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Are service jobs the new manufacturers?

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SALT LAKE ? It's Friday afternoon at Friendship Manor in Salt Lake, and Tyrone Winston is rushing around the tiny room filling water bottles and wiping down Richard Uriarte's legs. Uriarte, a former star linebacker at Southern Utah University, is a quadriplegic, and would need a personal aide like Winston if he ever wanted to look out of his 10th floor window at the nearby University of Utah football stadium. Uriarte has lived at Friendship Manor, which caters to seniors and people with disabilities, for over 20 years. Since becoming a quadriplegic, Uriarte spends the day lying in his bed next to a filled ashtray, often listlessly watching whatever comes on the big screen across the room.

Tyrone Winston's visit is a daily highlight for Richard. Winston is part of an often forgotten, and misunderstood, segment of American workers. Once defined by assembly-line jobs, today's so-called "low skilled" workers are filling positions in health care, customer service, and food handling. And as manufacturing jobs continue to disappear, health care aid jobs like Winston's are expected to experience the largest growth in the coming years due to an aging population. In fact, according to the U.S. Census, the list of occupations projected to see the most job gains from 2008 to 2018 are dominated by the service industry, which is expected to grow by 14 percent. While in the past a high school education might have landed you a well paying job in a factory, the trend from "goods-producing" in favor of "service-producing" in the U.S. economy, which the Bureau of Labor Statistics reports will continue, means low-skill workers will be more likely than ever to find jobs in one of the growing service occupations, such as health care aids. A cursory glance at job growth might give the impression of a market dominated by positions that lack educational requirements. Of the top twenty-five occupations expected to grow the most, fifteen do not require any post-secondary education. But Dr. Anthony Carnevale, Director of the Georgetown University Center on Education and the Workforce, notes that, as opposed to the past, "today, [mid-level] jobs require a post secondary certificate. In other words, job requirements have gone up," something he refers to as "upscaling." Aside from educational requirements, "a manufacturing worker in the past looks like a modern health care worker," Carnevale says. "The new non-college jobs in health care are the modern version of those manufacturing jobs that did not require BAs, the difference is that now these require a post secondary certificate," he said. Occupations that require an associates, masters, first professionals, bachelors, or doctoral degree are all projected by the BLS to increase by between 17 and 19 percent from 2008 to 2018. Although economists expected this trend, some remain worried that low-skill service jobs will

not provide the same pay and benefits once seen in manufacturing. "This forecast is nothing new?but it worries me, " says Dr. Sylvia Allegretto, a labor economist at Berkeley. Carnevale notes that after the recession in the 80's, the economy changed.

Further advances in automation killed manufacturing jobs and the share of jobs that were in the service sector increased relative to manufacturing. "Something might be similar after this recession," Carnevale says. Goods-producing companies have been especially enticed to invest in capital ? like machines that can do a worker's job ? rather than labor because of historically low interest rates as well as 2011 temporary tax breaks that allowed write offs for capital investments. Though you might not see workers complaining. "The good things about deep recessions, when you're in a deep enough hole, everything looks likes up," Carnevale says. "We don't make anything anymore" From 2000 to 2018 BLS expects the U.S. economy to lose around 1.2 million manufacturing jobs. Experts say this isn't because we don't "make anything" anymore, but rather because we have become so good at it. Factory assembly lines continue to be staffed more with swinging, sparking robotic arms than sweating workers. And the work that one worker does, assisted by machines, is worth more than it once was. When workers become more productive employers need less of them to make the same amount of product. Dr. Jesse Rothstein, a professor of Public Policy and Economics at Berkely, notes that while manufacturing output dropped during the recession, over time he predicts United States manufacturers will continue to make more with less. But is this good for the economy? Daniel Ikenson, director of Trade Policy Studies at the **Cato Institute**, doesn't seem to see a problem. He says he would take a Facebook (valued at \$50 billion) over a Boeing (valued at the same), even though Boeing hires eighty times more employees. "With 2,000 workers?Facebook is 80 times more productive than Boeing, freeing up 158,000 workers for other more productive endeavors." Those workers not at Facebook will go where they are in demand ? just as most candle-makers, hand-spinners, and farmers have found different occupations during times of technological growth. In the end customers get a cheaper product, companies get more profit, and the market finds the means to produce the most possible with the fewest resources. 'The essence of growth is to create more value with fewer inputs," Ikenson says. Ikenson thinks the goal of public policy should not be to simply employ people, whether in manufacturing or some other industry. If that was the case then creating jobs would be easy: "Instead of bulldozers, mandate shovels; instead of shovels, require spoons." Vaclav Smil, a professor at the University of Manitoba in Winnipeg, recently wrote for the academic journal Breakthrough that he "gets the sense that Ikenson could live with an American economy that ultimately doesn't actually produce anything." Smil acknowledges that a company worth \$50 billion dollars with only 2,000 employees like Facebook is good for the global investing class, but he is skeptical if it is good for America's unemployed and those in the low-wage service economy. What makes a good job? The addition of more low-skill service jobs has some economists worried that a loss of opportunity in production means the loss of a job that pays well and has good benefits. "The trend is only troubling insofar as service jobs can be not good jobs. There is a problem if we are switching from good manufacturing jobs to bad service jobs. The challenge is to create decent jobs," Rothstein says. What he means by bad jobs are those that do not pay well enough to support a family. Rothstein believes that it is possible to have good jobs in the service sector, with the right policy orientation. "Unfortunately, that hasn't been our orientation in recent years, so the expansion of the service sector ? particularly the low-skill service sector ? has tended to erode the wage distribution," Rothstein says. He thinks a low-skilled worker may no longer be able to make a wage close to the well-educated. For example, he advocates paying home health care aides more,

many of whom are either public employees or private workers paid by public health insurance, and raising the minimum wage. Allegretto, a Berkeley economist, says the low-end service jobs that will dominate job growth can fuel inequality and are less likely to provide health care or pensions. "Unionization is one of the biggest issues here," she says. "Service jobs have had a hard time unionizing... We should pass the Employee Free Choice Act," a pro-union bill. Allegretto thinks that the unionization of manufacturers was responsible for their good pay and benefits, and low-skill service jobs are in need of a similar prescription. But Ikenson doesn't buy the narrative. Rather than seeing unionization as the manufacturing worker's salvation, he sees it as their downfall. "First of all, one of the main reasons that U.S. manufacturing wages had been so high over the years is because labor unions demanded and management capitulated to terms they ultimately could not afford. The value of manufacturing labor never justified the exorbitant wages employers were forced to pay. The loss of those jobs, therefore, was inevitable, and hastened by the demands of labor unions," Ikenson says. In fact, he says that one of the central reasons real wage growth has been so slow is because workers have been receiving more health care benefits instead of a larger paycheck. So for policy recommendations, Ikenson recommends something that restrains the astronomical growth in health care costs rather than one that increases the cost of labor ? like increasing the minimum wage ? as some economists suggest. If you want more manufactures hired, he suggests, make it cheaper to hire them, not more expensive. Also, few argue the service sector is homogenous. "The service sector is large and complex. It isn't all coffee baristas and hamburger flippers. Some of these jobs are good," Rothstein says. It ranges from health care aides with only a high-school education and some certification to million dollar lawyers. Demand for low-skilled migrants Another developed country has seen large growth in low-skilled health aides recently. Japan's aging population and limit on low-skilled worker immigration has produced a shortage for aides. Toyota has even designed a service robot to try and fill the labor gap. Madeline Sumption, a policy analyst at the Migration Policy Institute, a non-profit think tank in D.C., says that in the United States "immigrants will be important in filling demand for low-skilled work, especially with health care workers, medical assistants, and home health care aids." She stresses that the benefits of immigration go to consumers who buy services from those workers. "This is important especially when the consumers are consuming health services," says Sumption. She notes that immigration as a debate topic has fallen out of popularity since the recession and the slow of migrants crossing the border in search of work. But the future might bring back a demand "with a vengeance" for changes in laws to allow more migrants to come legally. But, she notes that "just because there is demand for low-skilled labor doesn't mean that there is an easy solution." She recommends a policy to allow guest worker to stay even if they do not have education.

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