



BOOK REVIEW

Job Security No Longer Job One

THE DISPOSABLE AMERICAN: LAYOFFS AND THEIR CONSEQUENCES

BY LOUIS UCHITELLE
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283 PAGES

REVIEWED BY CHARLES GERENA

Here is a startling statistic: Between 2003 and 2005, the Bureau of Labor Statistics counted 8 million workers who were displaced from their jobs. They weren't fired for sleeping on the job or misspelling the CEO's name on a press release. Their plant or office closed or relocated, or their position was eliminated because there wasn't enough work for them. Skilled professionals who thought they were safe from outsourcing and layoffs are being cut loose, putting them in the same predicament as blue-collar workers who have been forced to deal with declining employment in many parts of the manufacturing sector.

In *The Disposable American: Layoffs and Their Consequences*, Louis Uchitelle chronicles how layoffs have become a fact of economic life and argues that this lack of job security ultimately hurts everyone. Uchitelle, a business and economics reporter for the *New York Times*, blends narrative journalism with economic analysis to tell a compelling story.

The author challenges three arguments — what he calls “myths” — that support the use of layoffs. Number one on his list is that layoffs have an economic payoff. Although the unemployed can experience painful transitions in the short run, the economy will be stronger in the long run as a result of having a labor force that can more easily respond to market changes. In turn, more people will be employed and earn higher wages. Uchitelle argues that layoffs have only begat more layoffs, undermining the bargaining power of workers.

The second myth is that workers have the power to save themselves. If they are laid off because their skills have declined in value, they can acquire new skills to raise their marketability. Uchitelle contends that the problem isn't a lack of workers with the skills that are needed; it's a lack of good-paying jobs to reward those skills.

However, one could easily point to industries such as health care where good people are hard to find. Though he bemoans inadequate funding for retraining programs to help transition workers into new fields, Uchitelle likely underestimates the existing demand for skilled workers across many sectors of the economy.

The last myth tackled by the author is that the effect of layoffs is purely and narrowly economic. Uchitelle argues that layoffs also have a psychological cost that ultimately hurts companies. They “chip away at human capital,” as he

puts it. Productivity declines among the workers who remain at the company, as well as among those who are displaced and find other jobs. In addressing this myth, Uchitelle makes his strongest indictment of layoffs. He asserts that people who feel secure in their jobs are better workers — for example, they are less likely to object to workplace changes that require new tasks or longer hours. Also, the author vividly chronicles the psychological damage of layoffs by following several people in their post-layoff careers.

Much of the descriptive content in *The Disposable American* is on the mark, particularly his overview of the “golden age” of job security from the late 1880s to the late 1970s. From railroads to retailers to manufacturers, firms recognized the value of long-term employees. These workers had better knowledge of a company's systems and procedures, and they were motivated by a desire to move up the corporate ladder, making them easier to manage within a complex organization. Firms offered pensions and health insurance for the first time to retain employees.

The book's analysis, however, is often less sound. Even when Uchitelle goes astray, his claims can spark discussions of important issues. For example, he casts a negative light on the ability of capital to move easily across state borders when, in fact, this trend has benefited the economy in many ways. But this does raise a valid question: Is physical capital significantly more mobile than human capital? If so, then companies can easily chase cheaper labor costs, giving them the upper hand in negotiating with workers.

Uchitelle argues that economic development incentives used by state and local governments to lure companies to new locations contribute to corporate migration. He suggests that Congress ban all such incentives. Why subsidize the movement of economic activity — displacing workers in the process — when those decisions might better be left to the market?

Uchitelle spends the last chapter offering other solutions to mitigate the pace of layoffs. He will win points with economists for not advocating the propping up of moribund industries to preserve jobs. But his proposals for additional government intervention to ostensibly protect workers from today's changing economy — such as suggestions to increase the minimum wage and create mandatory severance packages — would raise objections from those who would point to continental Europe's rigid labor market policies to show the damage such measures can cause.

Still, *The Disposable American* forces the reader to, at least, reevaluate the role of layoffs in today's economy. His message is clear: We as a society need to place more value on taking care of workers whose displacement was due to economic changes beyond their control. **RF**