ECONOMICS, LABOR, & BUSINESS

The results were dramatic: Labor productivity nearly doubled during the 1920s, as factory owners installed electric machinery and learned how to use it better. At the same time, electrification reversed an ominous 20-year-long decline in U.S. output per dollar of investment.

No Experience Necessary

"'Corporate Kidnap' of the Small-Business Employee" by Bradley R. Schiller, in *The Public Interest* (Summer 1983), 10 East 53rd St., New York, N.Y. 10022.

Newspaper "help wanted" ads always seem to say, "Experience required." How does the first-time job-seeker get such experience? Mostly in small companies, which in effect subsidize job training for America's big corporations.

Hiring and breaking in a new worker can cost up to $10,000, according to Schiller, an American University economist. Since most companies, large and small, lose 15 to 20 percent of their work force annually, five out of every six "new hires" are replacements, not recruits for newly created jobs. Big Business minimizes costly employee turnover and training by hiring more reliable, experienced personnel, many of them "kidnapped" from smaller companies.

To prove his point, Schiller cites his 1982 study of Social Security data on 2.9 million young men (average age: 19) for the U.S. Small Business Administration: Two-thirds of them were first hired by firms with fewer than 100 employees, only 11 percent by Big Business (companies of more than 1,000 workers). After nine years, only 1.2 percent of all the men were still with their original employer. Most had moved to companies of about the same size. But small business suffered a net loss of 301,000 workers to larger firms. Nearly half of those who moved up were hired by Big Business.

In smaller companies, workers do not always acquire sophisticated skills. Gas stations, fast-food restaurants, and local merchants were typical first employers, and they paid an average starting salary of $5,878 (versus $11,407 for the largest corporations). But less tangible gains—in punctuality, self-discipline, organizational ability—are no less valuable.

Big Business can easily skim the cream off its little brothers' labor force: The salary gain for workers "moving up" to larger firms averages 23 percent. The 30,000 newly trained young men whom small business loses to big competitors each year represent an investment of at least $200 million.

Collectively, small businessmen provide the nation's number one job-training program. And Schiller believes they could hire even more newcomers if their labor costs were reduced—by tax cuts, a lower minimum wage for youths, or federal training vouchers. Yet Washington has long focused its hopes and its job subsidies on large corporations. With youth unemployment now at 23 percent, federal money would be better spent to help the local storekeeper beef up his work force.