

Career Arbitrage, The Antidote for Labor Arbitrage

First let me say thank you to Ed Richardson for writing the last column for me. Now that Magnetism Magazine is being published six times a year, my goal is to write three of the columns and to have guest columnists for the other three, so if you have an interest, please let me know.

As a part time college professor, I have always been a bit nervous whenever one of my students would approach me for some career advice. My biggest fear was a student would ask if he or she should follow my footsteps and look for a career in manufacturing permanent magnets. The only advice I could give them was to follow their passion and hope that it took them in another direction. But I really didn't consider that answer to be entirely satisfactory. The question is: What are the best skills to have these days and where are the places to look for satisfactory career? I now have a better answer to this thorny question and would like to share it here.

My dictionary defines the word arbitrage as a near simultaneous sale and purchase of securities or currency exchange in two separate markets, to take advantage of a price discrepancy. I will apply this term a little more broadly, but the key words to keep in mind are separate markets and price discrepancy.

In globalization we have seen the onset of what some experts call labor arbitrage, having labor performed where wage rates are low. Not only has this strategy been used to move manufacturing plants and the jobs of many blue collar workers to China, it has also been employed to moving call centers or even radiological services to India, to take advantage of a combination of low wages and English language skills. In historically high wage regions like North America, Europe and Japan, this strategy has caused the loss of blue and white collar jobs, followed by some dismay over how to cope with the changing landscape.

One way to combat labor arbitrage is to put up barriers to discourage businesses from moving to low wage rate locations, an idea that many people have proposed and support. It is a clear attempt to maintain the status quo. And on some level it makes sense. If something undesirable is happening, then we should act to stop it. But it also seems like it may be delaying the inevitable. In the short term this idea can work, but seems unsustainable and unrealistic in the long term. Over time, people will find ways to circumvent arbitrary barriers, leading to the same results.

Rather than fighting it, a more realistic solution may be to accept labor arbitrage as the way that business works today and for the foreseeable future. If so, then we should find a course of action that is likely to succeed in a mercurial environment. The strategy I would like to propose is called career arbitrage.

The idea is to promote versatility and adaptability over specialization in the education of our young and in the development of labor skills. If we look at who is hurt by labor arbitrage, they fall into two very distinct and broad groups, and the magnet industry is well represented in each group. One group is people who have enjoyed relatively high

wage jobs with limited skills. Many manufacturing jobs fall into this category. Once the jobs are gone, it is very difficult to find a job at a similar wage. Some training is usually offered, usually with some success. It gives them entry into new careers. Often they still take a hit on wages, but the training softens the blow.

The other group is people with very specialized skills. People in this group may be well-educated, but so specialized in skills that they are very hard pressed to find new jobs. Additional training is usually less effective with this group because it reinforces a negative stereotype that these people are already “over educated” and consequently unemployable. What can be done to avoid this situation in the future?

While following your passion is still good advice, today it needs to be tempered. I think it is important for our young people to avoid becoming overly specialized in anything. That is the recipe for falling into the group mentioned above. They need to focus on learning skills that make them as flexible as possible in their work options. The test for anyone selecting a college major, training class, internship, or job is: Will I be able to learn anything here that I could apply elsewhere if this job or industry should disappear? If there answer is yes, then go ahead and do it, but if the answer is no, it should be avoided. There is no point in learning a skill that is not transferable. It could even be harmful, so don't do it. The important thing is to *always* have options because options trump specialization, no matter what happens.

And finally two extraneous points, there has been some interest shown in our small industry by a few of the people running for President this year. For example, Senator Hillary Clinton has used the closing of the Magnequench plant in Valparaiso in her advertising. As is common in political campaigns, the stated facts are often true, but selectively chosen to guide us to a specific conclusion. But I hope that our moment in the spotlight will motivate people to research the topic more thoroughly and reach their own conclusions. But the attention on our industry is good, so I also hope that it will not evaporate completely after the election is over.

You may have heard that I have been involved in organizing a seminar at the University of Dayton in June. It is patterned loosely on the Users Conferences that the Magnetic Materials Producers Association used to do. The goal is to educate engineers, sales and purchasing people about raw materials, magnets and their applications, with speakers from the industry. For many years, people have suggested that these seminars be resurrected, and now we will find out if there is sufficient interest to keep them going.

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