



Marketing Strategy – Corporate Social Responsibility of Creating Jobs

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Abstract: Today, it is a time of greatest economic challenges the world has even gone through in the recent times. The global markets are in turbulence, economies are struggling to revive growth and political systems face enormous challenges to meet the basis needs of the society. The trend of Outsourcing has increasingly seen the movement of jobs from US to developing economies like China, India, Brazil etc. Compared to addition of 4.4 million domestic jobs & 2.7 million jobs abroad during 1990s, American enterprises during 2000s had cut the domestic jobs by 2.9 million while adding 2.7 jobs abroad. Study of 2000 US companies by Duke University & ORG [7] shows that over 80 percent of large enterprises and 58 percent of medium enterprises are offshoring. The expansion of US MNC into Global markets has led to the drop in US share of R&D from 38 percent (1999) to 31 percent (2009). The Corporate Social Responsibility (CSR) initiatives are being increasingly used by the US companies to promote brand and to create a positive impact in the community. The Nielsen Report [10], shows that the 46 percent of the surveyed consumers are willing to pay extra for products and services of socially responsible companies. The CSR initiatives by top 50 CSRI Companies [9] are focused on health & safety standards, recycling & renewable energy, conservation of natural resources, philanthropy & contributions to non-profitable organizations etc.. Very few companies have CSR programs that are targeted to retain or generate jobs. This paper reviews the spending of the top 50 CSRI companies in USA during 2009, 2010 & 2011 and presents the points that the enterprises should focus their CSR spending towards direct and indirect activities that create short term and long term jobs. The CSR initiatives that can create jobs include Entrepreneurship, Local Sourcing, “Made in USA”, Innovation, Education, Vocational Training, Global Placements and Community Funding.

Keywords: CSR, Corporate Social Responsibility, Jobs, Job Creation, Corporate Spending, USA Jobs

1. Introduction – What is Causing Job Loss in USA

Global Enterprise and Outsourcing: In the fast emerging global economy the manufacturing and services are increasingly moving out from developed to emerging economies. The premise of manufacturing hubs and cheaper labor markets is driving these imbalances, leading to huge discrepancy in job creation and reduced employment opportunities in the developed world. The C-Level decision makers of large enterprises in developed economies are increasingly under pressure to post better results, enforce a lean management structure and keep the enterprise out of local regulatory and environmental issues. These decision

makers find it convenient to take the outsourcing route to cut costs, avoid labor unions and in some cases environmental challenges. Though the disperse enterprise with management in parent country and, manufacturing and call centers overseas faces its own set of challenges, the enterprises continue to rely on in this model of outsourcing while addressing the issues of quality, Intellectual Property rights, integrating partners with their enterprise culture and values, and protection of confidential information and trade secrets.

As per the U.S. Commerce Department study, the U.S. based Multinational Companies, the big brand-name companies that employ a fifth of all American workers, cut their work forces in USA by 2.9 million during the 2000s while increasing employment overseas by 2.4 million. This is big change from the data of 1990s where these U.S.

Multinational Companies added 4.4 million jobs at home while adding 2.7 million abroad. As per the “Wall Street Journal report [1]” of 27th April, 2012, by Scott Thurm, thirty-five big USA based multinational companies added jobs much faster than other USA employers in the past two years, but nearly three-fourths of those jobs were added overseas. A report on “outsourcing by Working America [3]”, USA manufacturing has suffered the worst blow with employment by manufacturing collapsing from 19.5 million workers in June, 1979 to 11.5 million workers in Dec., 2009, a drop of over 8 million jobs in 30 years. The report also adds that during the decade between 1998 and 2008, the manufacturing plants have shrunk by more than 51,000 or 12.5 percent, affecting the stable middle-class jobs that have been the driving force of the US economy for decades. These job losses have done immense damage to communities across the country. The trend of outsourcing by American firms has seen rapid stride with majority of USD 360 Billion electronic contract manufacturing being contracted to countries like China, Taiwan, South Korea etc.

As per the recent statistics by “Sourcing Line Computer Economics [2]”, USA has seen over 2.27 million jobs were outsourced in 2011, majority of 53 percent being in Manufacturing, 43 percent in IT Services, 38 percent in R&D, 26 percent in Distribution and 12 percent in Call Center or Helpdesk Services. Most of these industries being manpower intensive, the tendency to outsource the jobs out of USA has resulted in considerable loss in local employment and has affected the local communities considerable.

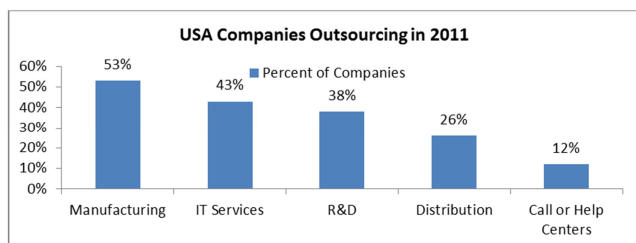


Figure 1. USA Companies Outsourcing in 2011 (Sourcing Line Computer Economics, July, 2012).

The shutting down of business operations by major industrial players not only effects the direct employment but has adverse impact on the local economy. It affects the ancillary units that are part of its supply chain, small businesses that thrive on the economic well-being of the local population and government tax collections. The local communities that are built around the economic well-being of these major industries will be thrown off the balance and it will take a long time to recover or find alternate economic means for survival. The local governments too loose their revenues, which otherwise would have been invested into these local communities.

A study by “Sourcing Line Computer Economics [3]” shows that, over 44 percent of the Outsourcing Companies attributed reducing cost as the main reason for outsourcing Jobs, followed by 34 percent to access IT resources that are

not available internally and to free up internal resources for better utilization. The notable factor being the reduced time to market, that indicates that these companies are not shifting jobs to enter new markets nor to expand their local operations overseas.

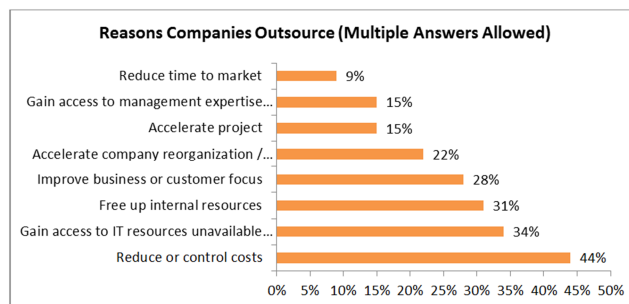


Figure 2. Reasons Companies Outsource (Sourcing Line Computer Economics, July, 2012).

According to the survey by “Duke’s Fuqua School of Business [7]”, nearly 72 percent of the respondents indicated labor cost saving as the key driver for outsourcing, twice the rate of response to any other option. A research by “Hackett Group [8]” shows that the cost gap between United States and China has shrunk over the past eight years by 50 percent and is expected to fall to 16 percent by 2013. The rising fuel prices that add to the shipping costs and technology and management overheads would soon make the argument of cost advantage through outsourcing less attractive. Despite the falling cost gap, the Duke survey shows that only 4 percent of the surveyed companies have plans to relocate the jobs to United States.

Global Enterprise and Offshoring:

The increasing pressure on Chief Executives of the enterprise to focus on short-term financial performance rather than long term growth and sustainability is another factor contributing to offshoring. United States based multinationals report largest profits in countries that impose nil or lower corporate tax. As per the study by “Bureau of Economic Analysis [5]”, in 2008 six of the seven countries where US multinationals reported profits had effective tax rate of 4 percent or less. Though the US enterprises are under ‘worldwide’ tax system, the flexibility to indefinitely differ the payment of taxes from foreign operations is an incentive to shift operations overseas, especially to the tax heavens and report better profits. As per “Robert Pozen [6]”, US multinational enterprises have overseas cash holdings of over 2.0 trillion, which they will deploy to acquire or expand business abroad resulting in industrial activity and job creation. The recent study of 2000 companies by “Duke University & ORG on Offshoring [7]” shows that, over 80 percent of the large companies are currently offshoring compared to 58 percent by the midsize companies. The increasing tendency by large companies to cheaper labor markets is leading to drop in local employment and shipping of jobs abroad.

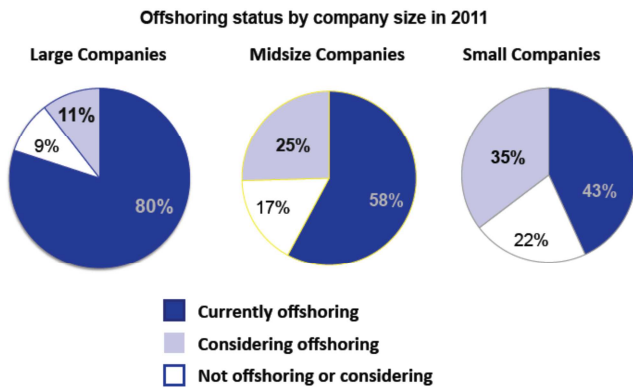
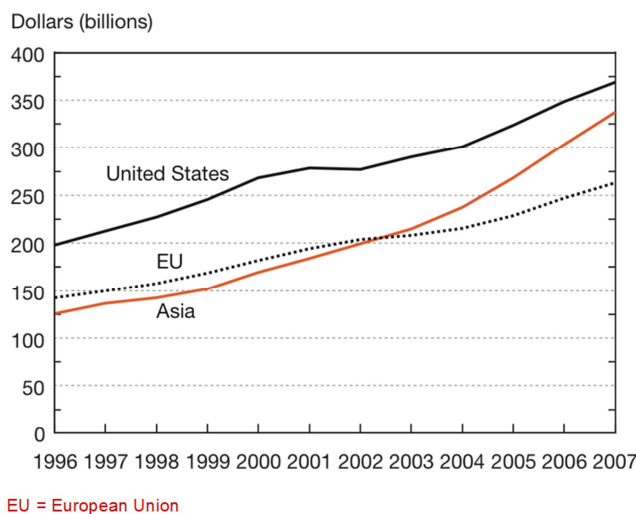


Figure 3. Offshoring by Company Size (Offshoring Research Network, The 2012 Outsourcing World Summit).

US based multinational companies contributed 23 percent of US private sector GDP in 2007. However they contributed 31 percent of the growth in real GDP and 41 percent of US gains of labor productivity since 1990. They account for larger share of productivity growth due to highest private sector spending in R&D. Multinational companies account for half of the nation's exports and more than third of it import, bringing favorable trade balance than other enterprises operating in US. These companies also exert significant influence through their indirect effect on economy as they purchased 90 percent of the intermediate inputs from other enterprises in US. In the recent past, with the growth in Global markets, US multinationals are expanding their global foot print and are getting into new markets either directly or through affiliate. The emerging opportunities and changing market dynamics is forcing multinationals to shift their manufacturing and operational base to overseas markets. The transfer of knowhow, technology and technical skills has helped the Countries that are global manufacturing hubs to upgrade their skills and competencies and has seen emergence of domestic enterprises that are ready to compete with America based multinational companies.



NOTES: Asia includes China, India, Japan, Malaysia, Singapore, South Korea, Taiwan, and Thailand. EU includes all 27 member states.

Figure 4. Growth in R&D Investments (National Science Foundation, USA).

From 1999-2007, U.S. manufacturing firms' investment in R&D outside of the U.S. grew at almost three times the rate of domestically funded R&D, according to the National Science Foundation.

With the rapid growth of domestic markets and global opportunities for third-world countries, between 1999 and 2009, the United States' share of R&D dropped from 38 percent to 31 percent; the EU's share declined from 27 percent to 23 percent; and the Asian region grew from 24 percent to 32 percent. According to a study by the "National Science Board [4]", United States has lost 687,000 (28 percent) of its high-technology manufacturing jobs over the last decade. The study also says that over 85 percent of the R&D workers employed by US based multinational companies, has been abroad. Economies like China and India have identified their strengths in high technology areas and expanding globally to challenge the established multinational companies through their cost leadership, innovation and faster time to market.

2. Corporate Social Responsibility (CSR) – An Analysis

Global Enterprise and Corporate Social Responsibility: The Organization of Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (MNEs) have served for over 35 years as the only comprehensive corporate social responsibility (CSR) instrument to be formally negotiated and endorsed by governments. The Guidelines are voluntary recommendations to foster sustainable development through responsible business conduct by MNEs. The focus areas are Information Disclosure, Human Rights, Labor, Environment, Combating Bribery, Consumer Interests, Science and Technology, Competition and Due Diligence and Supply Chains. The US Department of State's Bureau of Economic and Business Affairs (EB) is home base for the Guidelines for American enterprises and acts as National Contact Point (NCP) for America. It works closely with U.S. businesses, trade unions, civil society, and interagency partners to promote awareness, offers a forum for confidential discussion between the businesses and stakeholders through proactive agenda and dispute resolution, work with other Govt. NCPs, foreign businesses, international labor and civil society organizations regarding the business activities of US incorporated MNCs overseas.

The Corporate Social Responsibility (CSR) developed by Corroll School of Management, developed on the RepTrak™ lists seven areas that are used in the "2010 Corporate Social Responsibility Index". These areas evaluate the corporate in USA based on Social Impact (Citizenship, Governance and Workplace) and Economic and Market Driven results (Products/Services, Innovation, Leadership and Performance). The Social Impact areas are defined as Citizenship (Company is a good corporate citizen - Company supports good causes & protects the environment),

Governance (Company is responsibly run company – it behaves ethically and is open & transparent in its business

dealings) and Workplace (Company is appealing place to work – it treats its employees well).

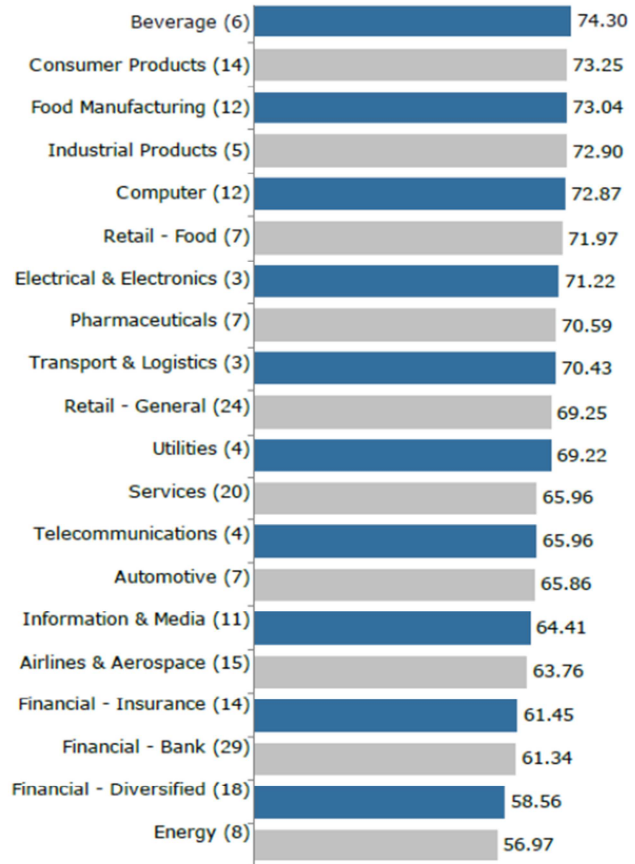
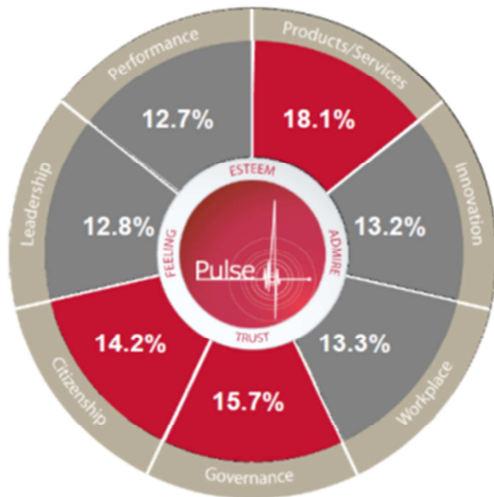
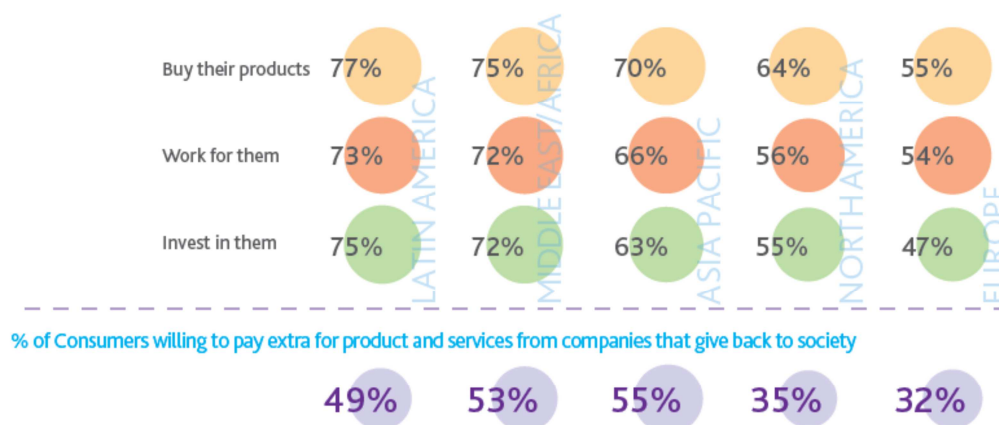


Figure 5. CSR Model (Carroll School of Management, Boston College, CSR Index).

“The 2010 Corporate Social Responsibility Index Study [9]”, lists the top 50 companies in USA, with Johnson & Johnson tops the list with CSRI score of 82.67, followed by Walt Disney Company with 81.33. The study show that public tend to rate makers of beverages, consumer products and computers have favorable social perception, compared to financial diversified services companies, banks and insurance companies and energy companies who are at the bottom of the industry ranking.

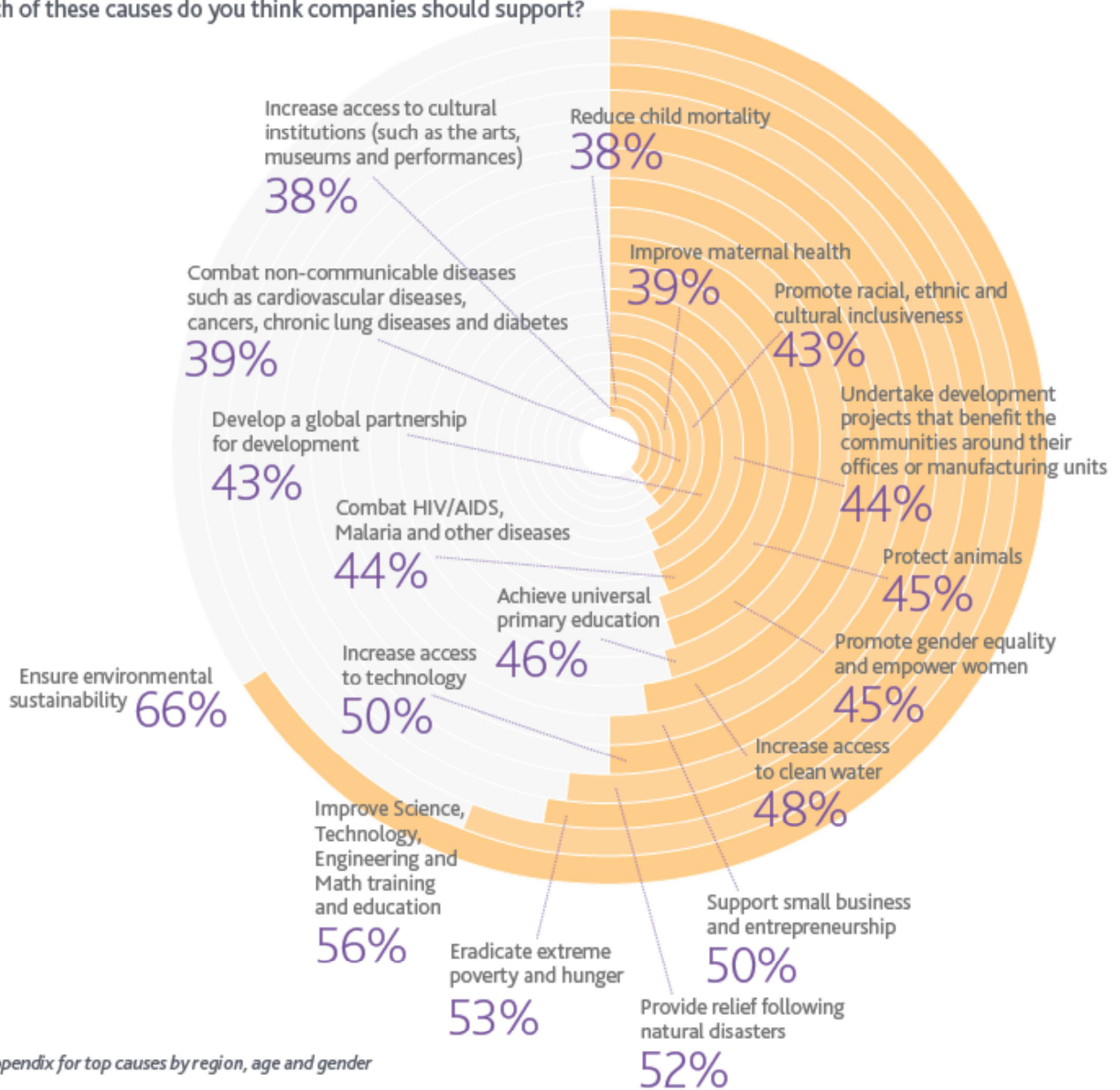
“The Nielsen Report [10]”, “The Global Socially

Conscious Consumer”, a survey of 28,000 online respondents from 58 countries shows that the 66 percent of the Consumers prefer to buy the products and services from companies that have given back to the society, 59 percent prefer to invest in these companies and 46 percent of these consumers are willing to pay extra for products and services from these companies. 50 percent are willing to support small business and entrepreneurship while buying products. The survey also shows that 63 percent of these socially conscious consumers tend to be younger, below the age of 40.



Source: Nielsen Global Survey of Corporate Citizenship, Q3 2011

Which of these causes do you think companies should support?



See Appendix for top causes by region, age and gender

Source: Nielsen Global Survey of Corporate Citizenship, Q3 2011

Socially-conscious consumers defined as those who expressed willingness to pay extra for products and services from companies that have implemented programs to give back to society.

Figure 6. Nielsen Report (*The Global, Socially-Conscious Consumer*; Mar. 2012).

The research, "Active Ownership [11]" by Elroy Dimson, emeritus professor of finance, London Business School; Oguzhan Karakas, assistant professor, Carroll School of Management, Boston College; and Xi Li, assistant professor, Fox School of Business, Temple University, which has won the prestigious "Moskowitz Prize for Socially Responsible Investing", using 10 years (1999-2009) of privately compiled data shows that the average one-year abnormal return (also known as the excess or "alpha" return) after initial engagement is 1.8 percent—just in-between the excess return

of 4.4 percent for successful CSR investor engagements with U.S. companies, and zero for unsuccessful ones.

The "IBM Institute for Business Value [12]" survey of 250 business leaders worldwide shows that companies look at CSR beyond philanthropy and take strategic view as an opportunity an platform for growth. A high 68 percent of the respondents look at CSR as an opportunity to create new revenue streams and over 54 percent indicate that CSR gives them edge over competition.

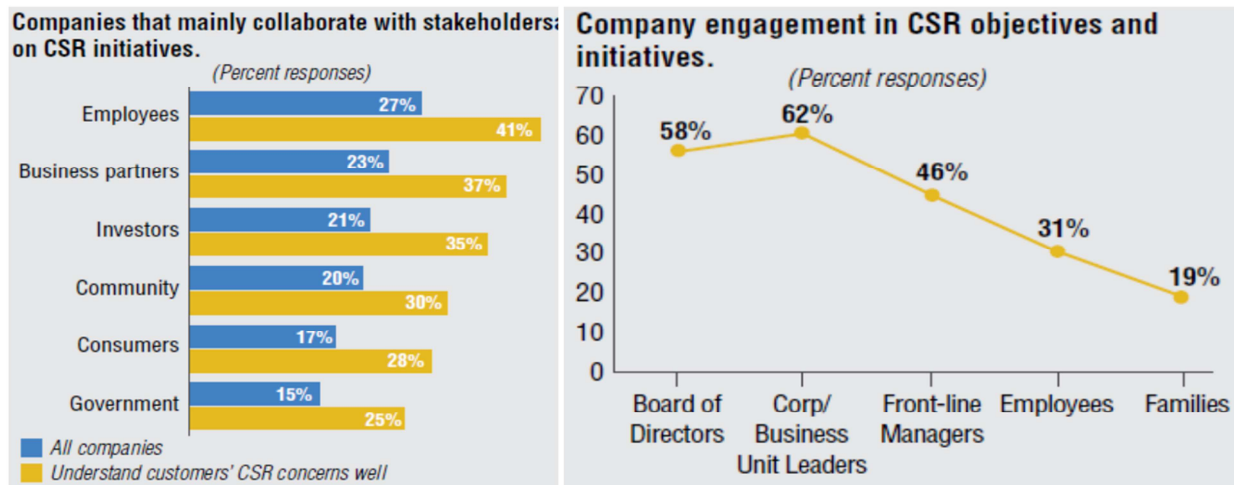


Figure 7. Corporate CSR Initiatives (IBM Institute of Business Value).

The IBM study of 2008 shows that majority of the companies are collaborating with employees and business partners to create CSR agenda, while Community and Government contribute to the initiatives. The Board of Directors have the highest engagement in formulating the CSR objectives and initiatives, while employees and families play a role.

The Corporate Social Responsibility Index (CSRI) ranking of top 50 US enterprises by Center for Corporate Excellence, Carroll School of Management, Boston College, for the years 2009, 2010 and 2011 is presented in Table 1. The companies that have consistently ranked in the top 50 for three consecutive years (2009, 2010 & 2011) are presented in Table 2. The review of the social responsibility initiatives and programs by the Table 2 companies shows that most of their efforts are focused in the areas of:

- Improving Health and safety standards.
- Environmental Protection and conservation of natural resources.
- Recycling and use of renewable energy.
- Employee welfare and well-being.
- Contribution to the local communities where they operate.
- Contributions during disasters and to charitable and non-profit organizations.
- Innovation of Products to improve standards and meet social norms.
- Education, health care and poverty alleviation.

The programs and initiatives in the above areas involve significant financial and manpower investments by the enterprise are mostly targeted to improve their brands and greatly enhance the long term sustainability of the enterprise.

Table 1. CSRI Ranking of US Companies by Boston College.

| Rank | CSRI Ranking for 2009 | | CSRI Ranking for 2010 | | CSRI Ranking for 2010 | |
|------|-----------------------|-------|---------------------------|-------|---------------------------|-------|
| | Company Name | CSRI | Company Name | CSRI | Company Name | CSRI |
| 1 | Walt Disney Company | 79.52 | Johnson & Johnson | 82.67 | Publix Super Markets Inc. | 80.59 |
| 2 | Microsoft | 78.66 | The Walt Disney Company | 81.33 | Google | 77.1 |
| 3 | Google | 77.03 | Kraft Foods Inc. | 80.56 | UPS | 76.16 |
| 4 | Honda | 76.65 | Microsoft | 80.18 | Kellogg's | 76.16 |
| 5 | Johnson & Johnson | 76.57 | PepsiCo | 80.15 | Amazon.com | 75.93 |
| 6 | PepsiCo | 76.00 | Apple | 80.11 | Berkshire Hathaway | 75.78 |
| 7 | General Mills | 75.95 | Hershey Company | 78.24 | FedEx | 75.73 |
| 8 | Kraft Foods | 75.94 | SC Johnson | 77.62 | Campbell Soup Company | 75.4 |
| 9 | Campbell Soup Company | 75.26 | Kellogg's | 77.6 | Baxter International | 75.18 |
| 10 | FedEx | 74.87 | Google | 77.35 | 3M | 75.03 |
| 11 | UPS | 74.84 | Caterpillar | 77.24 | Johnson & Johnson | 74.49 |
| 12 | Toyota | 74.41 | Intel | 76.98 | The Walt Disney Company | 74.35 |
| 13 | Apple | 74.22 | Publix Super Markets Inc. | 76.38 | Coca-Cola Bottlers | 74.14 |
| 14 | Berkshire Hathaway | 73.81 | JC Penny | 75.86 | Hershey Company | 74.06 |
| 15 | Costco Wholesale | 73.77 | Green Mountain Coffee | 75.77 | Texas Instruments | 74.05 |
| 16 | Colgate-Palmolive | 73.56 | Campbell Soup Company | 75.74 | Green Mountain Coffee | 73.89 |
| 17 | Cisco | 73.47 | Marriott International | 75.49 | Clorox | 73.88 |
| 18 | Procter & Gamble | 73.40 | Anheuser-Busch InBev | 75.41 | Microsoft | 73.87 |
| 19 | Levi Strauss | 72.67 | UPS | 75.22 | Caterpillar | 73.7 |
| 20 | Kimberly-Clark | 72.66 | Adobe | 75.17 | Harris Bank | 73.61 |
| 21 | Publix Super Markets | 72.62 | Amerisource Bergen | 75.17 | Lowe's Home Improvement | 73.53 |
| 22 | General Electric | 72.38 | General Mills | 75.13 | Procter & Gamble | 73.46 |
| 23 | Whirlpool | 72.24 | Clorox | 75.12 | Kraft Foods Inc. | 73.31 |
| 24 | Target | 72.21 | Eastman Kodak | 75.12 | PepsiCo | 73.31 |

| Rank | CSRI Ranking for 2009 | | CSRI Ranking for 2010 | | CSRI Ranking for 2010 | |
|------|-----------------------|-------|-----------------------|-------|-------------------------|-------|
| | Company Name | CSRI | Company Name | CSRI | Company Name | CSRI |
| 25 | Lowe's | 71.98 | Fidelity Investments | 75.06 | Toys 'R' Us | 73.3 |
| 26 | Sun Microsystems | 71.96 | Dell | 74.92 | Home Depot | 73.24 |
| 27 | Coca-Cola Company | 71.92 | Amazon.com | 74.78 | Quaker Oats | 72.94 |
| 28 | New Balance | 71.78 | Avon Products | 74.69 | Oracle | 72.87 |
| 29 | Green Mountain Coffee | 71.65 | Lowe's | 74.67 | Target | 72.78 |
| 30 | IBM | 71.64 | AMD | 74.58 | Avon Products | 72.73 |
| 31 | JC Penney | 71.59 | Unilever | 74.5 | Timberland Company | 72.5 |
| 32 | 3M | 71.59 | Goodyear | 74.4 | General Mills | 72.31 |
| 33 | Novo Nordisk | 71.52 | Dukin Brands | 74.38 | Kohl's | 72.19 |
| 34 | Hewlett-Packard | 71.20 | Sara Lee | 74.38 | Whirlpool | 72.17 |
| 35 | Kroger | 71.09 | Yahoo | 74.38 | CVS Caremark | 72.1 |
| 36 | BMW | 71.08 | Coca-Cola Bottlers | 74.3 | McKesson Corporation | 72.07 |
| 37 | Medtronic | 71.01 | Deera & Co | 74.23 | Macy's, Inc. | 72 |
| 38 | Koch USA | 70.77 | Procter & Gamble | 73.91 | Eastman Kodak | 71.99 |
| 39 | Southwest Airlines | 70.76 | FedEx | 73.57 | Sara Lee | 71.77 |
| 40 | Anheuser-Busch InBev | 70.72 | General Electric | 73.42 | SC Johnson | 71.73 |
| 41 | Sara Lee | 70.62 | New Balance | 73.29 | Honeywell International | 71.68 |
| 42 | Marriott | 70.34 | coca-Cola Company | 73.1 | Intel | 71.58 |
| 43 | Kohl's | 70.27 | Southern Company | 73.01 | Costco Wholesale | 71.53 |
| 44 | McGraw-Hill Companies | 70.13 | Southwest Airlines | 72.98 | BMW | 71.44 |
| 45 | Nissan | 70.00 | Texas Instruments | 72.94 | Dannon | 71.31 |
| 46 | Amazon.com | 70.00 | Medtronics | 72.86 | State Farm Insurance | 71.31 |
| 47 | Geico | 69.67 | Starbucks Coffee | 72.81 | Staples | 71.31 |
| 48 | John Deere | 69.63 | Hewlett Packard | 72.8 | Dean Foods | 71.18 |
| 49 | Mattel | 69.44 | Ebay | 72.57 | Samsung Electronics | 71.16 |
| 50 | BJ's Wholesale Club | 69.32 | 3M | 72.52 | Zions Bank | 71.1 |

Table 2. Companies ranking in 2009, 2010 & 2011 in CSRI.

| Company Name | CSRI | Year | Rank |
|--------------------------------|-------|------|------|
| 3M | 71.59 | 2009 | 32 |
| 3M | 72.52 | 2010 | 50 |
| 3M | 75.03 | 2011 | 10 |
| Amazon.com | 70 | 2009 | 46 |
| Amazon.com | 74.78 | 2010 | 27 |
| Amazon.com | 75.93 | 2011 | 5 |
| Campbell Soup Company | 75.26 | 2009 | 9 |
| Campbell Soup Company | 75.74 | 2010 | 16 |
| Campbell Soup Company | 75.4 | 2011 | 8 |
| General Mills | 75.95 | 2009 | 7 |
| General Mills | 75.13 | 2010 | 22 |
| General Mills | 72.31 | 2011 | 32 |
| Google | 77.03 | 2009 | 3 |
| Google | 77.35 | 2010 | 10 |
| Google | 77.1 | 2011 | 2 |
| Green Mountain Coffee Roasters | 71.65 | 2009 | 29 |
| Green Mountain Coffee Roasters | 75.77 | 2010 | 15 |
| Green Mountain Coffee Roasters | 73.89 | 2011 | 16 |
| Johnson & Johnson | 76.57 | 2009 | 5 |
| Johnson & Johnson | 82.67 | 2010 | 1 |
| Johnson & Johnson | 74.49 | 2011 | 11 |
| Kraft Foods | 75.94 | 2009 | 8 |
| Kraft Foods | 80.56 | 2010 | 3 |
| Kraft Foods | 73.31 | 2011 | 23 |
| Lowe's Home Improvement | 71.98 | 2009 | 25 |
| Lowe's Home Improvement | 74.67 | 2010 | 29 |
| Lowe's Home Improvement | 73.53 | 2011 | 21 |
| Microsoft | 78.66 | 2009 | 2 |
| Microsoft | 80.18 | 2010 | 4 |
| Microsoft | 73.87 | 2011 | 18 |
| PepsiCo | 80.15 | 2010 | 5 |
| PepsiCo | 73.31 | 2011 | 24 |
| PepsiCo | 76 | 2009 | 6 |
| Procter & Gamble | 73.4 | 2009 | 18 |
| Procter & Gamble | 73.91 | 2010 | 38 |
| Procter & Gamble | 73.46 | 2011 | 22 |

| Company Name | CSRI | Year | Rank |
|----------------------|-------|------|------|
| Publix Super Markets | 76.38 | 2010 | 13 |
| Publix Super Markets | 80.59 | 2011 | 1 |
| Publix Super Markets | 72.62 | 2009 | 21 |
| UPS | 74.84 | 2009 | 11 |
| UPS | 75.22 | 2010 | 19 |
| UPS | 76.16 | 2011 | 3 |

3. Recommendation - CSR for Job Creation

The Green Mountain Coffee Roaster Inc., who has consistently ranked in the top 50 CSIR Companies (Table 2) has explicit mention about creating job in its approach to Corporate Social Responsibility, “We believe business can be a powerful force for change by driving economic growth, creating jobs, and enhancing lives. By taking more balanced approaches to how they do what they do — produce goods and services, innovate and design, build brands, manage opportunities and risks, and cultivate talent — companies can also help address many of the world’s shared social and environmental challenges.”

Leading US MNCs like IBM, HP, Dell, Bank of America etc., are funding innovation and entrepreneurship. In Oct. 2011, Starbucks under the leadership of Howard Schultz, announced an innovative partnership with Opportunities

Finance Network (OFN) of Community Development Finance Institutions (CDFI) to create and sustain jobs in US. The program called “Create Jobs for USA” is seeded by Starbucks Foundation and will be sustained by donations from 6,800 stores across USA. Customers can donate spare change from their lattes or make \$5 donation in exchange for a wristband. Donations will flow into the OFN’s Create Jobs for USA Fund, for member CDFIs to find and fund community businesses. The program is now supported by companies like Google Offers, Banana Republic, Take Part, Citi etc.. The initiative is well supported and has successfully rescued or created jobs in various states across USA.

“McKinsey Global Institute study [17]” shows that in United States jobs declined by 7 million since Dec. 2007, 20 percent of men in the population are not working today compared to 7 percent in 1970, 23 percent drop in rate of new business creation since 2007 resulting in 1.8 million fewer jobs, and America needs 21 million jobs to be created by 2020 to return to 5 percent unemployment.

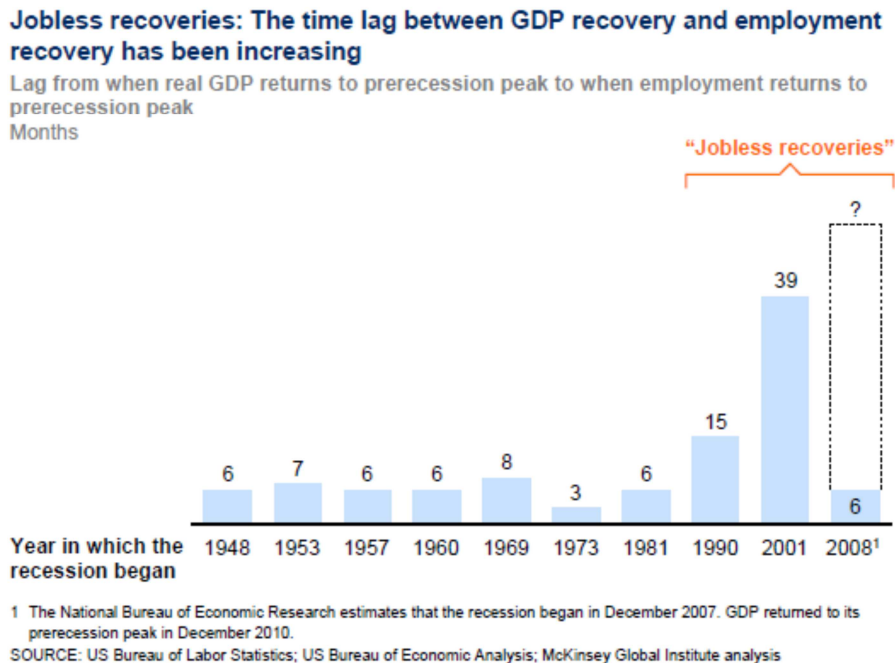


Figure 8. US Employment (McKinsey Global Institute).

This study further shows that the historical data suggests the increasing time lag for US to of recession. The recovery from current recession is yet to be seen though 36 months have passed since the start n 2008. The job growth lags the growth in eligible graduates entering the market and significant numbers of eligible people are dropping out of the job market. The falling ratio between the real GDP growth

and total employment since 1990s is significant, warranting a huge crisis in employment growth even if the GDP exhibits significant recovery. The fast emergence of developing economies like Brazil, Russia, India and China into the global markets with significant cost and manpower advantage, brings to the fore the role of US enterprises in creating jobs at home as part of their social responsibility.

These countries are attracting major share of Foreign Direct Investment (FDI) in major industrial sectors, investing into research, innovation and education, and are fast emerging as major hubs for technology, manufacture and innovation that threaten job markets in USA. The trend in job shifts is reaching an alarming proportion tending to make the reversal a long and painful journey.

“A study of labor cost gap and total landed cost gap between China and US [14]” by Hackett Group shows that the gap has narrowed down and the financial advantage of outsourcing or offshoring is fast fading out.

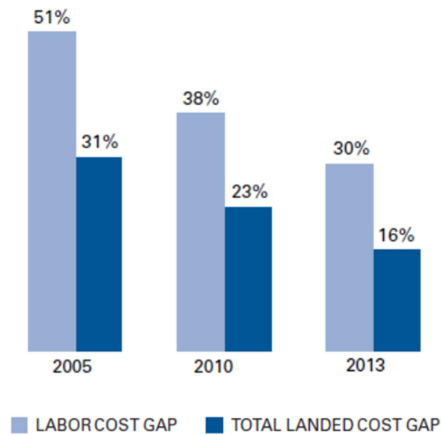


Figure 9. Supply Chain Optimization Study (The Hackett Group 2012).

The enterprises that had productivity gains and competitive advantage through outsourcing to China have to relook at their strategies and focus on areas where the jobs can be reshored back to US to provide local employment and trigger economic activity in local communities.

The local communities play a significant role in the creation of ecological system that crates the physical infrastructure for industries and businesses to establish and perform. People living in these communities contribute their fare share of taxes that goes into building these industrial cities, schools & universities and public institutions like hospitals, libraries, and community centers that are essential to attract and retain the

industry. The US based large enterprises that have financial muscle and global leadership through their products and services should make Job creation within US as the primary objective of their CSR and make necessary investments. The CSR of these leading companies should include every form of direct and indirect effort that not only creates jobs, but help to trigger economic activity that benefits the local communities, both in short and long term.

The US MNCs and other mid-size companies that are outsourcing and offshoring overseas should make Job Creation as their main agenda for CSR. These companies with their immense financial strength and technological capabilities are best placed to reverse the trend in export of jobs and create a vibrant local community that thrives on growing economic activity.



Figure 10. A Model for Job Creation as CSR.

The US Entrepreneurship has contributed immensely to the creation of new jobs and economic opportunities with the country. As per “Kauffman Index of Entrepreneurial Activity [14]” the new business creation has shown improvement since the current recession started in 2008, however it has dropped marginally from 0.34 (2010) to 0.32 (2011) of the adult population. The 0.32 percent business creation translates to 543,000 new businesses being created every month in 2011.

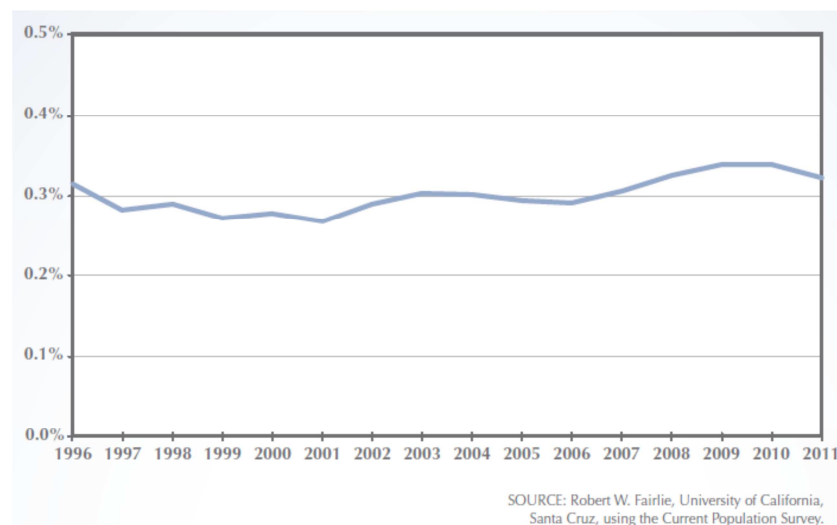


Figure 11. Growth of Entrepreneurship (Kauffman Index of Entrepreneurial Activity).

The funding of individual entrepreneurship by MNCs and large mid-size companies will help to encourage more adults to start their own businesses and generate employment through their success. The initiative being supported by companies like IBM, Dell, HP etc. as part of CSR should further strengthened through participation of the companies that are known for CSR initiatives.

According to study by Duke University & ORG on Offshoring [7], Figure 3, over 80 percent of the large companies and 58 percent of the midsize companies are offshoring their business related operations. This trend is not only effecting the growth but leading to loss of jobs in US. The Companies that have job creation high on their CSR agenda can identify the local enterprises that can substitute their offshore partners and supply chain, resulting in large scale creation of jobs in US. Starbucks Coffee Company sourced around 20,000 beige coffee mugs from Mc Clellean Ceramic Company, a struggling East Liverpool, Ohio, company manufacturer though it is expensive compared to China. NCR Corporation, Ford Motors, Coleman Company etc., are few other enterprises that have taken initiative to shift operations back to US. The local sourcing of raw materials, intermediate or finished products as part of CSR, especially by those enterprises with outsourced operations will drive the job growth in US.

The huge public outcry, including the law makers, over US Olympic team marching into 2012 Olympic Opening Ceremony wearing Ralph Lauren clothing made in China is worth mention here. There is serious concern in every section of the society over increasing number of products and services that are manufactured overseas. There is increasing Consumer movement to buy “Made in America” and influence US enterprises to bring manufacturing jobs back home. The enterprise CSR should also aim to promote “Made in America” and support independent organizations like Made Collection, The Made in America Movement, Save the Garment Center, Etsy, Made in the USA Foundation etc., that are promoting American products. The Nielsen Report, “The Global Socially Conscious Consumer [10]”, study has shown that 46 percent of the consumers are willing to pay extra for the locally manufactured products. The enterprise support for local products through CSR will create awareness about local brands and will help to create jobs.

Innovation has been the backbone of American enterprise. It not only lead to the creation of new enterprises like Google, Microsoft, Apple, 3M, Starbucks Coffee etc., it created large scale direct and indirect employment. Innovation has triggered the growth of local economy and created vibrant communities that thrive on them. The key contributor to Innovation has been high standards of Education in US. The strong research institutions in universities and strong industry – academics relationship helped the American enterprise achieve global leadership in many products and services. As per National Science Board’s “Science and Engineering Indicators [4]”, 2012, the share of US in R&D dropped from 38 to 31 percent and over 85

percent of the R&D workers employed by US MNCs are based abroad. US based enterprises should target Innovation and Education as priority sectors through the CSR, to reverse this trend and create jobs.

The growing job losses, especially in the manufacturing sector has de-skilled many of the workers who are not aligned for job opportunities in new areas such as high-tech, manufacturing, healthcare and renewable & clean energy. Vocational Training Programs and investments by enterprises through CSR will help to develop skills and train potential employees in sectors where jobs are available or likely to be created. “The programs of Chevron [15]” in the areas of career and vocational training are helping individuals to align their learning for jobs in Oil & Gas sector and to attain higher skills that would improve their incomes. The US enterprises should include in the CSR German model of Dual Vocational Training System (TVET), wherein the student signs the contract with the company, before he goes for vocational school and learns the relevant and optimum skills that help him or her on the job. It is largely believed that the German TVET program is helping the country to keep the unemployment rate and have enough skilled work force to match global completion.

The US enterprises that have considerable overseas operations should actively recruit American employees and offer Global Placements, more so into the emerging markets like China, India, Russia and Brazil. As part of their CSR, the enterprises should offer the displaced job seekers in US an opportunity to work abroad in their overseas facilities. This will help to address the growing unemployment in US and will also provide the employee a chance to assimilate the skills and work culture that is driving job losses back home and giving an edge to these global destinations.

“Women’s Initiative for Self Employment [16]”, a bay area non-profit organization, provides high potential and low income women with training, funding and ongoing support to start their own businesses. Their training programs empowered over 20,000 women of whom 70 percent are in business and many have turned into employers providing an average of 2.5 jobs. A \$1 investment in “Women’s Initiative” has returned \$30 to local economy through taxes, employment and people exiting welfare system. While most of the enterprises provide community funding in the areas of environment, healthcare, education etc. as part of CSR, the companies should identify the sectors and non-profit institutions that are focusing their efforts to either save or create jobs. Enterprises should identify the significance of their Community Funding by way of CSR and identify the right programs like “Women’s Initiative”, “Create Jobs for USA” etc., that have larger impact on saving or creating new jobs.

4. Conclusion

The trend of Outsourcing has increasingly seen the movement of jobs from US to developing economies like

China, India, Brazil etc.. Compared to addition of 4.4 million domestic jobs & 2.7 million jobs abroad during 1990s, American enterprises during 2000s had cut the domestic jobs by 2.9 million while adding 2.7 jobs abroad. Increasing number of US enterprises across the sectors like manufacturing, R&D, Distribution, IT, Call Centers etc., are outsourcing their jobs to overseas companies to control costs. The US MNCs increasingly use Offshoring as a strategy to shift business operations for addressing Global markets and to save taxes. US enterprises hold over \$ 2.0 trillion in overseas holdings and these funds are deployed to expand operations outside US resulting in the addition of overseas jobs. Study of 2000 US companies by Duke University & ORG [7] shows that over 80 percent of large enterprises and 58 percent of medium enterprises are offshoring. The expansion of US MNC into Global markets has led to the drop in US share of R&D from 38 percent (1999) to 31 percent (2009). The Corporate Social Responsibility (CSR) initiatives are being increasingly used by the US companies to promote brand and to create a positive impact in the community. The Nielsen Report [10], shows that the 46 percent of the surveyed consumers are willing to pay extra for products and services of socially responsible companies. The “CSR initiatives by top 50 CSRI Companies [9]” are focused on health & safety standards, recycling & renewable energy, conservation of natural resources, philanthropy & contributions to non-profitable organizations etc. Very few companies have CSR programs that are targeted to retain or generate jobs.

There is an urgent need for the large and medium enterprises in USA to focus their CSR efforts to retain and generate jobs. The CSR investments should be made in the areas of Entrepreneurship, Local Sourcing, “Made in USA”, Innovation, Education, Vocational Training, Global Placements and Community Funding. A structured and direct funding of activities in local communities in these areas will help to save and create new jobs, and reverse the trend of Outsourcing & Offshoring.

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