poverty like a badge. *Employees who fail to understand this become ‘job beggars’ who are forever leashed to the local one stop job center or other intermediary.*

- **Education and training are both vita.** However, education is only a partial solution. Education needs to provide the foundation of knowledge and analytic and language skills to function intelligently in the community. *Job content skill training, however, is essential to build on the foundation of education to acquire skills that companies need today.*
- **Negotiate Portable Fringe Benefits.** The employee can no longer tie his/her benefits to a particular company. *Portability must become the standard- portable medical insurance, life insurance, employee housing, company stock or a retirement investment program.*
- **Change Employers.** A smart employee responds to the environment intelligently by being prepared to make tough decisions. If the employee is not receiving sufficient earnings at their current job, quit the job and look for employment elsewhere. Companies are not family and the manager is not your mother. The employee needs to move-on when he/she has exhausted what they can learn from an employer! I remember vividly my freshman-engineering instructor opining that when we have learned as much as we can from a company, move on to a new company to learn something new. *Do not whine for more benefits. Preoccupation with dream job or employer may turn in to a nightmare.*
- **Consider careers where you function as a ‘symbolic-analytic,’ if you can!** Not every employee has the IQ to function as a symbolic-analytic. The symbolic-analytic is capable of abstracting to solves, identifies and brokers problems. *Occupations that involve routine productive services and occupations providing in-person services are more likely to be outsourced or pay low wages.*
- **Take advantage of capital gains, compound interest and leveraged-time.** The smart employee will become a business owner and build wealth by investing capital in your own business to diversify and supplement income from the job. *Build wealth through leveraged-time, compound interest, and capital gains- the tools of the invisible hand to reach economic security or “critical mass,” according to financial consultant, Bob Brinker (moneytalk.com). Look for business vehicles with low capitalization and no employees. Always seek opportunities of develop wealth through capital gains.*
- **Do not procrastinate!** The employee can avoid placement on the endangered species list by adapting to the changing labor market conditions brought on by the global economy. When you are not moving forward, you do not stop moving, but fall behind – much like a swimmer in a stream who stops swimming.

Time lost is not recoverable for compound interest is incompatible with interruptions and procrastination. A smart employee focuses on maximizing the 'earning yield' in a defined calendar period.

- **Seek out smart companies that pay attention to earning the highest yield and customer value.** Many companies are not aware of the realities of the global economy. *These companies are on their way out of business, however, the equity owners and managers just do not know it.*
- **Plan to leave your job before you begin.** Always stay three steps ahead of your company and economic developments. Join an organization and maintain a reading program to keep up to date with what is going on in your industry or professional field. It is vital to develop skills and expertise that are independent of your employer. Evaluate what your skills are worth in the market about twice per year.

As a rule, you are worth what you are paid and you are paid what you are worth. If you are a teacher and expect the pay of an electrician, quit, and apply for a job as an electrician.

- **Seek out smart well-managed companies.** Finally, select smart well-managed companies to enhance your career development. *First rate companies and managers produce first-rate employees and second-rate companies and managers produce third-rate employees.*

Tennessee Ernie Ford in *Sixteen Tons* (1956) put it best for the employee who ignores the realities: *"You load sixteen tons; what do you get; another day older and deeper in debt; Saint Peter don't you call me 'cause I can't go; I owe my soul to the company store."*

Today, the company store has been outsourced to the "plastic card," compounding interest on interest owed, and converting equity to collateralized debt.

Failure to act intelligently in the global economy pulls the trigger that starts the rat race.

More Realities

- **Companies hire managers to increase value for investors by paying attention to employee productivity, customer value and reducing overhead, especially transaction and labor costs.** Indirect and direct labor costs are major components of overhead. Therefore, the responsibility of smart managers is to increase value for the equity owners by reducing the number of employees while increasing productivity. *The ‘invisible hand’ eventually sweeps away companies and managers that ignore this responsibility.*
- **Anything that can be digitized will be digitized and then outsourced overseas- which is another way of saying- cheaper!**
A radiologist in India may read your next X-ray image and the receptionist in Ireland may schedule the appointment with your physician or code and submit the bill. *Whether it is automatic machines or digital technology here at home or cheap labor overseas, it is still – faster, better and cheaper.*
- **Companies form to produce a product or service- not to hire employees.**
A job is not a long-term parking lot, civil right or an entitlement. Employee compensation is an internal matter between management and the employee, not the city council, e.g., living wage ordinances. Notwithstanding state and federal minimum wage laws, local city and county elected officials acting on behalf of the taxpayer should encourage capital formation locally and retain options and flexibility in managing the operating budget by avoiding wage controls ordinances.

Likewise, civic and business groups should avoid tinkering with the relationship between management and the employee as well. Rather than focus on attracting the high earning employee, civic and business groups should focus their ‘revitalization’ programs on lowering taxes and attracting companies (capital) that promote investor and customer value.

Faster, Better, Cheaper and the search for the maximum investment yield, in my opinion, are the fundamental realities of the global economy that puzzles a socialist and frustrate government and/or-management policies that seek to outlaw or ignore this reality. Many companies have not adapted to the realities noted above.

For instance, John Sullivan, professor of management at San Francisco State University, reports that in the “age old battle between capitalism and socialism, capitalism won, but the actions of many human relations departments come across like socialist actions rather than capitalistic ones.”

He argues that, “the human resource profession is preoccupied with misguided beliefs that don’t square with economic and business principles.” He offers examples, such as the disproportionate amount of time to fix poor performers, advocating equal pay rather than differential pay and arguing for seniority vs. relevant and recent performance.