

What Geeks
Say About Suits

A Conversation
With Sandy Weill

Cultural Sensitivity:
How Much Is Hokum?

THE CONFERENCE BOARD **review**

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We've studied
older workers
to death.

How come we know
so little
about them?

In 1985, America's three biggest employers were General Motors, Sears, and IBM, employing 1.6 million people. Two decades later—prior to the Sears/Kmart merger—these twentieth-century icons of capitalism had shed nearly half their workers, employing only 900,000. As dramatic as this sounds, it's just the tip of the iceberg. America has lost some 30 million jobs to downsizing and outsourcing over the past twenty years. Of course, the economy has also created new jobs during this time, but what kind of jobs are they? Today, the

in America, the drumbeat of layoffs continues. A sampling of recent announcements of employee cutbacks is not encouraging: 10,500 workers at Intel, 4,500 at Whirlpool, 25,000 jobs and fourteen plants at Ford, 10,000 at Kodak (on top of the 12,000 eliminated two years ago), 2,700 at Heinz, 5,000 at AOL, 15,000 at Hewlett-Packard, 4,000 at Sun Microsystems . . . right on down to the one hundred newsroom personnel (20 percent of the total staff) at *The Dallas Morning News*. And oh yes, GM recently announced that another 30,000 jobs and ten

finger-pointing about the evils of downsizing, but they haven't actually offered much in the way of short-term, practical solutions. Instead, the two most common remedies they bat around are the retraining of displaced workers or enacting laws that would turn back the clock on sixty years of international trade treaties and policies.

Arguing the latter is *New York Times* economics writer Louis Uchitelle. In reviewing his recent book *The Disposable American*, *BusinessWeek* diplomatically demurred: "He describes the problems, es-

The Upside of Being Downsized

BY LARRY FARRELL



Transforming corporate castoffs into go-getters.

country's three largest employers are Wal-Mart with 1.8 million employees, McDonald's with 447,000, and UPS with 407,000. These are also great companies, but at least symbolically, being the leading discount retailer, flipping the most hamburgers, and delivering the most packages doesn't quite seem as strong a foundation for the world's largest economy as producing the most cars, manufacturing and servicing the most computers, and becoming the retailer of record by making, selling, and servicing your own high-quality brands such as Kenmore, Craftsman, and DieHard.

Whatever these galactic employment shifts may imply for the future of work

more plants are now on the chopping block. But job shrinkage is not limited to financial losers. Even at General Electric, arguably America's most successful company over the same twenty-year period, employment has dipped by 23,000 jobs. At least on the surface, it would seem that the average American worker has not been in such a vulnerable economic state since the Great Depression.

So where have all the good jobs gone, and what is the average American worker, with kids to feed and a mortgage to pay, supposed to do? Unfortunately, no one has come up with a good answer. To be sure, politicians, economists, and pundits have done a lot of hand-wringing and

especially the psychological fallout, so well that one yearns for more innovative solutions. But his prescriptions differ little from those backed by progressives since at least the 1930s." Then there is Byron Dorgan, the U.S. Senate's in-house expert on the horrors of downsizing and outsourcing. The final chapter of his otherwise-compelling book *Take This Job and Ship It* has an eleven-point wish list of what Big Government should do about fixing the problem, including such super-macro ideas as "Develop an American Fair Trade Plan," "Encourage stronger labor unions," "Put the brakes on outsourced pollution," and "Set a ceiling on trade deficits."

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Regardless of the possible virtues of big-picture remedies proffered by Uchitelle and Dorgan, two immediate problems emerge: First, the odds of any of this pie-in-the-sky rhetoric becoming law, thereby slamming the door on globalization, are nil. And if any of it ever does become the law of the land, it certainly won't be in time to help America's burgeoning body of downsized workers. Remember, we're talking about families that have to buy food and pay their mortgages *now*. They can't wait for another decade of congressional hearings to figure out whether NAFTA was a good or bad trade treaty.

In the meantime, the option of retraining displaced workers—for jobs that are never returning to America—is simply a total waste of time and money. On this point, even Uchitelle and Dorgan agree. “You’re going to re-train an engineer who is now going to compete with an engineer from Bangalore that can work at one-fifth the cost?” Dorgan asks. “How does more education solve that?” Uchitelle simply calls it “re-training laid-off workers for jobs that don’t exist.” Amazingly, the federal government continues to spend about \$7 billion a year on retraining workers who’ve lost jobs due to outsourcing and downsizing. Most of the training offered to the highly skilled and experienced workers appears to be humiliating nonsense. It really comes down to a bunch of federal-government bureaucrats throwing billions at state-government bureaucrats, who then partner with local corporate bureaucrats, who finally engage corporate trainers to put on the retraining show, which is full of such useful things as job-aptitude tests, personality evaluations, and résumé writing. All the way down the system, there’s not a single thought or suggestion about the possibility of becoming a self-employed entrepreneur. Rather, the mantra at every level is: “Where in the hell can these poor souls find a similar job at a similar company to the one that just axed them?”

The results of such retraining efforts are as dismal as you would expect. In Uchitelle’s case study of the closing of

The results of most retraining efforts are as dismal as you would expect.

the large United Airlines maintenance facility near Indianapolis, eight hundred well-paid, highly skilled, and very motivated aircraft mechanics went through the government-funded retraining program. A full year later, just 185 of these “graduates” had found jobs, with only fifteen of them at their previous United pay level. The only thing this mess in Indiana demonstrates is that we don’t need more job *training*—we need more job *creation*. So with results like these, once again we have to ask: What are America’s downsized and outsourced workers supposed to do?

Here’s the entrepreneurial answer. After twenty-three years of researching and teaching entrepreneurship around the world, the single most important thing I’ve learned is that the entrepreneurial spirit remains people’s best possible weapon for creating prosperity and ensuring their family’s economic well-being. For those who are motivated, starting their own small business—most likely in a related field that utilizes their existing skills and experience—*has* to be a more promising possibility than giving in to the sorry prospects of finding another soon-to-be-outsourced corporate job. Encouraging and educating these hard-working people to seek out their own entrepreneurial possibilities is what their outplacement and retraining should be about. They should be receiving serious business

training that will help them identify the product and market possibilities that best match their interests and skills.

All at-risk workers, especially those who have spent their lives in the maw of a unionized factory culture where no one ever dreamed of having his own business, need to hear this message. My experience is that such people will get their own entrepreneurial juices flowing once they hear, probably for the first time in their lives, that entrepreneurship is a real possibility for them, that they may already have the product/market skills needed to get started, and that there is no reason in the world why they shouldn’t share in the American dream of owning their own business. Of course, there may be critics who will insist that “these kinds of people” can’t become entrepreneurs. Yet plainly put, it would be the height of arrogance for any of us to say that the average American worker lacks what it takes to create and run a small business.

But does it make economic sense for the government to try to create a more entrepreneurial economy? Don Wood, past president of the Oklahoma Professional Economic Development Council—and a true believer in the power of the entrepreneurial spirit—put it to me in simple investment terms: “Oklahoma City reportedly put up \$50 million in facilities, infrastructure, and training to induce Dell to build a 3,000-person computer-assembly plant in the city. At full employment, that investment would average about \$16,000 a job. Using your own figures that an average entrepreneurial start-up costs \$14,000, that same government investment could provide the entire start-up funding for 3,571 new Oklahoma businesses. Let’s say that half of those planned and funded start-ups fail. We would still end up with 1,785 new, homegrown companies. Finally, assuming the successful start-ups eventually grow to an average employment of just ten people, the original government investment of \$50 million would result in 17,850 new jobs—almost six times what the Dell plant promised to provide. Do the math. It’s a no-brainer.”