

Three Logics of Job Creation in Capitalist economies

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I. Introduction

In the world in which we happen to live, most income-generating jobs in developed capitalist countries occur within private, profit-maximizing firms operating within markets. Given this kind of employment structure, the quantity and quality of jobs depend mainly on things which affect the actions of private capitalist firms. It is therefore not surprising that when people discuss the *future* of work they mainly focus on trying to figure out the dynamics and trajectory of market processes that impact on the strategies and choices of capitalist firms.

This is the background context for most analyses of globalization and work. When people talk about “jobs leaving the country” what they mainly mean is that because of the increasingly global character of market processes, the corporations that create jobs within the private capitalist economy are eliminating jobs in one country and creating jobs in another. Sometimes this takes the form of direct transfers: GM closes a plant in Michigan and builds one in Mexico. Other times this is the result of global competition in which employment declines in one place and increases in another as different firms contract and expand in response to global market pressures. In any case, within this way of looking at the problem, the future of work in a globalized capitalist economy depends mainly upon the incentives and constraints capitalist firms face for creating and eliminating different kinds of jobs in different parts of the global economy.

In this talk I want to challenge this line of thinking, not by arguing that globalization and markets are empirically unimportant, but rather by questioning the assumption that the problem of the future of work can be adequately understood by assuming that capitalist firms must necessarily be the overwhelmingly most important source of job creation. Specifically I will argue that income-generating work is created through three principle processes: *market-generated employment* organized by privately owned firms; *state organized public employment*; and what I will call *social-economy employment*. Now, it may well be empirically the case the most income-generating jobs in the developed world today are organized by private capitalist firms. And it may also be the case that it is a reasonable prediction – given the existing political and ideological forces in play – that private capitalist firms will remain for the foreseeable future the central locus of job creation and transformation, certainly in the United States. Nevertheless, this is not the inevitable playing out of some law of nature, but the result of the configurations of power and ideologies that shape the way resources are allocated to these three processes of job creation. We live in a world in which capitalist forms of job creation are indeed dominant, but another world is possible. Exploring such possibility is the focus of my comments here.

Why should this be a matter of concern? From a normative point of view, we would like a world in which the jobs that are created provide meaningful and interesting work and a decent standard of living for the people in those jobs, and positive externalities for the wider society. Profit-maximizing capitalist firms, especially when operating within globalized markets, under-produce these kinds of jobs. If we wish to improve the quality of jobs available to most people in developed capitalist economies,

therefore, we can either attempt to influence the kinds of jobs generated by capitalist firms – either by changing their incentives or by imposing constraints on their strategies – or we can attempt to generate jobs outside of the ordinary processes of capitalist markets. In this presentation I will focus on the second of these strategies.

In what follows, I will begin by very briefly providing an empirical sketch of the changes in the patterns of job growth since the 1960s in the United States. This trajectory has occurred in a context where job creation has overwhelmingly taken place within market-oriented capitalist firms. I will then argue that if we want to break with this pattern in the future it is essential that we rely less on capitalist markets to generate new jobs and instead devote more of society's resources towards creating public sector jobs and social economy jobs.

II. Transformations of the U.S. Job Structure, 1963-2007

It would be nice to chart the trajectory of the job structure over time in terms of a full range of measures of the quality of work: pay and benefits, job security, meaningfulness of the work, social externalities, and so on. This is simply not possible. What I will do is considerably more limited, but still informative. I will present a series of graphs which indicate how the patterns of job growth over time have changed in terms of the earnings associated with different kinds of work. Without going into the technical details of this analysis, here is the basic strategy: I constructed a matrix of detailed occupations by economic sectors. The cells in this matrix define different *types of jobs*. A truck driver in the medical services sector would be an example. The number of categories varied for different periods because of coding changes in the CPS, but for the 1990s this was a matrix of 103 occupation-types by 23 sectors, yielding about 2300 types of jobs. I then calculated the median hourly earnings within each of these job-types, and rank-ordered the jobs from the highest to the lowest median. This list was then aggregated into what I will call “job-quality quintiles” on the basis of the number of people in these job-types: the top quintile thus represents the 20% of the employed labor force in the best paying types of jobs, the bottom quintile represents the 20% of the employed labor force in the worst paying types of jobs, and so on. Our task, then, is to examine the patterns of job growth or decline across these quintiles for different periods of economic expansion and contraction. This is different from simply looking at changes over time in income distribution or earnings distribution across *persons*. Here we are looking at the way the distribution of *types of jobs* change over time, where we are indexing job-types by one salient characteristic: the amount of earnings they typically generate.

Since the end of World War II the two most sustained periods of job expansion in the United States occurred in the 1960s and the 1990s. The pattern of job growth in these two periods, however, was dramatically different:

[Figure 1] This graph presents the net change in the number of jobs in each job quality quintile in the 1960s and the 1990s. As this figure indicates, in the 1960s, there was very strong growth of jobs in the middle of the employment structure and very small growth at the bottom. In the 1990s the pattern of job growth is polarized: weak growth in the middle and strong growth of jobs at the tails.

[Figure 2] This pattern of the 1990s has continued in the relatively weak job expansion since 2002, and can also be seen in the periods of job contraction since 1990.

It is a complex task to explain this change in the patterns of job creation and job destruction, and I do not have time here to systematically explore alternative arguments. Let me just note three prominent things:

[Figure 3] First, in the 1960s, the growth of jobs in the manufacturing sector, especially durable manufacturing, contributed substantially to both overall job growth and job growth in the middle of the employment structure, whereas in the 1990s this was not the case.

[Figure 4] Second, in the 1990s growth of jobs in retail trade contributed substantially to job growth at the bottom of the employment structure, whereas in the 1960s growth of jobs in this sector contributed to growth in the middle as well as the bottom quintile of jobs.

[Figure 5] And third, in the 1990s growth of jobs in what can be called the “high tech domain” – basically all jobs regardless of occupation in high tech sectors, and all high tech occupations regardless of sector – contributed very substantially to job growth at the top of the employment structure. A comparable figure for the 1960s isn’t available.

III. Alternative logics for creation of jobs

These are the empirical patterns of transformation of the distribution of jobs in recent decades. One obvious – and familiar – interpretation of these trends is that we are moving rapidly to a knowledge economy in which good jobs will require high cognitive skills, knowledge, and creativity. In the past good jobs in the middle of the employment structure were created by manufacturing firms requiring skilled manual labor, but this is not where the growth of good jobs is likely to occur in the future. Because of the character of international competition in a globalized economy, the comparative advantage of low wage countries means that manufacturing will never again provide masses of middle-income jobs in advanced capitalist countries. If, therefore, we now have an employment structure which is increasingly polarized between well-paid highly creative, knowledge-centered jobs in the high tech domain and poorly-paid service sector jobs, what we need to do is provide more education and human capital to upgrade the labor force. Change the supply characteristics of labor, the argument goes, and capitalist firms will generate the jobs that require such skills and knowledge.

An alternative view is this: While improved education and training would of course be a good thing, the fundamental problem generating economic polarization and an absence of growth of good jobs in the middle of the American job structure is the over-reliance on private profit-maximizing market decisions by capitalist firms to create jobs. There are a number of reasons why it is not plausible that simply improving education and training for workers seeking jobs created by profit-maximizing firms will generate good quality jobs for most people and eliminate employment polarization. Increasing the supply of highly educated people is just as likely to increase the competitiveness within labor markets for jobs that require high levels of education as it is to generate a commensurate expansion of such jobs. Profit-maximizing capitalist firms

have no direct incentive to create well-paying jobs for highly educated people unless there is an expanding market demand for the goods and services those firms produce. How many new jobs are created thus depends on the nature of the demand for the products and services that are produced by the firms that would potentially hire highly educated workers, not simply on the labor market conditions the firms face. Particularly when the markets for the products and services are global and the expansion of highly educated workers is also occurring globally, there is no reason to suppose that the trajectory of demand will be such as to generate jobs commensurate with increasing education in economically developed countries. Furthermore, quite apart from the problem of disjunctures between the supply of educated workers and the creation of jobs for those workers, not everyone has the dispositions or underlying cognitive talents for the high levels of academic training needed to become effective knowledge producers. *If* it is the case, because of technological change and global market processes, that the good jobs created by capitalist firms in the future will almost entirely go to highly educated knowledge workers, then a large number of people, perhaps the majority, will simply not have access to good jobs.

This scenario, of course, depends on the assumption that the only relevant source of income-generating employment is market-dependent capitalist firms. This is simply not the case. Two other sources of income-generating jobs are potentially important: the state economy and the social economy.

The first of these is familiar. Even in the United States, the developed capitalist country with among the lowest levels of public employment roughly 16% of jobs are provided by Federal, state and local governments, and if you add to this jobs that are directly the result of state contracting to private firms, then the figure is over 25%. Unlike in the capitalist economy, the character of these jobs is not dictated by profit-maximizing criteria and market logics, but by political and normative considerations. When states decide to create jobs they have considerable economic latitude in deciding the pay scales, requirements, working conditions and other attributes that distinguish good jobs from bad jobs. Of course the expansion of public sector employment is *constrained* by market processes. This is one of the hallmarks of the state in a capitalist society: revenues to pay for state employment come from taxation of various forms of income generated mainly in the market economy. This is only a constraint, however, and does not determine some strict level of employment let alone the character of that employment. In these terms the level of public sector employment in the United States is clearly far below the carrying capacity of the US capitalist economy since taxation as a proportion of GDP is so much lower in the US than in nearly all comparable economies. [Figure 6] The statistics in this figure are familiar: in the US total taxation comes to only about 27% of GDP, compared to an average of nearly 40% for the Western European countries in the EU and over 50% for Sweden. These other countries are at least as constrained by globalization and market processes as is the United States, yet they are able to allocate a much higher proportion of nationally generated income to public purposes and public employment. If we want to expand good jobs in the middle of the employment structure to reverse the polarizing trends of the last two decades, expanding the public sector is one feasible way of doing this. The constraint is not economic, but political and ideological.

The second form of income-generating employment is less familiar to most people: the social economy. This term is used in a variety of different ways to describe a range of economic activities that are organized neither by capitalist firms nor by states. Nonprofit organizations and NGOs are often included in this category. Certain kinds of worker and consumer cooperatives are also often included. Most broadly I define the social economy as economic activity oriented towards the provision of needs, rather than profits, and organized through some kind of voluntary association rather than directly by the state. The social economy may be facilitated by a range of state policies and subsidies, but the activities within the social economy are not themselves run by the state.

It is difficult to get estimates of the size of social economy employment, but if we restrict our attention to nonprofit and charitable organizations, then in the United States in 2004 about 7.5% of the labor force was employed in such organizations. While such organizations do operate within budget constraints, like public sector employment they are less constrained than profit-maximizing capitalist firms in the nature of the jobs and employment conditions which they create.

A particularly vibrant example of the social economy as a source of significant job creation exists in Quebec in the provision of eldercare and childcare services. The Province of Quebec has organized a system in which cooperatives provide childcare at \$7/day and in-home eldercare services at a low sliding scale. These cooperatives then receive government subsidies to enable the members of the cooperative to earn an adequate standard of living. The condition for the subsidy is that the enterprises be organized as not for profit cooperatives, thus excluding capitalist firms. Capitalist firms are free to provide childcare and eldercare services, but since they lack the subsidies it is impossible for them to do so at the low cost of the cooperatives. The cooperatives are thus shielded from capitalist market competition and are able to generate significant numbers meaningful and interesting jobs, rooted in communities, serving an important social need. As of early 2008, over 40,000 people were employed in the Quebec childcare cooperatives and roughly 8,000 in eldercare cooperatives.

There is enormous potential to expand good and interesting jobs in the social economy. One public policy proposal which would greatly facilitate this, but which would certainly be very controversial, would be to institute an unconditional basic income. Here's the argument: An unconditional basic income is a transformation of the basic rules of income distribution in which the state gives each legal resident in a country a monthly stipend sufficient to live above the poverty line – what could be called the respectable no frills standard of living. The grant is unconditional and universal: it is given as a right to everyone, rich and poor, without conditions. In terms of the social economy what this means is that people could join freely together to engage in a wide variety of social economy activities without having to generate their basic standard of living through the activity. The social economy is a particularly conducive context for the creation of meaningful and interesting work; it is much less effective in generating work with adequate earnings. An unconditional basic income would significantly reduce this problem. Consider, for example, the performing arts. Much performing arts is produced within the social economy by not-for-profit organizations. One of the biggest obstacles to the expansion of performing arts such organizations face is the difficulty of providing an adequate standard of living through conventional labor market mechanisms

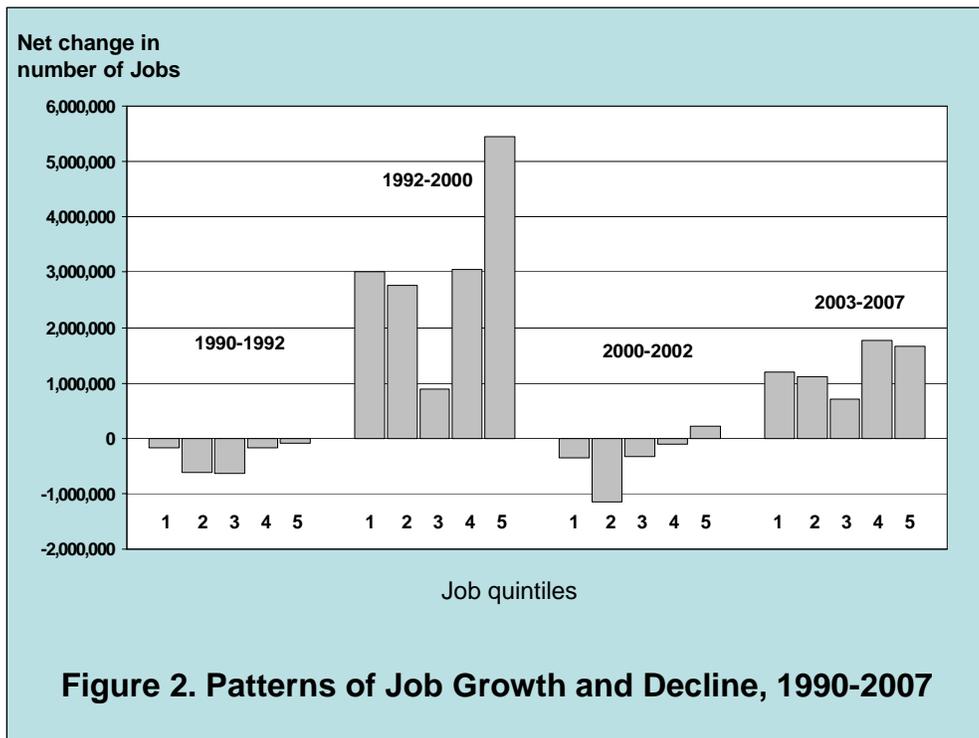
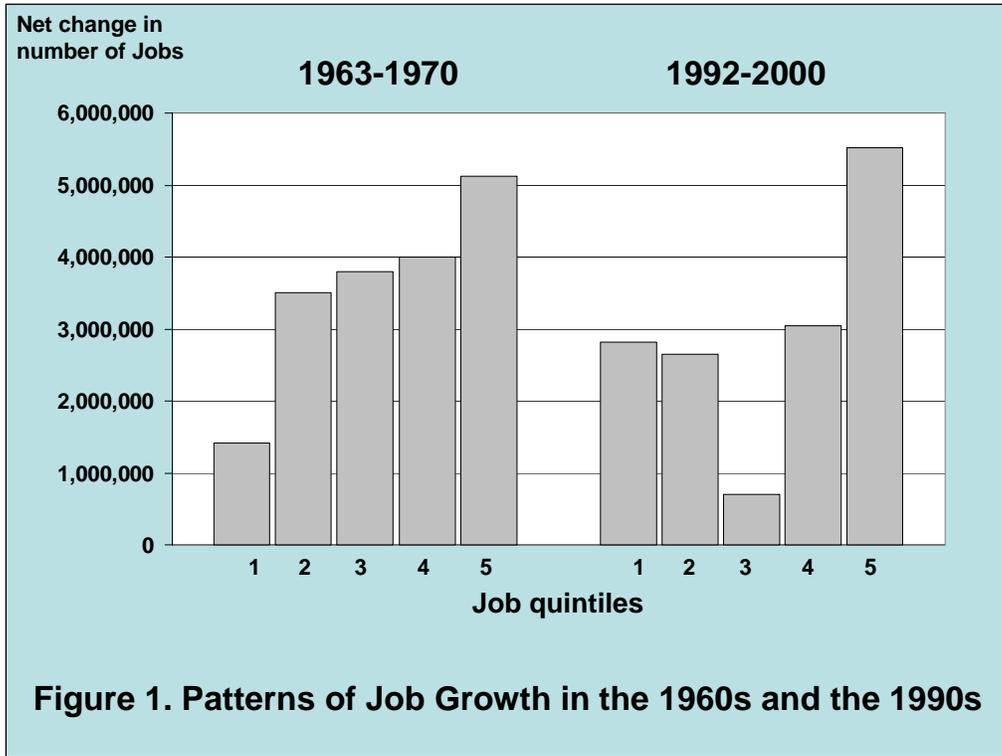
for actors, dancers, musicians, and others. With an unconditional basic income it would be much easier for performing arts organizations in the social economy to create such jobs. More generally, by partially delinking income from employment earnings, voluntary associations of all sorts would be able to create a wide variety of new forms of meaningful work that would provide, in conjunction with the unconditional basic income, an adequate standard of living.

Of course there is much debate about whether or not an unconditional basic income is economically feasible. It would require a significant increase in taxation to fund a generous basic income and it would certainly have all sorts of dynamic effects on labor markets and other aspects of the economy. As in the case of state employment, however, I believe that the obstacles are much more political and ideological than economic. If the United States can afford to spend over a trillion dollars on the War in Iraq and still have such low levels of aggregate taxation it could – if there was a political will to do so – afford to provide a universal unconditional basic income.

IV Conclusion

The distribution of the kinds of jobs generated in the American economy today is affected by many different processes: technological change, government policy, immigration, the decline of unions, and many other things. The globalization of capitalist markets and the new forms of competitive market pressures this generates is certainly one of the important forces shaping work. Conventionally these forces are seen as shaping the nature of work primarily through the ways in which they affect the strategies and choices of capitalist firms: it is firms that respond to global competition, that adopt new technologies, that bargain over working conditions with unions, that close plants and move jobs to other places. As a positive claim about how things work *under existing rules of the game*, this view is broadly correct. But as a claim about the range of possibilities for the future transformation of work and the quality of jobs available to people, it is inadequate, for the rules of the game themselves can be transformed and open up possibilities for new worlds of work.

FIGURES



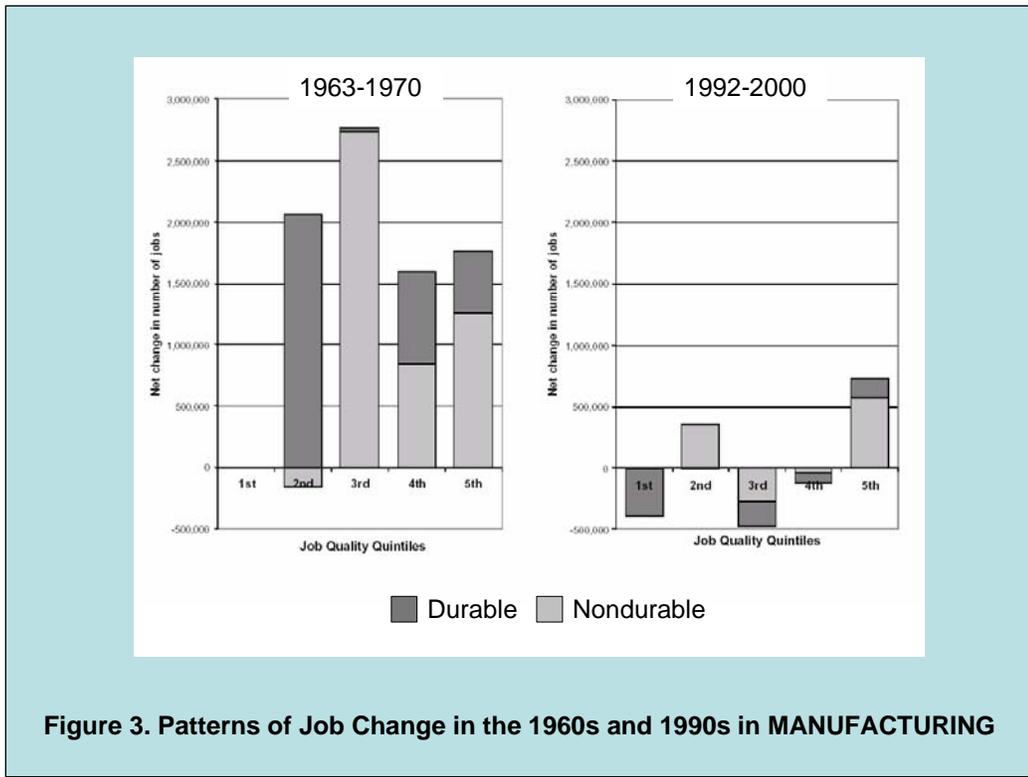


Figure 3. Patterns of Job Change in the 1960s and 1990s in MANUFACTURING

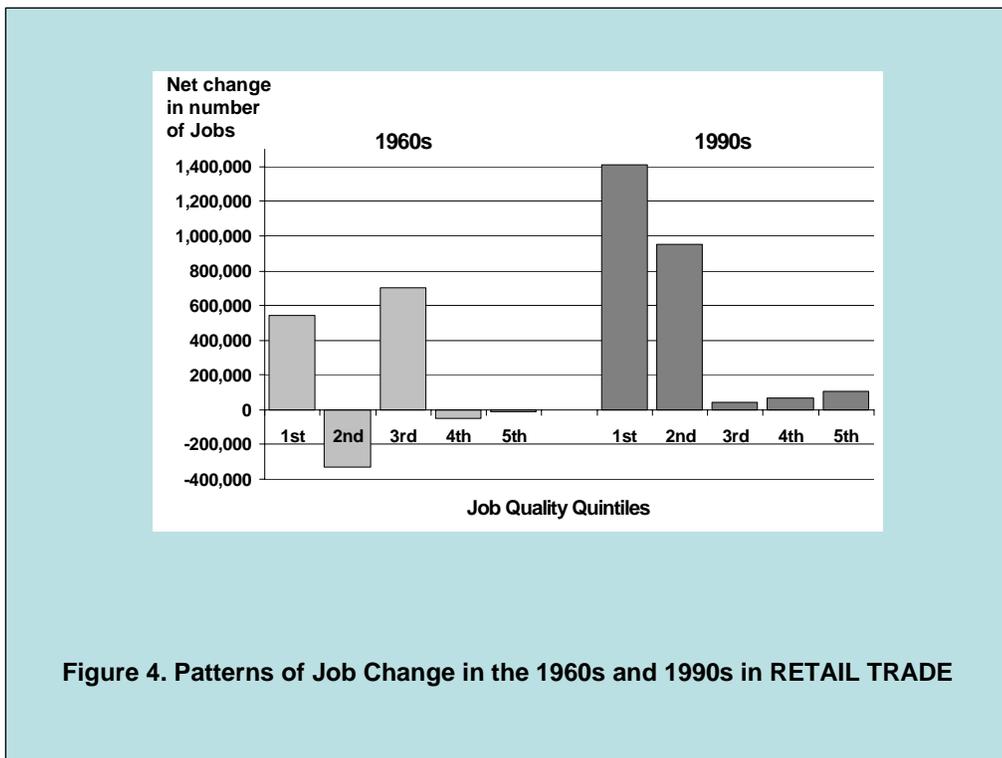


Figure 4. Patterns of Job Change in the 1960s and 1990s in RETAIL TRADE

