

Restructuring business, labor, and government

[Countries](#), [United States](#)



The deindustrialisation in America started right after the second world war. It was a time period where several major shifts were made. One of them is the "capital flight" which made businesses in the United States of America move from the industrialised North to southern locations which had the advantages of cheaper labour, weaker labour unions and a great support of the local governments. One company which symbolises this time is probably the Chance-Vought Division of United Aircraft Company which relocated, with the help of federal government subsidies, their whole Machinery and offices from Bridgeport, Connecticut, to Dallas Texas.

During the decade of 1970 a great movement of businesses transformation took place resulting in a loss of 450000 to 650000 jobs in the private sector. By adding direct results of plant, store and office shut downs the number of unemployment rose to 32 million. To a great part one can attribute present high stagflation and growing international competition. By the time when Capital flight increased one could see movements of firms from national locations to international countries in the third world.

Advantages which we could already see in the South of the USA, are more crucial. Especially the cheap labour attracts foreign business to settle in a third world country. Later on in the same decade, disinvestments had negative consequences on the employment and economy. Many corrupt managers placed their personal interests before the firm's interest which was leading to wealth for the manager but in the long run the company had to pay for the mismanagement and went bankrupt. This also meant an increase in the unemployment rate.

Adding to the situation, most of the established companies left the manufacturing sector and concentrated on the service sector, which implemented a new problem that unemployed manufacturing workers, which existed in the greatest part, were not able to get in the new business because of a different education. Large numbers of workers, families and communities have been seriously injured by this shift processes. Voices came up that mismanagement could have been partly prevented by more state control.

Ironically the government makes very detailed surveys about peoples private lives but not in the prevention's of the disinvestments which leads to major economical problems and increased unemployment. The only charts which are provided are numbers which prove that more companies had to shut down than companies which were build up. Regarding this governmental disregarding, a private business called Dun and Bradstreet Incorporated was build to focus on the detailed record keeping of American businesses establishments and shut downs.

Special about them is, that they do not only report on the aggregate behaviour of the company or Firm as a whole, but refer to the activity of each of a companies work or establishment. Relying on the employment rate Dun and Bradstreet figured out that if employment expands in a particular place, there should had been increased investment. The other way around, if in a certain industry the unemployment rate increased, disinvestment had to be taken place. Most commonly this is reflected in smaller firms or family

businesses which were in great risk because they are generally more vulnerable.

The larger a company is, its less likely for it to be shut down. Between 1950 and 1980 foreign investment has increased by 16 times to a 192\$ billion. Most likely they invested in Canada, western Europe and in the third world. A big discussion came up if the globalisation would even raise the American unemployment rate because work and capital leaves the country. Pogo once said" We have met the enemy and the enemy is us" Through the large spread of American multinational companies, more voices came up judging this new trend. There are certain groups which have to suffer most from the foreign investment.

It also affected domestic wages. The lower the premium, the more jobs are created in the countries invested, following a grater consequent domestic wage loss. Opposing to that a community had been formed in the Harvard Business School and Commerce department studies to prove the opposite. Explaining that there wont be a huge difference in this shift because new jobs would be created and the living standard would rise. Toward a Policy Agenda for Competitiveness (1987) To improve the competitiveness in the USA the government has to regard certain areas n its economy to gain a comparative advantage against other countries.

With its policies the state has the power to affect real price and quality of inputs. A basic input of the economy are Raw materials which are natural products like oil, coal , copper iron... they are freely provided by the ground. Those materials are needed for the production of many products and

industries like in the manufacturing industry. Due to the abundance of the raw materials, one would think that countries owning a large stock of resources have a enormous advantage over countries which do not have such materials.

But surprisingly Japan as an example has almost no such resources but is one of the world leading economies. It can only be explained by a very good provision of infrastructure. With large investments in the shipping industry it became possible for Japan to import goods at a cheaper price than some countries which owned those resources. The problem for the raw material owning states are that they need an efficient cheap way to dig the resources out of the ground and sell it on the market.

Governmental policy can help this procedure be profitable by trying to lower the costs of delivering. An example for that could be the improvements of the infrastructure or investment in new technology. An other input in the economy which can highly be influenced by governmental policies is the capital, a good of manufacture. You can not say that there is only one right policy which should be applied in this case. America for example tries to make the market for savings competitive and open the market to all borrowers resulting in an increase of funds.

An other way to a stable economy is Japans policy (at least till 1980) aiming for a lower cost of capital and a higher rate of savings which should be easily available to national industrial investments. Each country has its own policy's but because time changes a crucial new factor has to be regarded. Earlier in time it was possible to give attention just to the domestic economy

but in a globalized world it is essential that overnational policies are adjusted to each other. For example if the US makes a policy which reduces the government borrowings, reliving the demand pressure on capital markets, the interest rates decline.

Most reasonably foreign governments would adjust by lowering their interest rates too and thereby negate any catching up on the cost of capital. The technology sector is a part of the market where it is excepted that it fails without governmental control. This is an important sector where competitivness through policies can be developed. Taking the example of Japan again, its Government brought a policy which supported the technology sector by lowering risks of entering new, futuristic markets. Nobody should be held back by regulations to work on new innovations.

Recently Japan has made a new invention to accelerate competition. Small firms are now able to lease robots or high tech production computers making it possible to compete against big companies which have more opportunity for the research of new technologies. In America a different case has happened. The booming genetic engineering research made it possible for the agriculture to lift the quality and quantity of their products. Because this research is such a new unknown area, Governmental policies against the misuse of this technology need to take place.

An other important input for the economy is the educated labour. One can say that the education and smartness is the origin of new innovations development of technology which therefore lowers costs of production. By the adoption of new technology, labour is demanded which can operate the

new machines. Education and the appliance of skills helps the competitive successes in the current transition. As you can think, governmental education policies play an important role in overall development of the nation. In the 19th century, America gained from a strong education system bringing a large force of skilled workers.

In the past years this fact changed slowly. Its proven by statistical researches that the US high school seniors performed very poorly in international achievement comparisons. A raw model for the right handling of education and skills policy is South Korea. Only a couple of years several people would have laughed if you said that one day Korea would play a leading role in the electronically market. Basic resources like the supply of skilled electronic engineers or technicians, little capital and no home grow technology was simply missing.

In this days, Korea focused its governmental spending and policies sending the young people to foreign schools specialised in technology, borrowed the money, licensed the technology and build up a market in electronics. To make the policies it is not an easy task sometimes complications rely in the education and skill policies itself . By the following example one can see a " devils circle" which a policy can produce. One can briefly say if the spending for the education increases, the outcome, which are the highly skilled workers will rise too.

Those workers will invent new highly complicated machinery which produce very high investment and maintenance costs. Those costs have to be submitted by the government which therefore has to cut costs for example

in the education sector to support the new technology. Besides the infrastructure of roads, ports, rails and canals a new kind of infrastructure has been developed which works very efficient and fast in the transmitting of information, so called the telecommunication. One can see that the different developed countries act in a different way to this new technology.

Japans polices focus on a massive research for this market, and provides households small and large businesses with the newest technology. The Government sees this as a support for the whole infrastructure itself. Whereas America tries to get a comparative advantage in the sector of providing big businesses with logical technology. Again in this sector several problems come up which can hardly be controlled through policies. Crucial for this new telecommunication market is that the whole world has to be provided with this technology.

It makes no sense to for example have a pictures telephone and your working partners do not. Restructuring and the working class (1988) The definition of the working class is not as one would think measured by the amount of income but by the origin of income. In America one wanted to get away from the terms of capitalists and workers which was mostly used during the industrial revolution. The working class is now devided in3 groups. The upper, middle and lower class. Most of the US population is positioned in the middle class. Through different policies and taxation the government is able to form the classes.

After 1970 the great changes in the employment have accrued which influences the restructuring of the economy and the nature of work. In the

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highly industrialised countries like USA , western Europe and Japan a shift has been taken place from the highly paid fiscal factory work to low wage service occupation. Also part time jobs were established and temporary work which was more efficient for the Government and led to an increase of employment. In the United States 4 million jobs were added between 1958 and 1968. By cutting wages the company was able to invest and therefore employ more people.

But the back side is that working condition worsened and nobody was really sure if there concession would help the company to survive and keep their job. Service work is according to the OECD the sector where most of the new jobs were established like nurses, fast food workers,... The United States of America service sector exists 26, 9 % off nurse jobs which in a great part women took over. In the service sector one can most commonly find a high percentage of women, Afro Americans and part time workers. Woman's work became a more important factor over the century.

Especially in the service sector as explained above, women take on an important task Studies also figured out that firms do not treat safety and health regulations. The workforce is worn out in only a couple of years. But in the wage distribution one could still see a major difference between the service sector which only made up two thirds of a manufacturing wage. It is interesting to compare Americas and Europe's policy in the working sector. In 1973 there had been a gain in America of 18 million jobs but in Europe a loss of 1, 5 million jobs.

One can refer this to the social policy of Europe which provides large amount of help and freedom for unemployed people. The United States also supply help for the unemployed but the help is much shorter and lower. This forces workers to take any job which is available. This as well is the explanation for the vast amount of women in the service sector. They can perform part time jobs which are very common in this sector, while their children are at school. Overall one can also determine a trend to the automation and computerisation of working processes.

Especially businesses with a large labour support are mainly regarded for a reduction of workers to save costs. Not only "sectorial shifts" which were described before have been restructured. The traditional way of a production and service worker who works the full day, now shifts into an other time setting of part-time, homework, temporary and other forms of low working hour performances. Through this new method, some regulation laws for the protection of labour were taken out and a lot of advantages arose for the employer.

The costs of sick pay, health insurance and vacations pay were not to be regarded anymore. This is very useful for the employees because they could adjust their labour force to the highs and slumps in the economy. Therefore if the economy is on a high, the production had to be running high and in a recession, part time worker were released because of a low demand for their production. By regarding the advantages of low working hours for labour, some people took it to far and established a black market for the working class.

It can be illegal " homework's" which are certain jobs taking care off at the employees home or sweat shops which are made possible by the increasing number of illegal migrants. Those works are not in the sense of the state because they can not be taxed and employees protections are simply missing. An other problem during this time was a high unemployment rate, a reason for the industrialised countries governments for the restructuring of employment process, by lowering the wages. The gains of this low wage policy was an increase of international investment which initially decreased the unemployment rate.

Productivity is the amount of output which can be produced with a given input. It can be achieved by lowering production costs when remaining the same output or by innovations which make the production cheaper. Also new working methods like little work groups and flexible working times, made the production more efficient. In 1968 there was a country wise struggle between the capitalists judging the governmental policies which demanded high taxes. Also the trend of firms take over during this time rather that new investment have become a barrier for improved productivity.