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Outsourcing takes a bad rap when technology slices jobs

By Anthony Bradley
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Hysteria about outsourcing of American jobs overseas ignores a crucial fact: People are always developing innovative ways to do things faster, better and cheaper. Human creativity is a double-edged sword, bringing productivity improvements and, very often, widespread job loss. The good news is that the net result is not fewer jobs, but more jobs and more productive ones.

Since most job losses are a consequence of men and women cultivating creation, we should never be surprised to hear that companies are downsizing. Neither should we dismiss the indisputable financial and emotional toll that a layoff or shuttered factory can cause individuals. But to really understand what's going on we need to look at the economic fundamentals.

Was the layoff caused by the introduction of a more productive technology, a smarter way to manufacture or a shift in consumer preferences?

While the outsourcing issue has generated headlines, it is not the chief cause of job losses. Of the 2.7 million jobs lost over the past three years, only 300,000 have resulted from outsourcing, according to Forrester Research Inc., a respected technology research firm. Business Week Magazine reports that one percentage point of productivity growth can eliminate up to 1.3 million jobs a year.

Automation, a traditional means of boosting productivity, continues to eliminate jobs. The sectors most affected by automation include construction, manual retail and wholesale trade, transportation, information and food services. Airlines have reduced the number of ticket agents because of airport kiosks, online ticket purchases, and online check in. Grocery store clerks are on the decline with the onset of automated checkout counters.

This is nothing new. As the United States industrialized, the life cycle of entire industries was radically shortened.

On July 6, 1858, for example, Lyman Blake patented a shoe-manufacturing machine. As these machines became popular, the need for handmade shoes quickly disappeared and so did related jobs.

The horse and buggy industry was dealt a deathblow when Henry Ford introduced the Model T in 1908 and then installed moving assembly lines in his factory shortly

afterward. Ford's mass production genius spawned new industries – indeed, many carriage companies flourished as makers of motor vehicle bodies – and made human transportation exponentially more efficient.

The invention of Freon in 1928 and the introduction of electric refrigerators devastated the ice industry. Until this point, ice was taken from the rivers and ponds, cut into blocks and delivered to insulated storage buildings for summer use. Ice wagons, first on steel wheels and later on rubber tires, carried ice to customers' homes. Because a 25-pound block of ice lasted only a few days icemen kept busy making deliveries two or three times per week.

General Motors' Frigidaire "electric icebox" wiped out a whole set of occupations, including icebox manufacturers, ice gatherers and the manufacturers of the tools and equipment needed to handle large blocks of ice. Who today would want to replace their frost free refrigerator freezer with an icebox?

Today, General Motors uses approximately 25,000 robots for factory tasks jobs that were often dangerous, dirty and tedious. And robots need to be manufactured, sold, installed, delivered, maintained, repaired and improved.

During technological transitions the difficult task is providing the education and training necessary to help people use their gifts and skills in new industries. This raises important questions about the role of education and whether or not limiting students to learning only one skill or trade will help them in the long run. Quality education programs will focus on training students in such a way that transitions into new emerging industries will be less costly.

Technological advances must always occur within a sound moral framework. If consistent with genuine human flourishing, advances should be embraced as a product of human creativity rather than feared as a source of human suffering. Using foreign workers as scapegoats for the fallout from technological change sabotages America's preparedness for such change. This type of sabotage leads to misguided policies that impede productivity improvements and innovations, which are the very things that make our lives more comfortable, safer and healthier.

Almost invariably, outsourcing outmoded jobs opens the door for Americans to land better jobs and improve their family's wellbeing.

That's a major reason why the United States remains the land of opportunity and a beacon to the rest of the world.

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