



onlyPulpandPaperJobs.com

Bridging the Rising Costs and Risks of Labor

By Paperitalo Staff

Last Friday, January 9, 2004, was a day of consternation for economists and the investment community in the United States. December employment, projected to grow at a rate of 150,000 or more jobs, only grew at a rate of 1,000 jobs, or 20 per US state. There has been much wringing of hands as to how this can be in an economic recovery. Well, this has to do with productivity and the costs and risks of hiring people. If productivity is increasing at a high rate (as it has) and the burden of hiring humans reaches 35 – 40% of base wage rates plus an unknown risk of being subject to employee lawsuits and other labor actions, it really is not surprising that employers eschew employing.

This increase in the cost of labor has been going on for a long time. Any product contains costs for labor, materials, energy, transportation, and overhead. Overhead includes the risks of unforeseen employee costs among other things. Any executive that can minimize these costs will.

There is an excellent proxy for the balance of costs between labor and materials available to anyone traveling. This proxy is bridges of all shapes, sizes and age. If one looks at bridges built fifty to one hundred years ago (The famous Firth of Forth Bridge at Queensferry, Scotland (1890) and the Sydney Harbour Bridge (1932) being two great examples) one will notice that the steel is relatively thin and the bridge relatively tall. Each of these two examples is riveted together with over 5,000,000 rivets apiece. As one comes down through the years, one notices bridges being made of thicker and thicker steel and less “spidery” looking. In fact, the Interstate 70 Bridge (mid-1960’s) across the Mississippi River at St. Louis, Missouri has no superstructure at all—just very thick beams beneath the deck. As steel became relatively less expensive, and labor relatively more expensive, economics changed the design, for bridges are purchased from the lowest bidder.

Some of you may argue design has nothing to do with economics, but I will counter that the designers would build bridges (or houses) that would levitate if the economics and technology

were right. For example, Frank Lloyd Wright tried to build a house that would levitate (he had his doubts—I think he really named it “Falling in the Water”; the media misunderstood, calling it “Falling Water” and he did not bother to correct them) and it has recently cost millions to rebuild and restore it, as he was trying to do something technology impossible at the time.

Today, big bridges are mostly concrete, of the cable-stayed design, the economical virtues of low labor and material costs of cement outweighing nearly all steel designs. By the way, cement used to be relatively expensive as compared to steel—the Atlas Cement Company of Northampton, Pennsylvania (now defunct and the site of a newsprint deinking plant) employed 5,000 people when it supplied the cement for the building of the Panama Canal, with over 500 of those in the cooperage shop for the sole purpose of making barrels in which to haul the product.

So, in your travels, look at a bridge, be it over a modest stream or a mighty river. From its shape and components, you will get an almost graph-like feel for the relative price of labor vs. materials at the time of its construction.

Speaking of traveling, I received a great safety tip last week: carry a decent size all-purpose fire extinguisher in your auto. You may actually save a life if you come upon an accident, as one did in the scenario described to me in the email urging us to do so. Be safe, stay on your side of the road, and we will talk next week. ##