

CHANGES IN THE LABOR MARKET

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As we enter the 1990s, the labor force is being recognized as the central economic issue. The quantity and quality of our labor force and the issues of competitiveness and preparedness have become key to the survival of our economy and our standard of living. Human resources are now recognized as the true wealth of nations. It has taken some time for this perspective to be accepted in this country. Other countries long ago recognized this fact.

As matters stand, the U.S. labor market is now in a state of turmoil. It is very much in vogue today in academia and the press, and among the general public, to talk about the labor market as being "in a state of transformation." Transformation implies a break from slow evolutionary changes. Things are happening very fast. This transformation in the labor market is affecting practices in all our institutions, in business, labor, government and education.

Those of us in education, for example, are having a tremendously difficult time trying to figure out what it is that we're supposed to be teaching. College curriculums across the country are in turmoil. There's a very basic principle in the physical sciences that says that the greater the speed, the greater the impact. I would argue that the same principle applies to social sciences. Most of our institutions today are being hit so fast by rapid change that they've been unable to adapt to the magnitude of the challenges confronting them.

It's also affecting many of our laws and our public policies. Much of our public policy is lagging behind the events that are happening right before us. Much of our public policy is slow to recognize the importance of human resource development. Labor market policy is slow to recognize the importance of labor market changes to the design of public policy. Much of our economic policy remains dominated by discussions of tax cuts, spending, interest rates and monetary policy; very little attention is paid to the issues of human resource development -- education, training, labor market information and anti-discrimination and immigration issues. These are the central labor market issues that are so critically important to meet the challenges presented by the changes we are experiencing.

The forces that are running amok in our labor market are two-fold. There are unprecedented changes on both the demand side and the supply side of the labor market. Central to meeting these changes is the question of how to prepare people for work. On the demand side, we see rapidly changing consumer tastes and consumer spending patterns. There are very few things that economists can predict with reliability; but one

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patterns. There are very few things that economists can predict with reliability; but one fairly reliable prediction is that where spending takes place, employment will increase. If spending decreases in a certain area, so employment will decrease.

Spending has clearly shifted to the service sector. It has shifted away from the goods sector, and the employment patterns have been following this trend. This constitutes a major break with the past. The human race has been primarily associated with goods production. Our own country has been primarily associated with the production of goods in agriculture and manufacturing. Now 70% of our labor force is employed in the service sector. Moreover, 90% of the growth in employment in the United States for the last decade of the century is predicted to occur in the service sector. It's quite possible that what has happened to agriculture may be happening to the manufacturing sector. It's conceivable that by the year 2050, manufacturing may account for less than 10% of all employment. It may happen even before that date. It's hard to conceptualize that dramatic shift.

The second major and unprecedented change affecting the labor force on the demand side is the speed and breadth of the effects of automation: the effects of change in technology on our labor force. Writing 30 years ago about cybernetics -- which is the comparative study of the human neuromuscular system and electrical-mechanical machines, which is the heart of automation and robotics systems -- Norbert Wiener predicted what was going to happen. He was pleading for public policy to be conscious of what was about to occur. He said, "Let us remember that the automatic machine, whatever we think of any feelings it may or may not have, is the precise equivalent of slave labor. Any labor which competes with slave labor must accept the economic conditions of slave labor. In other words, the man who has nothing but his physical power to sell, has nothing to sell which is worth anyone's money to buy." That was his prediction; a devastating type of prediction that is increasingly coming true. The emphasis is now being placed more on knowledge, communication and information as opposed to physical skills. This is the difference between a service dominated economy and a goods dominated economy.

The third major unprecedented change that's affecting our labor force on the demand side is international competition. People seem able to study American history without realizing that this country was *not* built on the principles of free trade. Those principles are driven down our throats today. We hear constantly that "free trade" is wonderful. It's an ideology. Its merits have yet to be proven. This country was built behind very high protective walls. I'm not arguing that we should go back behind them; I'm simply saying that we do not presently have the labor force adjustment policies in place to help us cope with the effects of unprecedented foreign competition, competition which is essentially driven by U.S. trade policy objectives. It's not clear that most other countries in this world accept these principles; or that they are going to design their policies around them.

These are just the changes on the demand side which have affected the types and the quantity of jobs available in the United States. All countries in the advanced industrial world are faced in one way or another with these three issues. All are dealing with the issues of changing spending patterns, the effects of changing technology and international

competition. What they're not confronted with, however, is what's happening in the United States on the supply side of labor.

The U.S. labor force has been growing at a rate which is unprecedented when compared with any other major industrial country. The rate will slow down a little in the 1990s, and many people are bemoaning that fact. But U.S. labor force growth will still exceed all projections for labor force growth in any of our industrial competitors in terms of the number of people who will be seeking jobs. Labor force growth has been a big issue in this country and a singular issue compared to other countries; it's going to continue to be so, even though the pace may slow down a little.

The U.S. labor force has been growing for several reasons. One factor has been the mass entry of women into the labor market. Forty-five percent of our labor force is now female, and that percentage will increase. Two out of every three workers that entered the labor force in the last decade have been women. Two out of every three who will enter in the 1990s will be women. Our labor force will be more female-dominated, and not only as regards numbers. The Women's Movement has taken issue with the quality and the types of jobs that are available to women. Again, this is unprecedented when we compare ourselves with the other industrial powers. Other countries are not addressing this issue. This past summer, *The New York Times* ran an article whose headline said that "in the land of the rising sun, only the son rises." Their only interest is in dealing with the preparation of men for employment. We must face the issue of the increasing participation of women in the labor market. While it's a tremendous asset in a service-oriented economy to be able to tap into this human resource pool, it is also placing great strains on the labor market to accommodate the increase of associated changes in both the work place and the family structure.

We are also facing another issue that other countries are not: the increasing ethnic and racial diversity of the U.S. labor force. I think this will be the central issue of the next century: whether a major industrial power can have a labor force as ethnically and racially diverse as ours, and be able to compete. We must; we have no choice. But it is going to be a challenge.

We must face the fact that the Black and the Hispanic populations are growing far more rapidly than other groups in our society and will comprise an increasing proportion of the future labor force. And like women, they are interested not only in numbers but also in the composition of employment. As a Black leader said many years ago, "We had full employment back on the plantations." Full employment is not enough; Blacks and Hispanics are seeking greater incorporation into a wider range of occupations. This is a responsibility that the United States labor force must address, as must our educational and training systems. Other industrial countries are not faced with this challenge to a similar degree.

Lastly, we are experiencing a period of mass immigration. No other country in the world is confronted with such a challenge to accommodate the increasing numbers and diversity that immigration into the United States is producing. Immigration can be a very positive policy; it can also be a very harmful policy. It depends on the design of the

immigration policy. Our present immigration policy is basically a political policy. It is not accountable for its economic consequences; and, unfortunately, there's literally no one in the country asking that it be. If immigration were a minor issue, who would care? But when you're talking about an immigration policy that is supplying between 1.2 and 1.5 million people a year in all of its forms -- legal immigration, illegal immigration, refugees, those seeking asylum and non-immigrant labor (which is a very big issue in certain areas of professional employment) -- it is a massive issue. And it's a policy that's being designed primarily on political grounds rather than with regard to where it fits into the labor market.

In the U.S. labor market today, we are faced with a situation in which the goods-producing sector is rapidly declining. Historically, this sector has been the backbone of the American economy; it is declining and now provides employment for less than 30% of the labor force. On the other hand, the service sector is where we expect the major growth to take place. As I said earlier, 70% of the labor force is already employed in this sector. The service sector is based increasingly on communications abilities: speaking, listening, following directions, relating to people and working with others. These types of communications and knowledge-based skills are essential to a successfully competitive service-oriented economy.

The service-oriented economy has an undeservedly bad reputation. The notion of a service-oriented economy somehow conjures up an impression of a nation of "hamburger flippers." That's not where the growth in employment is coming in the service sector. In fact, the greatest increases in the service sector are coming in the professional and technical areas. Fully one-third of the growth in employment since 1972 has occurred in the professional-technical worker classification. Eighty percent of the managerial jobs in the United States are in the service sector. As a consequence, the changes require a better prepared labor force than we've ever had before. Again, these changes constitute a great challenge to the formulation of public policies to provide that type of labor force. Human resource policy is by nature long-term policy. We must commit ourselves to a long-term preparation of our labor force; to have the education, the training, the information systems in place so that people can be prepared for the types of jobs that our economy is generating.