New Jobs or Jobless Recovery?

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There are many factors contributing to the recent high unemployment rates, but a job recovery in the United States might actually be right around the corner.

EVER SINCE THE November 2001 recession ended, countless somber stories about the U.S. economy's "jobless recovery" have filled the pages and airwaves of the nation's media outlets. The news for the U.S. work force is not all dire, however. A bona fide job recovery is predicted to be just around the corner as signs of a recuperating economy start to show. The trouble is, you have to look beyond the present-day unemployment tragedies affecting your family and neighbors to see it.

What's Behind the Unemployment Line?

A decade ago, the word "globalization" didn't have much meaning for the average American. That's not the case today. More and more people, especially the unemployed, are defining globalization in negative terms by associating it with the outsourcing of U.S. jobs to firms overseas.

In the past, blue-collar workers were the only ones affected, but now white-collar employees are also seeing their high-paying jobs go overseas. Outsourcing saves a great deal of money, therefore the money that is spent on U.S. salaries can be slashed if those positions are given to foreigners in Mexico, Costa Rica, India, China, and parts of Europe. An added bonus maybe improvement in the quality of a service or product. In India's thriving call center industry, for example, the job turnover rate is low and almost 100 percent of call center workers hold college degrees. Hence the off-shore mass exodus, embraced by giants such as General Electric, Procter & Gamble, Microsoft, Oracle, and Hewlett-Packard, to name a few.

The bad news for many Americans is that an increasing number of firms are considering replacing U.S. employees with foreign staffers. An August 2003 USA Today article states that in the next 15 years, "American employers will move about

3.3 million white-collar jobs and $136 billion in wages overseas, according to Forrester Research. That's up from $4 billion in wages in 2000."

Other jobs have disappeared due to the continuing boom in productivity, which means fewer people are needed to produce the same amount - or more - of a product or service. Gary Becker, a 1992 Nobel Laureate and economics professor, believes that output per worker may grow at 3 percent or more a year for decades, while income per worker could double in 25 years or less. In Business Week (Oct. 20, 2003), he contends that IT-supported productivity is buoyed by "rapid progress in computer capabilities," plus growth of the Internet, fiber optics, cellular, and other wireless technologies; advances in biotech; as well as global competition, which spurred American firms to improve efficiencies.

Dr. Richard Bayer, chief operating officer of The Five O'Clock Club, a national career-counseling network with certified counselors across the United States, acknowledges "a real problem with a lack of hiring," even though the layoffs have stabilized. "That's what accounts for much of the high unemployment rate." Bayer is also co-chair of The Employment Roundtable, a group of industry leaders and government personnel who converge each month to discuss trends in the work force.

While he agrees that IT-based productivity has significantly impacted unemployment, Bayer cites a few other credible reasons, too. "The same amount of people are getting pumped to give more output and work longer hours. And they do it; they're just thankful they have a job. But that's a real morale killer for the work force." Then there's the government's contribution to the predicament. Bayer says that when Congress extended unemployment benefits from 26 to 39 weeks, that action delayed the unemployment recovery by reducing the cost of being unemployed.

The Feds Forecast Future U.S. Jobs

Once the great American job machine begins revving up, many are wondering what kind of jobs will be waiting for workers. Every two years, fortunetellers at the U.S. government's Bureau of Labor Statistics produce the Occupational Outlook Handbook (OOH). The 2002-2003 edition discusses data from 2000 to 2010, providing a view of the future labor force and the industries in which these workers make a living.

The OOH says that 22 million jobs will be added to the employment stew, bringing the total number of jobs at the end of this century's first decade to 168 million workers. Not surprisingly, "the long-term shift from goods-producing to serviceproducing employment is expected to continue." About 20.2 million of those new positions created will be in finance, insurance, and real estate; government; services; transportation, communications, and utilities; and wholesale and retail trade.

Almost 75 percent of total wage and salary growth will be from services and retail trade industry divisions, the OOH points out. In fact, three out of every five new jobs are expected to come from services, primarily the sectors of health, business, and social services. Computer and data-processing services are predicted to grow by a whopping 86 percent, making it the economy's fastest-growing industry.

Transportation, communications, and utilities will together see 1.3 million more jobs, an 18 percent increase. In particular, increased demands to be connected by wired and wireless services will fuel the telephone-communications sector. "Increases in population, personal income, and leisure time" will add to employment growth in wholesale and retail trade industries "as consumers demand more goods." The largest increase will come from the 1.5 million new jobs in the "eating and drinking places segment" of the retail trade industry.

The OOH predicts approximately 687,000 new jobs (9.1 percent increase) by 2010 for the finance, insurance, and real estate areas. "The increased number of baby boomers in their peak savings years, the growth of tax-favorable retirement plans, and the globalization of the securities markets" are expected to account for the strong growth (20.3 percent) in security and commodity brokers and dealers. Internet banking, ATM machines, and debit cards will continue to deplete the ranks of "depository" institution workers. The insurance sector should see about 150,000 new positions, most of which will be due to medical service and health insurance. The stronger sector of the three, real estate, will prosper due to a growing population's growing demand for housing.

In the government, federal jobs are predicted to decline (-7.6 percent) while increases will occur at the state and local levels (12.2 percent and 11.2 percent, respectively) due to a responsibility shift de-centralizing federal power. Continued privatization of federal services will also contribute to decreased jobs at that level.

Projected growth in the goods-producing sector varies considerably, according to the OOH. New housing along with road, bridge, and tunnel work will account for most of the 12.3 percent increase in construction. Three-fourths of the 19.3 million new jobs in agriculture, forestry, and fishing will be due to veterinary services and landscape and horticultural services.

Mining will be hard hit, losing 55,000 jobs (-10.1 percent) by 2010. The OOH cites technology gains that boost worker productivity, growing international competition, restricted access to federal lands, and strict environmental regulations that require cleaning of burning fuels as major causes for the losses. Oil and gas field services will be the only mining subsector with growth (3.7 percent).

Then there's manufacturing - the cornerstone of the U.S. economy. According to the National Association of Manufacturers (NAM), the effects of the recession have been hard on this industry in the past three years. NAM reports that "exports recorded their largest drop in 50 years; more than 2.7 million manufacturing jobs have been lost; the manufacturing recovery has been the slowest on record; and costs stemming from natural-gas price hikes, rising legal bills, health care, and regulation make keeping up with intense global competition all the more difficult."

However, on October 15 of this year, NAM's president Jerry Jasinowski shared encouraging news about the recession's effect on this industry. "The U.S. manufacturing sector has survived remarkably intact and is now showing signs of gathering strength," he said. The primary challenge facing U.S. manufacturers in the long term is the escalating costs of domestic production. "Faced with relentless foreign competition, manufacturers have no power to raise the prices of their products," says Jasinowski. "The average price of manufactured goods has actually declined in recent years. But all the while, the costs of production are rising - health care, regulation, litigation, energy. The loss of manufacturing jobs is a direct result of this cost squeeze."

In addition, a recent BusinessWeek article reports that NAM's chief economist David Huether estimates that only half of America's lost factory jobs are gone for good. Huether forecasts a rebound in industrial machinery, electronics and computers, transportation gear, and fabricated metals.

The OOH's crystal ball predicts a 3.1 percent employment growth by 2010 in manufacturing jobs, or an addition of 577,000 positions. Durable-goods manufacturing in particular is anticipated to increase by 11.8 million jobs, primarily due to demand for computers, electronic components, motor vehicles, and communications equipment. In contrast, nondurable manufacturing will drop jobs - possibly 64,000 overall. Most will be primarily in the apparel, textile, and leather-products industries due to automation and global competition. A big winner will be drug manufacturing, with an estimated 23.8 percent increase thanks to an aging population living longer.

Demand, Innovation Birthing New Applications, Industries

Between 1992 and 1997, more than 350 new industries were registered with North American Industry Classification System (NAICS) codes. While these new codes can point to new jobs created, they don't easily identify technological innovations bringing forth positions that were previously only dreamed about in science-fiction novels. But that's exactly what Doug Henton sees daily as president of Collaborative Economics, an economic-research consulting (inn in Mountain View, Calif. He has a front-row seat to the birthing of jobs of the future in Silicon Valley, the world's technology capital, as it struggles to rebuild itself into a new kind of high-tech international center.

The recession-blasted area added 400,000 new jobs between 1993 and 2000, but lost 190,000 of them when "the bubble burst." After that, fewer companies existed, but those still there are doing very well. "Employment has returned to 1997 levels," explains Henton. "The question is, what's the next Silicon Valley? Our belief is that it will be in biotech, nanotechnology, and information technology... We have the highest concentration of biotech and nanotech research in the nation, but it's not connecting yet. [More than] 100 regional firms are merging two or more of those technologies, and further innovation is developing."

Just as Silicon Valley's software/Internet revolution re-energized the workplace, this new wave of innovation has the potential to increase U.S. employment numbers as traditional and nontraditional industries adapt to the new discoveries expected to come to market soon.

'Notched-Up' Education and Training Required for New Work Force

"There's a myth [that] everything will be moving toward low-wage, low-education jobs in the near future," says Bayer. However, education is essential to procuring a high-paying job, asserts the OOH, pointing out that all but two of the 50 highest-paying occupations in the future require a college degree. The job category requiring at least a bachelor's degree is expected to grow 21.6 percent and will make up 7.3 million job openings through 2010. Positions requiring an associate's degree should grow 32 percent over the 2000 to 2010 period, while jobs requiring a post-secondary "vocational award" will grow 24.1 percent.

The largest number of job openings will be among occupations requiring short-term, on-the-job training, predicts the OOH. However, "professional and related occupations are projected to grow faster and add more jobs than any other major occupational group, with seven million new jobs by 2010. Three-fourths of this job growth is expected among computer and mathematical occupations; healthcare practitioners and technical occupations; and education, training, and library occupations. With 5.2 million job openings due to replacement needs, professional and related occupations are the only major group projected to generate more openings from job growth than from replacement needs."

Bayer believes that a liberal arts degree is highly underrated. "Liberal arts graduates tend to be more flexible," he says. This flexibility and a knowledge of core competencies give such people the power they need to more smoothly change jobs and careers frequently, he adds.

However, no matter what degree or educational level is attained, making education a lifelong project is key for job growth and stability. "To be competitive in your field, you should also go to industry association meetings and read trade journals to keep up to snuff," says Bayer. "Additionally, it's important to keep up with workplace changes regarding how computers can help you do your job better."

The "jobless recovery" should be history before long, replaced by a more service-oriented, productivity-enhanced workplace predicted years ago. Apparently globalization and reengineering the labor force won't be crippling the U.S. economy anytime soon.

[Sidebar]

Three of every five new jobs are expected to come from services, primarily the sectors of health, business, and social services.

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