JOB SEARCH ENGINES

By Satish Jindel

IT IS GREAT NEWS for the nation's millions of unemployed or underemployed people to find our elected officials now are focused on challenges faced with the high level of unemployment, which is still hovering at 9.1 percent.

The approach of our lawmakers to employment since the deep economic collapse in the fall of 2008 has been to pump money (borrowed from others, with an increase in debt) into the economy. The goal has been to stimulate jobs through the rebuilding of roads, bridges and other public projects, to shore up failing corporations (such as General Motors) and to support employment in white-collar jobs through research grants and other such job-creating tactics.

However, our leaders in Washington and state governments have not recognized that beneath the ongoing trends in employment in response to the various short-term movements in markets, there is a structural shift in the U.S. economy of a magnitude last experienced during the later part of the Industrial Revolution in the 1800s.

During that period, unskilled manual labor was replaced with skilled labor capable of operating machinery, and capital investment went into these new factories through machines and industrial equipment. That structural change caused an enormous upheaval in the nature of work and employment.

What we are seeing today is a shift of similar magnitude in the changing flow of capital, but a shift that is occurring a great deal faster. What took decades to occur in the late 1700s and 1800s is now occurring in less than a decade. Economic investment today is shifting from manufacturing and labor-intensive service industries to information-based knowledge companies.

Unfortunately, these new businesses do not promote job creation on the same level as the labor-intensive businesses. Just look at investment in the world's largest transportation companies compared to the new age's Internet-driven companies.

UPS, FedEx, DHL Express (including parent Deutsche Post DHL) are the world's three largest integrated cargo transportation companies. Together, they employ more than 1 million people around the world and have combined annual capital expenditures of more than $5.8 billion, spending that promotes growth at their own companies and fosters employment at their many suppliers.

The collective market cap for these three companies is about $110 billion.

In contrast, investors are buying pieces of Facebook in private transactions that give that icon of social media a market cap of about $100 billion. Facebook employs about 2,000 people worldwide and may have annual capital expenditure of $1 billion.

Let's look at the market capitalization of the largest U.S. companies in the transportation sector: the three public Class I railroads (Union Pacific, CSX, Norfolk Southern), UPS and FedEx, the top five full truckload carriers (J.B. Hunt Transport, Swift Transportation, Knight Transport, Werner Transportation, US Xpress), and the five LTL carriers (Con-way, Old Dominion Freight Lines, YRC Worldwide, UPS Freight and FedEx Freight).

These companies had combined revenue of about $140 billion in 2010 and recently showed combined market capitalization of about $180 billion. Their capital expenditures last year totaled $11 billion, and collectively they have created jobs for 900,000 employees, full and part-time. Overall, they generated revenue at a rate of $155,000 per employee.

By contrast, Google, with a market cap of $170 billion, generated revenue of $29 billion in 2010, employs about 25,000 people and had capital expenditures of $4 billion in 2010 (with $1.8 billion for the purchase of an office building in New York City). Google's revenue per employee comes to an incredible $1.2 million, or 7.7 times as much as for the transportation companies named above.

For Facebook, with estimated revenue of $2 billion in 2010, revenue per employee is $1 million, or 6.4 times more than for those transport companies. Facebook's estimated $3.5 billion in revenue this year would give the company $1.75 million per employee, 11.3 times higher than those transportation companies.

It is easy to see why so many of these Internet-driven businesses — add LinkedIn, Twitter, Groupon, Living Social and others to the list — are finding funded and flourishing. Most begin with a low start-up backing from venture capital groups or "angel" investors, and they provide a much higher return on invested capital by generating far higher revenue per employee than an asset-intensive industry such as transportation.

With the Internet reaching deeper into our everyday lives, it is understandable why these companies offer more appeal to investors than asset- and labor-intensive transportation companies. However, few of these companies provide the society with essentials such as food, clothing or medication that are manufactured and transported.

As our leaders undertake new initiatives for job creation, they will have to understand this structural shift in our economy to address the needs of the economy. It will become increasingly necessary to help people reorient their capabilities and knowledge to those skills that are in demand in the economy of today and that of the future. JOC

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