

The Rocky Road Back: Structural Change and Prospects for Job Creation

**Labor Market & Career Information (LMCI)
Texas Workforce Commission**

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Harry Truman is purported to have said,

**All my economists say,
“on the one, or on the
other hand” ...what I
really need is a one-
handed economist.**



The Good News... A Recovery in the Money economy is definitely at hand, e.g. GDP, profits, stocks

The Bad News... The Money economy and the Job Market are 2 different birds



Pitfall of Drawing Conclusions from Isolated Economic Data:

- The average American walks about 900 miles per year

- The average American drinks roughly 22 gallons of alcohol a year

Conclusion: At roughly 41 miles to the gallon, the average American gets better mileage than the entire Toyota fleet of cars

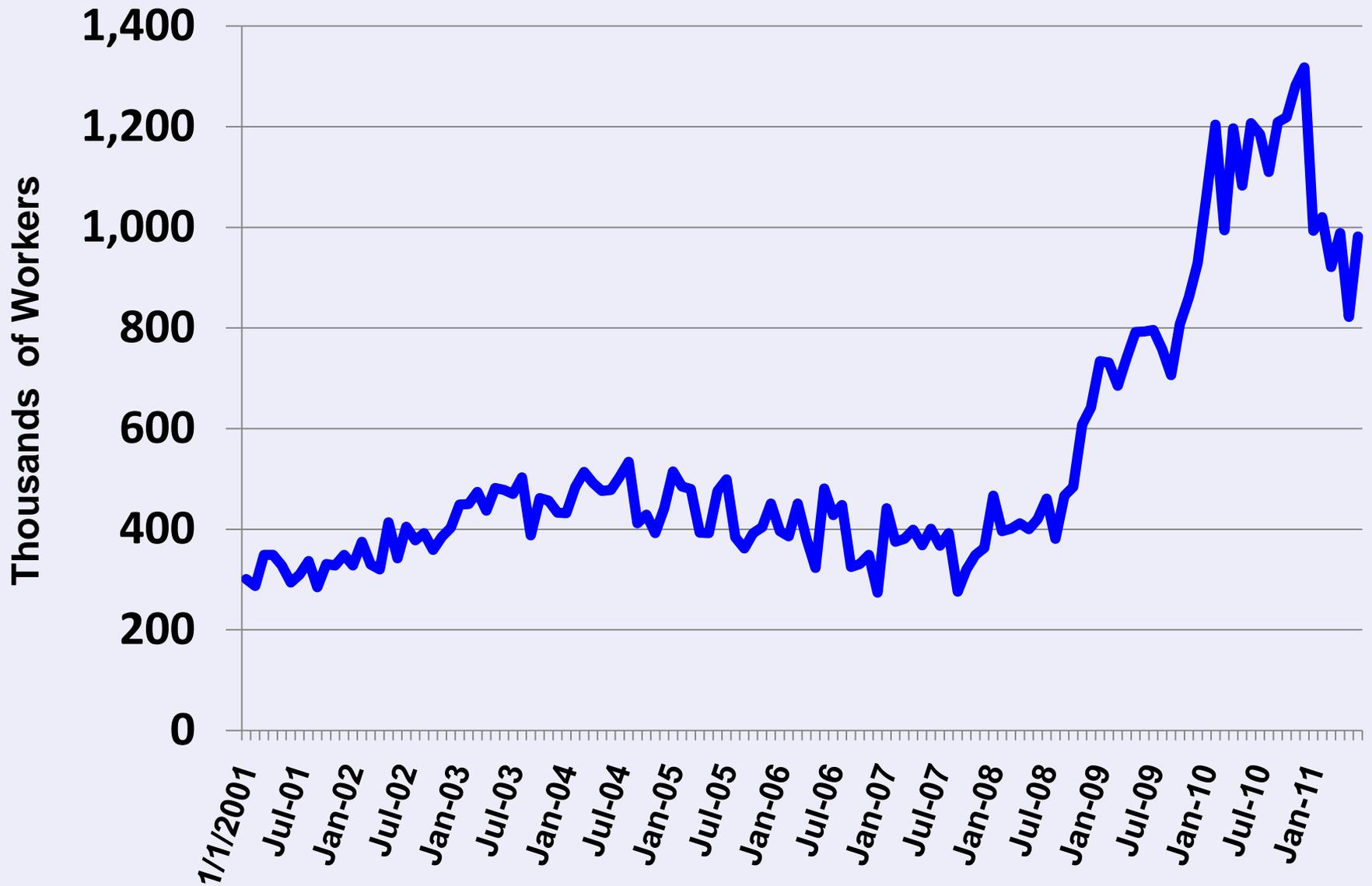
U.S Labor Market Statistics (s.a.)

	June 2011	June 2010	June 2009
Labor Force (-1.33 Mil YOY)	153.42 Mil	153.68 Mil	154.75 Mil
Employed Persons (-663,000 YOY)	139.33 Mil	139.09 Mil	139.99 Mil
Unemployed (-667,000 YOY)	14.1 Mil	14.6 Mil	14.8 Mil
U Rate (U3) (-.3 YOY)	9.2%	9.5%	9.5%
U Rate (U6) (-.4 YOY)	16.2%	16.5%	16.6%

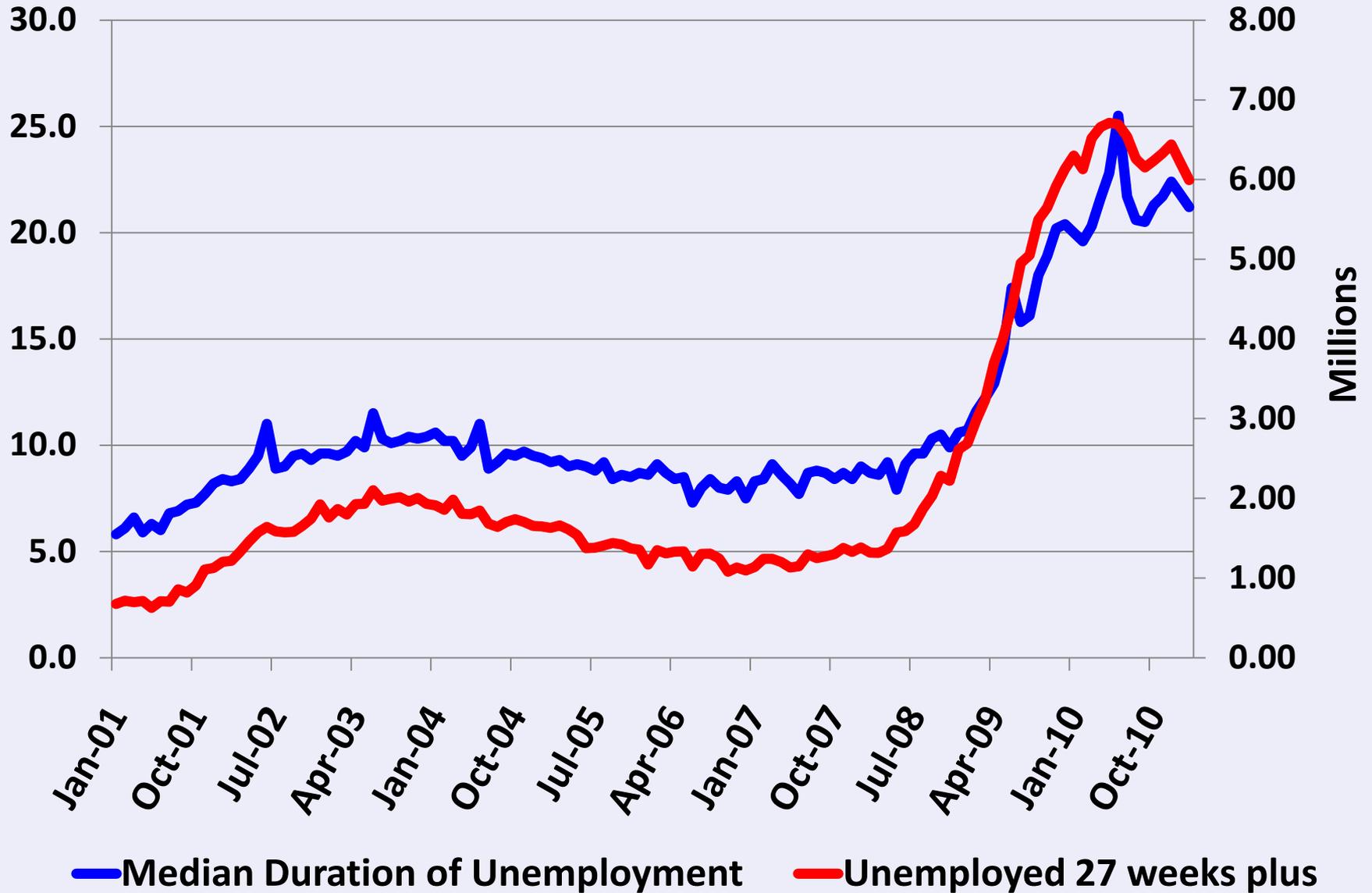
The Unemployed Person has Many Faces

- **Frictional** – Lack of information makes it difficult to efficiently connect employers and jobseekers
- **Seasonal** – Different calendar periods are normally slower or more robust than average
- **Structural** – Mismatch between skills in demand and workforce skills... or mismatch between **location of the job vs. location of unemployed**
- **Cyclical or demand deficient** – Insufficient economic activity causes even appropriately skilled workers to have trouble finding suitable employment

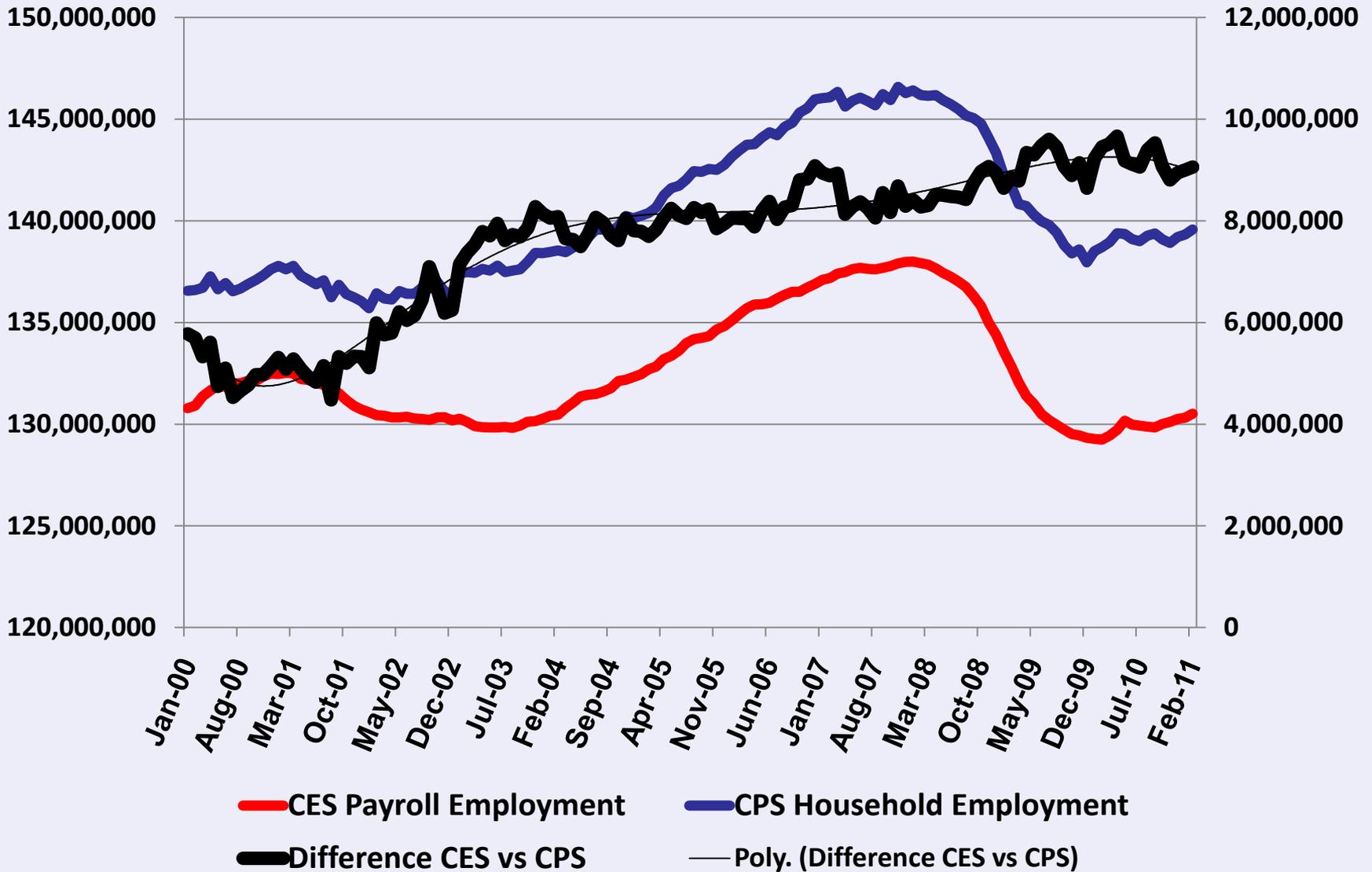
Discouraged Workers: Structural Challenge?



Structural Unemployment in the U.S.



More People Working, but not on Payrolls

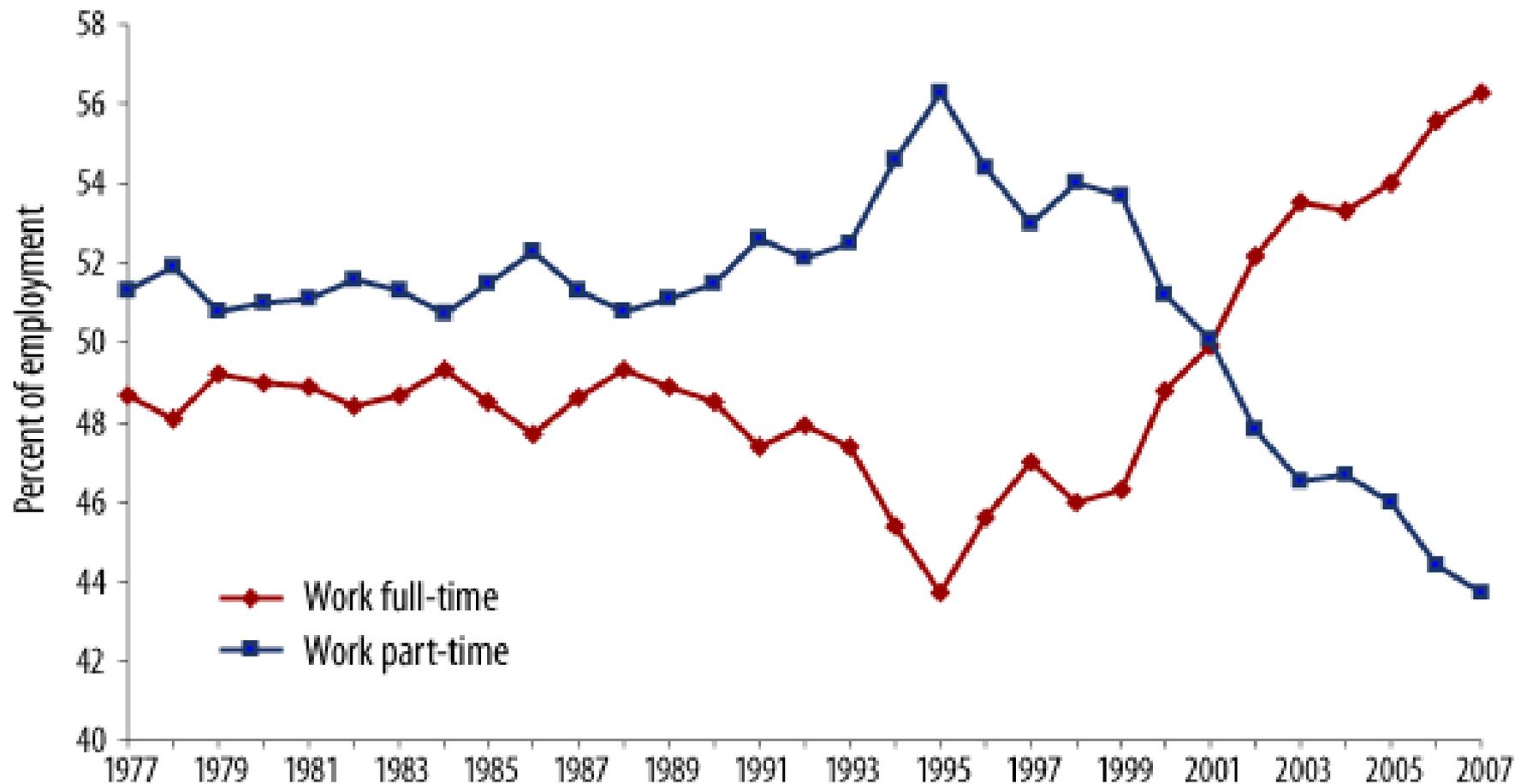


The Changing Face of the Regional Labor Market **STRUCTURAL TRANSFORMATIONS**



Older Workers Moving to Full-time Work

Workers 65 and over by work schedule, 1977-2007

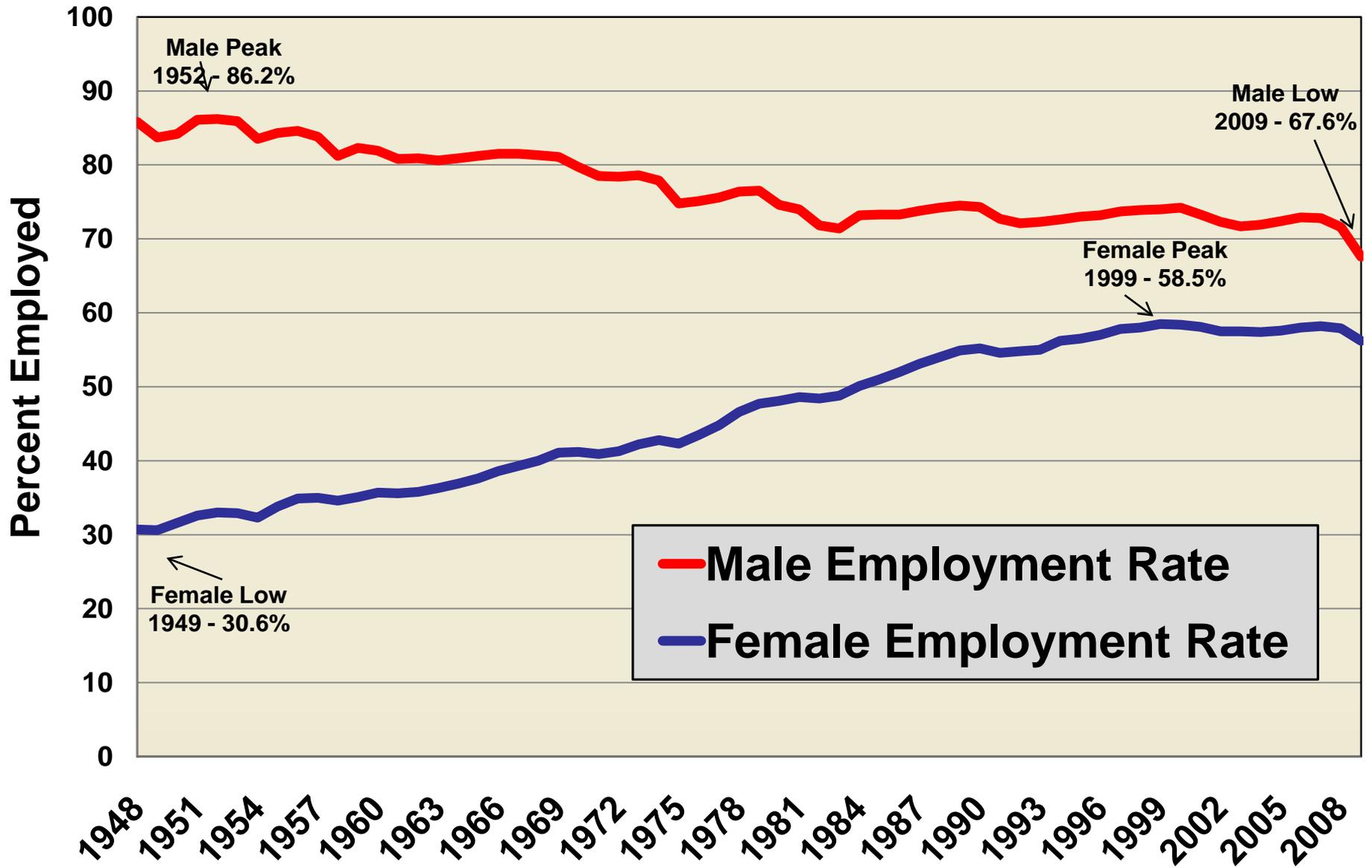


Source: U.S. Bureau of Labor Statistics

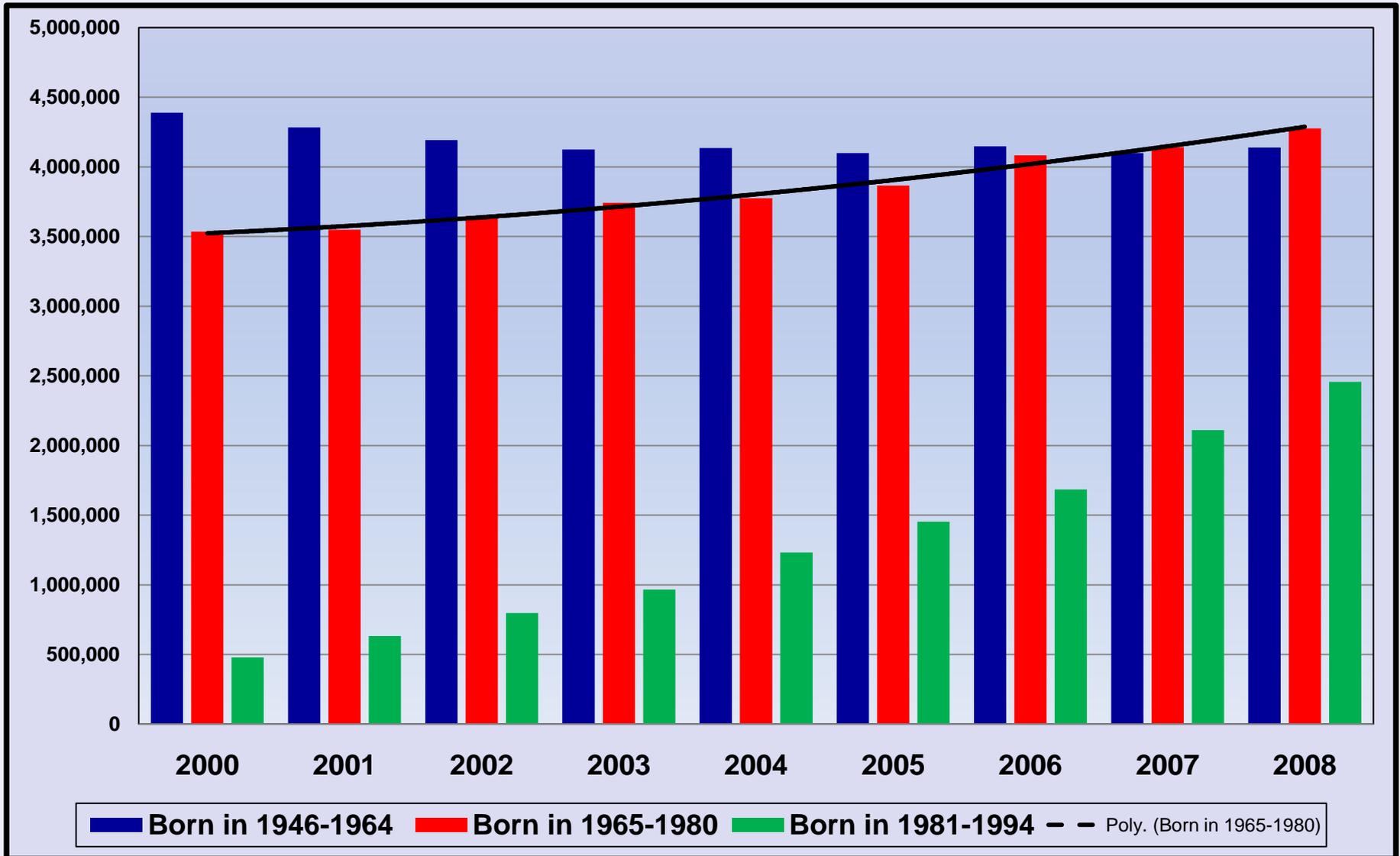
www.bls.gov

U.S. Male and Female Ratio of Employment

(not seasonally adjusted, adults over 20 years old)



Tough Competition: Generation X, Y, and Baby Boomer Employment in Texas 2000 - 2008



How many Millennials does it take to screw in a light bulb?

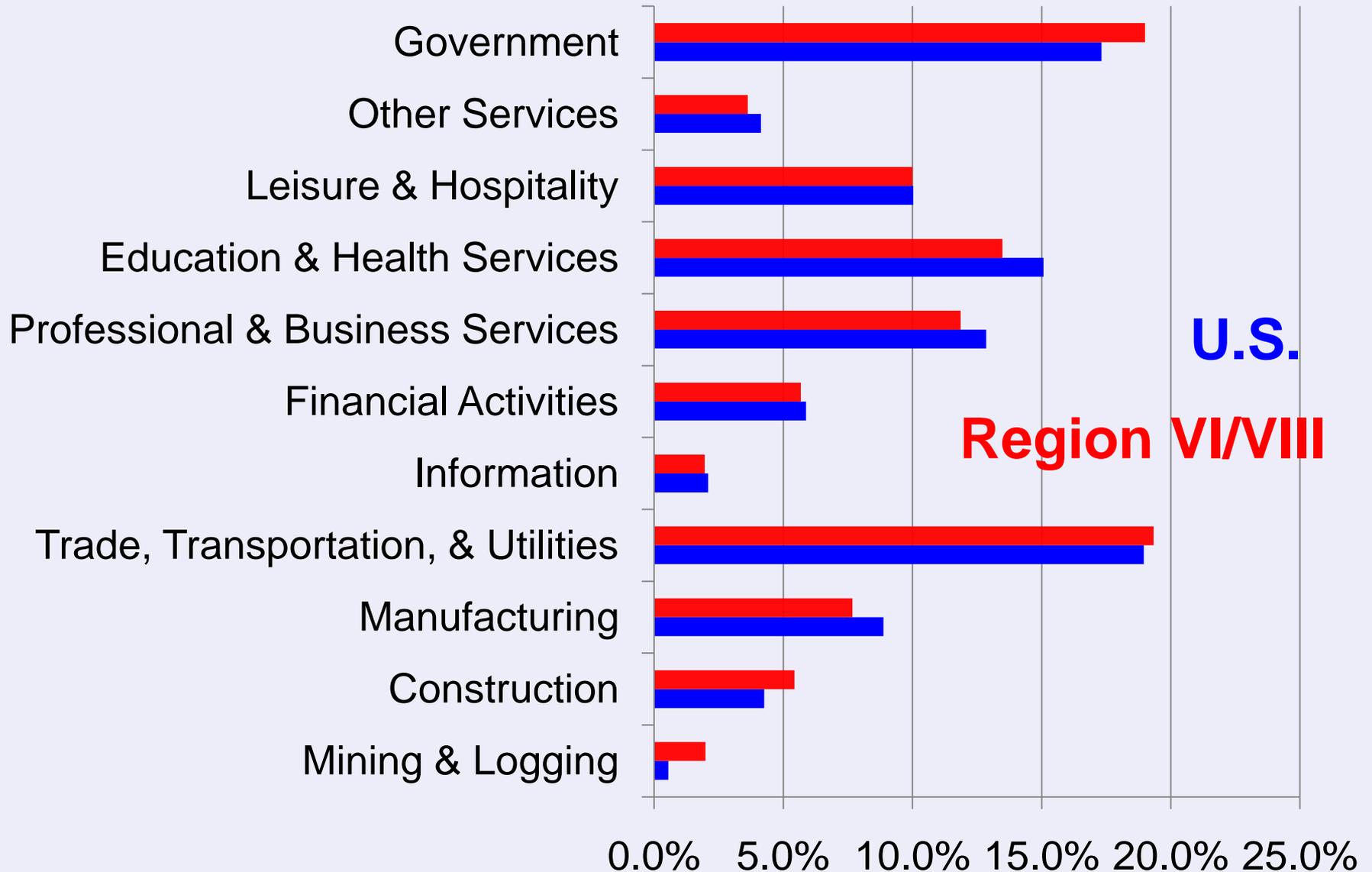
1. One to  the instructions
2. One to post the instructions on the wall of their  page
3. One to post the  video of their work showing collaboration

One Baby Boomer to tell them what a terrific, wonderful, spectacular job they did with the light bulb

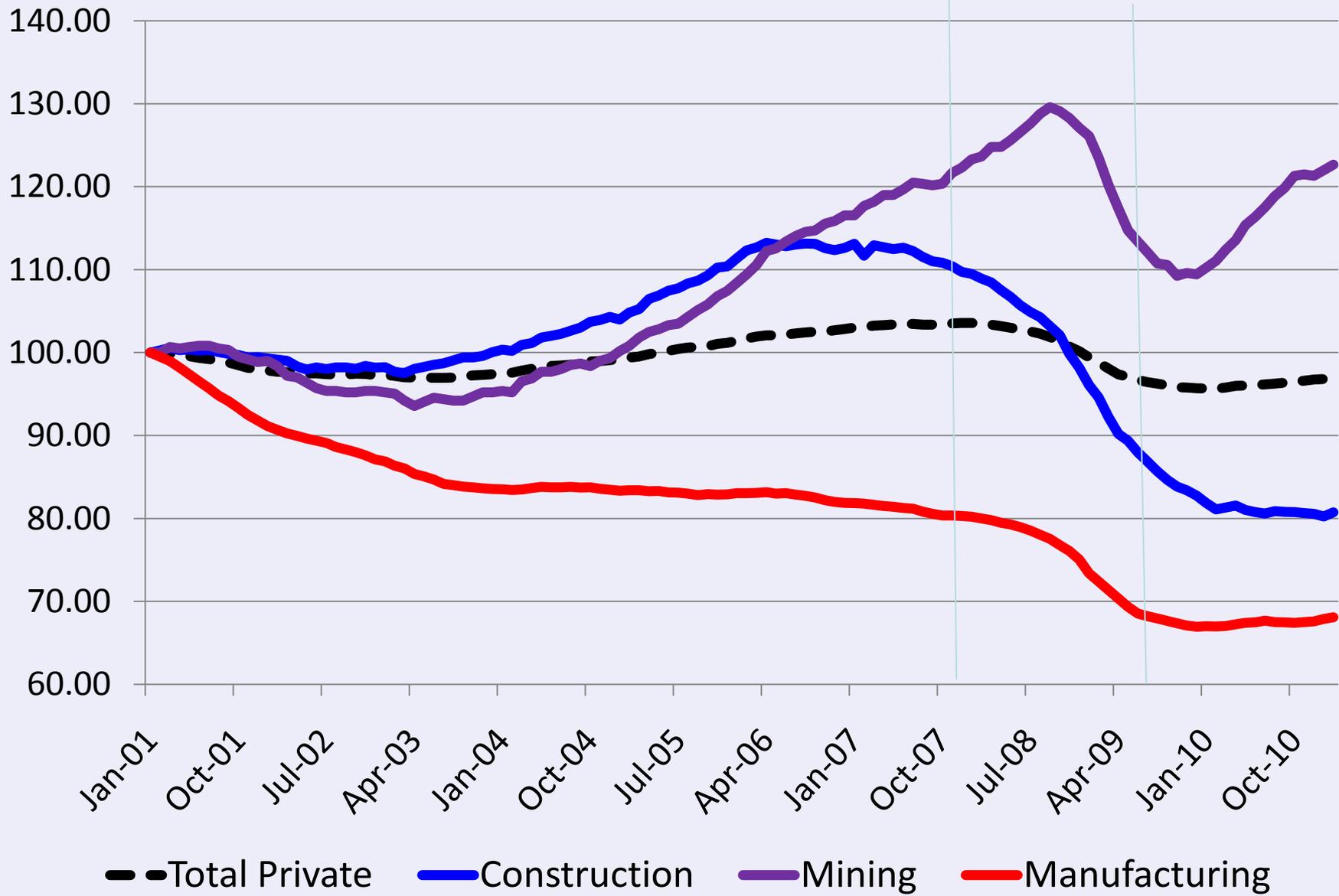
Job Growth By Time period

2006 to 2007	2007 to 2008	2008 to 2009	2009 to 2010
Texas	Texas	North Dakota	Texas
New York	New York	Alaska	Indiana
California	Oklahoma	South Dakota	Massachusetts
N. Carolina	Washington	Vermont	Michigan
Washington	Louisiana	Dist of Columbia	Minnesota
Louisiana	Colorado	Wyoming	Pennsylvania
Pennsylvania	Dist of Columbia	Montana	New York
Colorado	North Dakota	Rhode Island	Oklahoma
Utah	Massachusetts	Delaware	Maryland
Illinois	Wyoming	Maine	Dist of Columbia

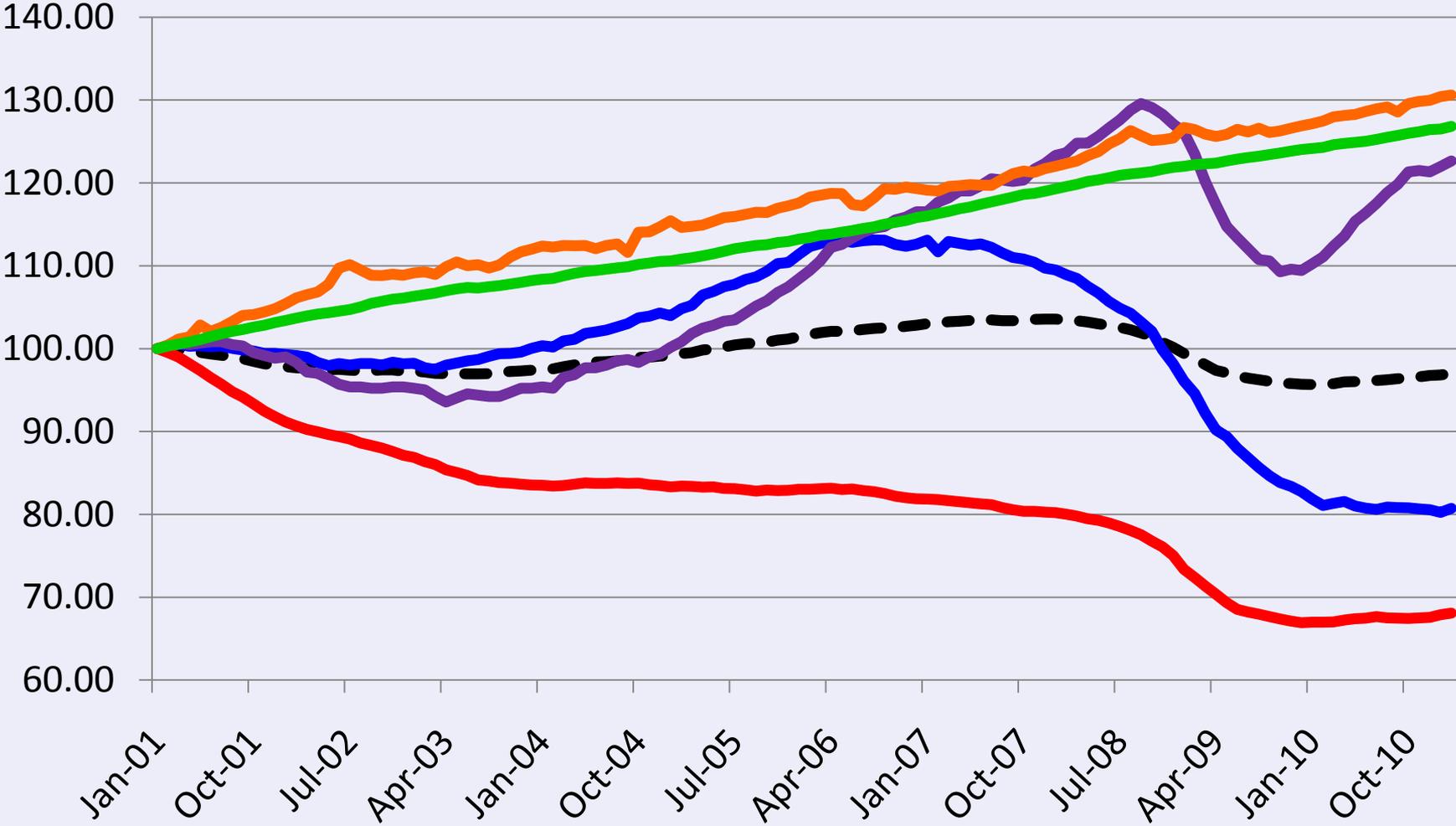
Region VI/VIII: We're Just Not that Different



U.S. Goods Producing Employment Trends



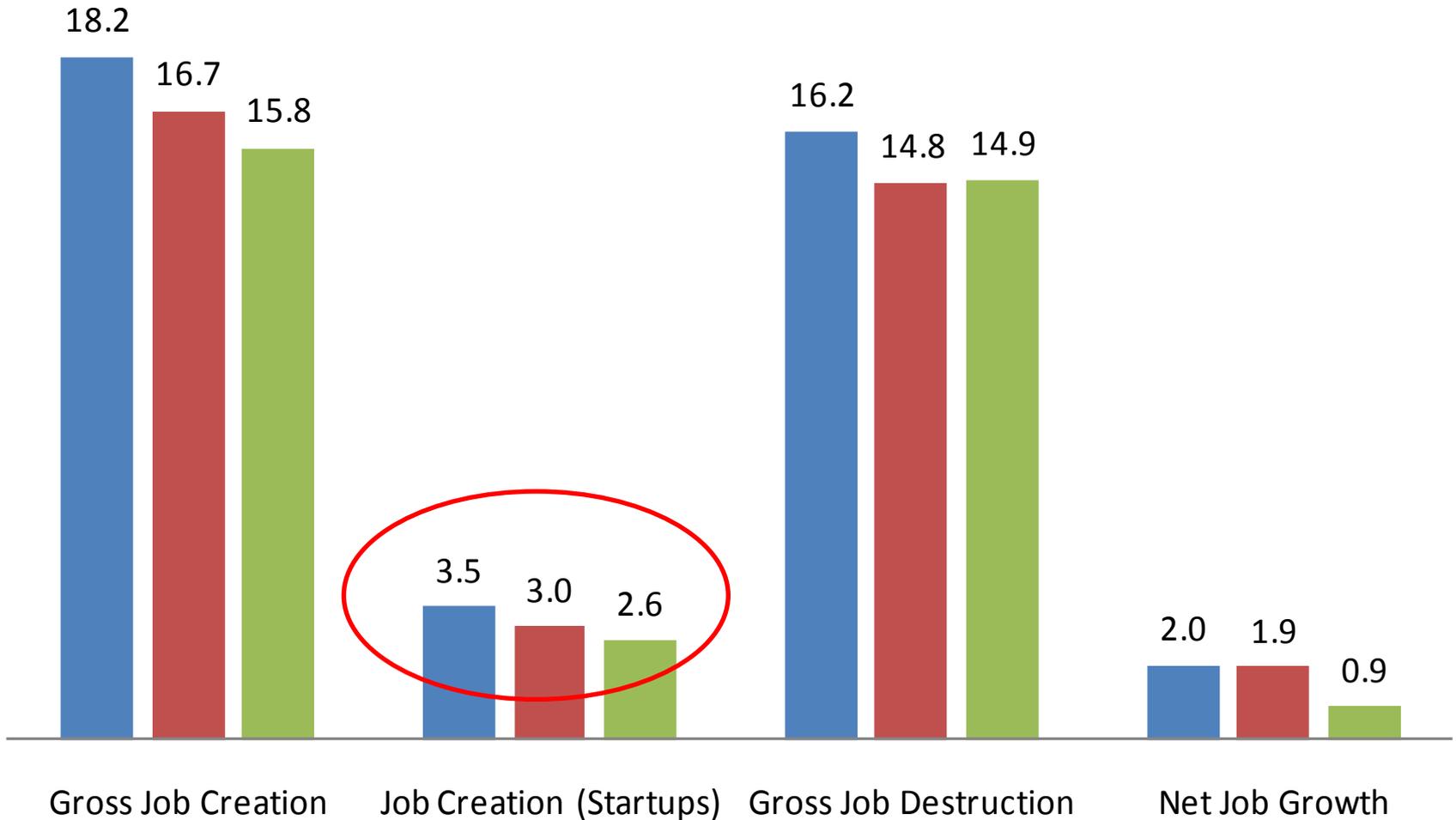
U.S. Goods Producing Employment Trends



— Total Private — Construction — Mining
— Manufacturing — Education — Health Care

Trends in Gross Flows and Net Job Creation

■ Avg 1980-1989 ■ Avg 1990-1999 ■ Avg 2000-2009



U.S. Job Losers (thousands) June 2008-11

Industry	June 2011	ABS CHG	PCT CHG
Nonmetallic mineral mining and quarrying	558	-268	-32.4%
Tile and terrazzo contractors	331	-130	-28.1%
Commercial building construction	1,452	-564	-28.0%
Misc. motor vehicle parts manufacture	352	-135	-27.8%
Metal ore mining	1,215	-437	-26.5%
Industrial building construction	3,452	-1,136	-24.8%
Underground coal mining	5,513	-1,699	-23.6%
Electrical equipment manufacture	695	-204	-22.7%
Heavy and civil engineering construction	2,000	-572	-22.2%
Pulp, paper, and paperboard mills	467	-129	-21.6%
Plywood and engineered wood products	371	-96	-20.6%
Misc. nonmetallic mineral mining	657	-170	-20.5%
Motor vehicle and parts dealers	437	-101	-18.8%

U.S. Job Gainers (thousands) June 2010-11

Industry	June 2011	ABS CHG	PCT CHG
Social assistance/Child care	13,210	192	1.4%
Accommodation	9,514	185	1.9%
Food services and drinking places	5,449	106	1.9%
Nonstore retailers	4,268	92	2.0%
Primary metals	1,364	78	5.1%
Health and personal care stores	1,427	51	3.4%
Truck transportation	449	21	5.0%
Heavy & civil engineering construction	2,000	14	0.6%
Oil and gas extraction	172	14	8.8%
Mining, except oil and gas	214	11	4.8%
Support activities for transportation	523	2	0.3%
Motor vehicle and parts dealers	437	-1	-0.2%

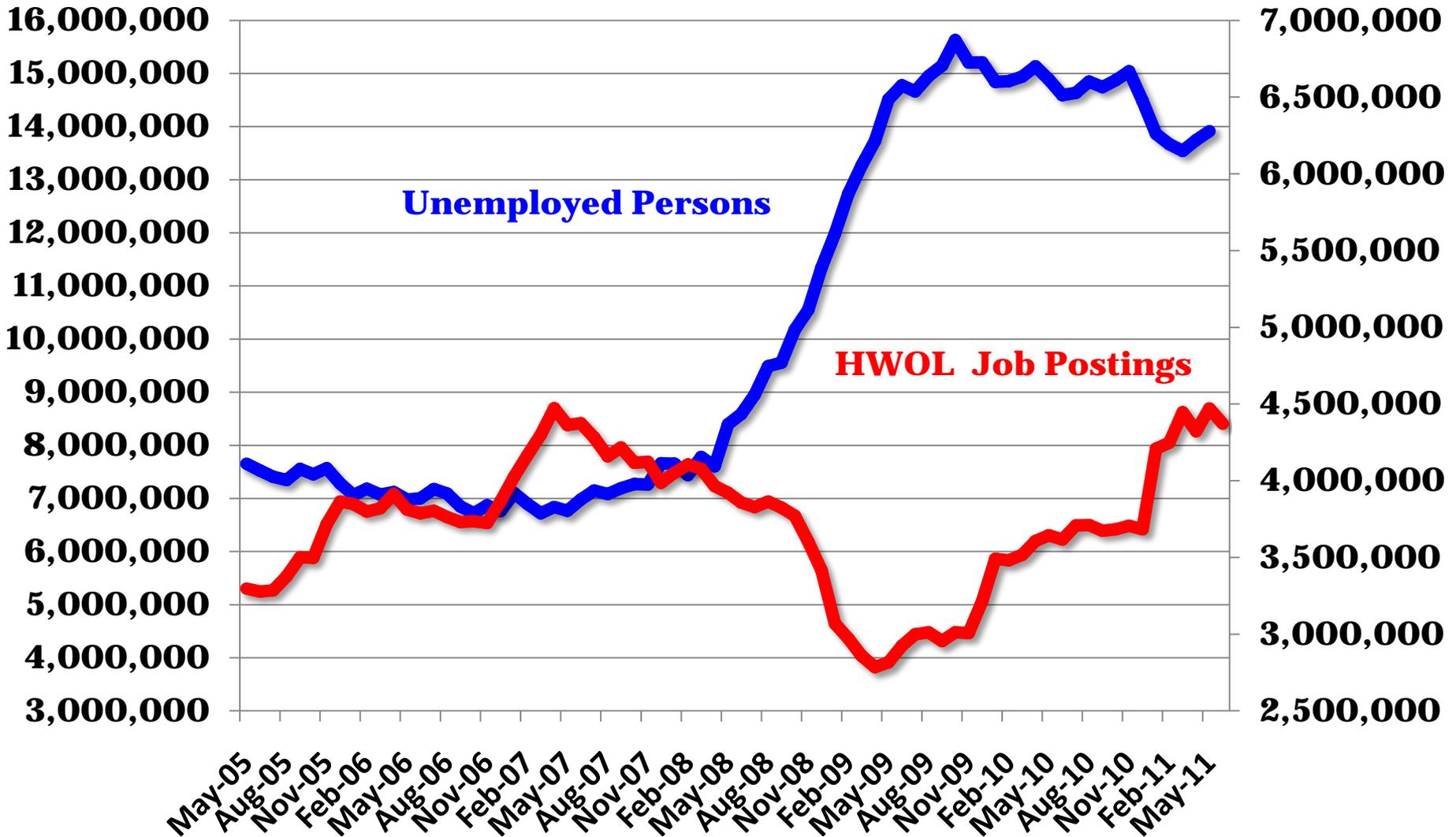
Texas TANF/Choices Adult Placements

Industry of Placement	Adults Placed	QTRLY Wages
Employment Services	1,200	\$2,164
Fast Food Eating Places	1,200	\$1,996
Home Health Care Services	945	\$1,751
Full-service Restaurants	503	\$2,224
Nursing Care Facilities	498	\$3,322
“Big Box” Merchandise Stores	475	\$2,584
Business Support Services	460	\$3,247
Public education K-12	442	\$2,835
Child Day Care Services	338	\$2,864
Gasoline Stations	295	\$2,992

U.S. Labor Supply vs. Labor Demand (sa)

No. Unemployed

No. of Ads



U.S Online Job Postings Last 90 Days May 2011

Occupational Title	Job Postings	CHG 2010
Registered Nurses	327,204	39,560
Retail Salespersons	208,919	49,058
Computer Systems Analysts	176,401	41,772
Supervisors, Retail Sales Workers	174,521	36,539
Customer Service Representatives	168,437	33,730
Web Developers	168,034	36,449
Truck Drivers, Tractor-Trailer	158,267	81,874
Executive Secretary/Admin Assts	145,146	-1,110
Physical Therapists	141,911	43,604
Computer Software Engineers, Applications	129,986	38,479
Computer Support Specialists	126,139	20,777
Marketing Managers	122,549	32,774
Occupational Therapists	119,359	48,342
Non-technical Sales Rep, Wholesale & Man	116,591	2,294

June 2011 U.S. Supply/Demand by Occupation

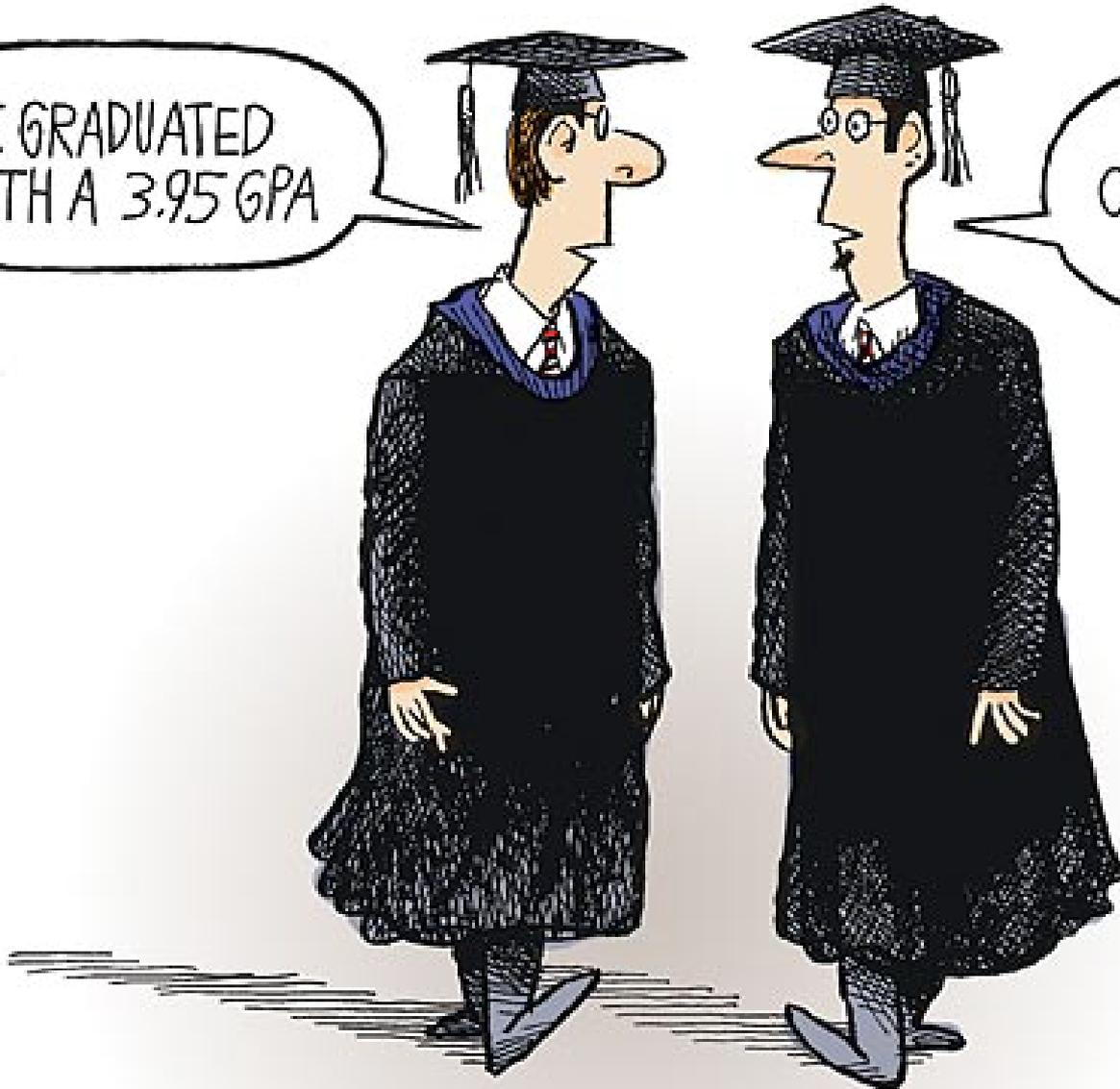
Occupation	Postings (1,000s)	S/D	Hrly Wage
Healthcare Technicians	548.7	0.37	\$34.27
Computer/Math, Science	601.0	0.23	\$37.13
Engineering/Architecture	175.5	0.94	\$36.32
Business/Financial Operations	264.1	1.35	\$32.54
Management	453.1	1.58	\$50.69
Installation/Maintenance/Repair	152.2	2.50	\$20.58
Sales Related	578.3	2.69	\$17.69
Office/Admin Support	456.1	3.43	\$16.09
Transportation/Moving	199.3	5.10	\$15.70
Food Prep and Serving	135.8	6.84	\$10.21

The Baby Boomer meets the Millennial

I GRADUATED
WITH A 3.95 GPA

I GRADUATED WITH
OVER 1300 FACEBOOK
FRIENDS.

STAHLER.
2010



College Grads: Part of the Structural Mismatch

Bachelor's Degree Graduate Major (TX)	Grads	Earnings
Nursing	5,385	\$61,458
Mechanical Engineering	1,390	\$53,537
Electrical & Communications Engineering	1,640	\$48,907
Computer & Information Sciences	1,377	\$45,714
Accounting & Related Services	4,276	\$34,792
Economics	1,223	\$32,395
Liberal Arts and General Studies	2,480	\$31,530
English Language & Literature, General	2,682	\$24,183
History, General	2,328	\$23,735
Health & Physical Education/Fitness	3,653	\$23,461
Psychology, General	5,113	\$22,539
Biology, General	4,819	\$22,330

Education Mismatch: Texas Unemployed vs. Job Postings

Education Requirement	WIT applicants	HWOL Postings
Doctoral Degree	0.4%	0.3%
Professional Masters Degree	0.2%	1.8%
Masters Degree	1.0%	4.3%
Bachelor's + Work Experience	4.8%	10.2%
Bachelor's Degree	9.8%	19.5%
Associate's Degree	2.4%	13.2%
Post-secondary Vocational	4.0%	4.9%
Job related work experience	7.3%	8.5%
Long-term On The Job training	7.9%	3.1%
Medium-term On The Job training	26.0%	15.2%
Short-term On The Job training	36.2%	14.2%

49.3%

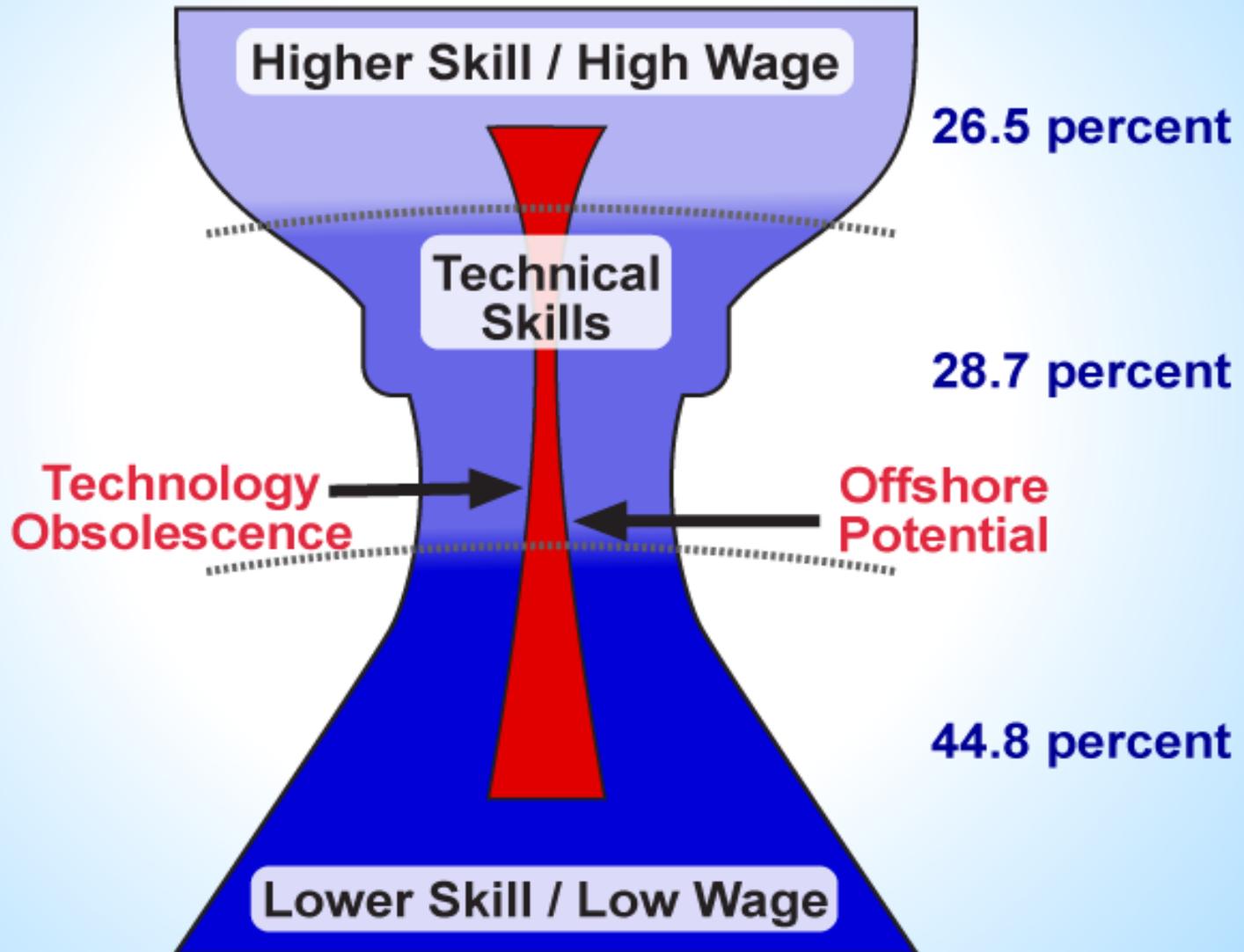
81.4%

Source: Help Wanted On Line listings for Texas and Texas Workforce Commission listings for Work In Texas

“Years ago we hired people from the neck down. We wanted strong backs. Now we hire people from the neck up. Only a few years ago we hired people and gave them a shovel and a pipe wrench and told them these were the tools that would make them successful. Now we hire people and give them a volt meter and a computer and tell them these are the tools that will make them successful. It’s a different industry now.”

**Greg Yoxsimer, Human Resources
Chevron Oil & Gas, Midland, Texas**

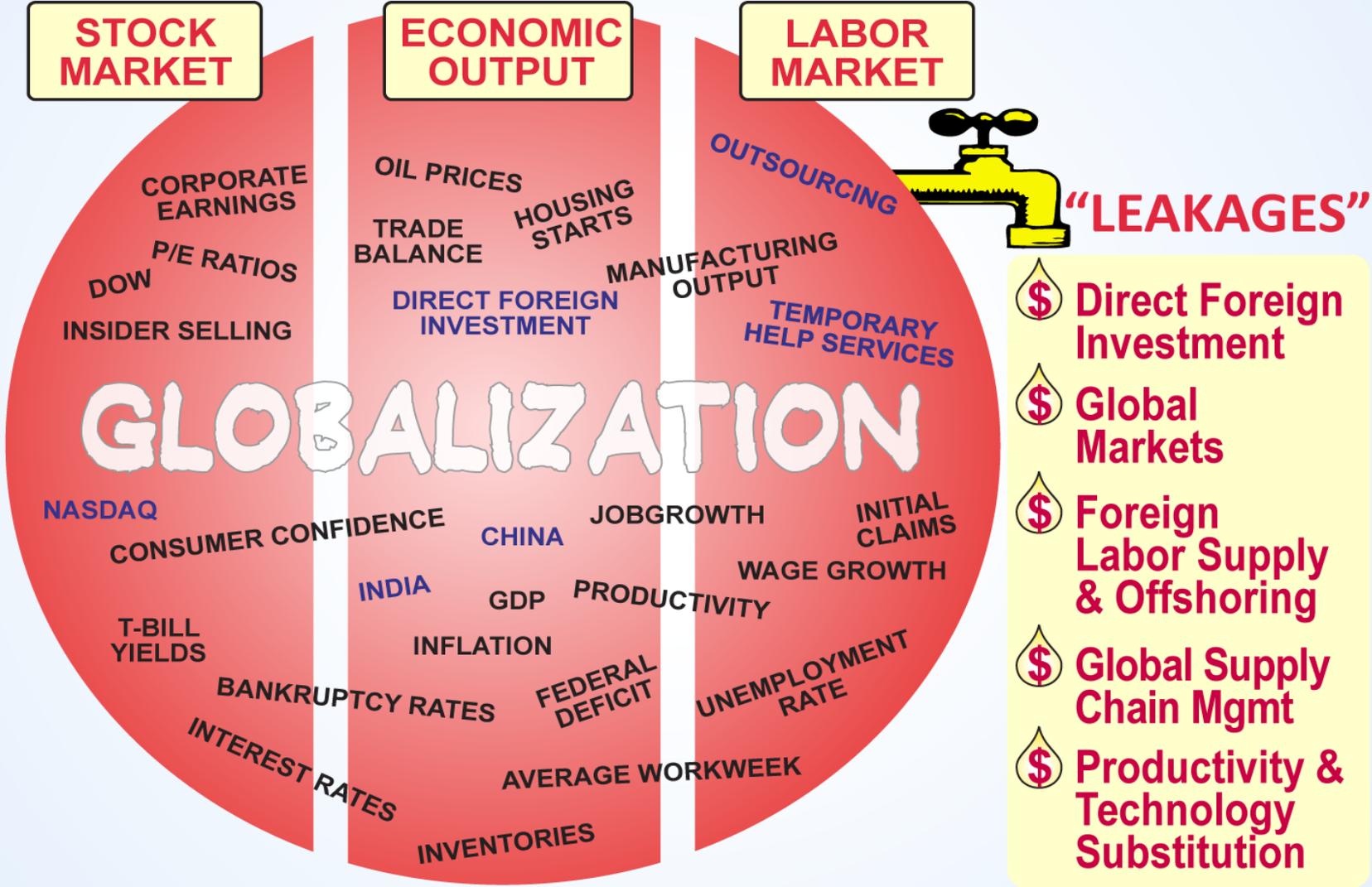
Labor Market Structure 2016





**How is U.S. job creation
influenced by an increasingly
globalized economy?**

STRUCTURAL CHANGE: THE DECOUPLING OF THE ECONOMY



“We are a global player out to succeed in any geography where we participate in. We want our resources close to where our customers are, to tailor products to their needs.”

**Thomas Connelly, Chief
Innovation Office DuPont**

BUSINESS DIGEST

AUTOMOBILES

FOREIGN DIRECT INVESTMENT

Ford plans to join with Sollers to build cars in Russian plants

Ford Motor Co. is teaming up with Russian automaker Sollers to make and distribute cars in Russia, one of the fastest growing auto markets. Under a deal announced Friday, Sollers will build Fords at Russian plants, helping to boost a struggling local industry. Ford will have access to a huge market that could bolster its revenues.

Financial details weren't disclosed, but the automakers said they will have equal stakes in their joint venture called Ford Sollers. Ford declined to give production or sales targets for the venture.

—March 8, 2011 Austin American-Statesman

Emerging Markets in a Global Economy: Percent of 2009 Revenue Outside U.S.

YUM Brands 53.0%

Du Pont 62.4%

IBM 58.1%

Boeing 42.2%

Intel 80.0%

Coca Cola 73.5%

Corning 75.6%

Emerson Electric 56.8%

Accenture 56.4%

Microsoft 43.4%

Hewlett-Packard 63.9%

Wal-Mart 36.2%

JNJ 50.2%

Caterpillar 61.8%

Colgate 80.0%

ExxonMobil 81.8%

Campbell Soup 26.1%

Kellogg 26.8%

3M Corporation 63.2%

UPS 26.3%

FAST FOOD

Yum Brands profit jumps 10%, mostly from gains in China

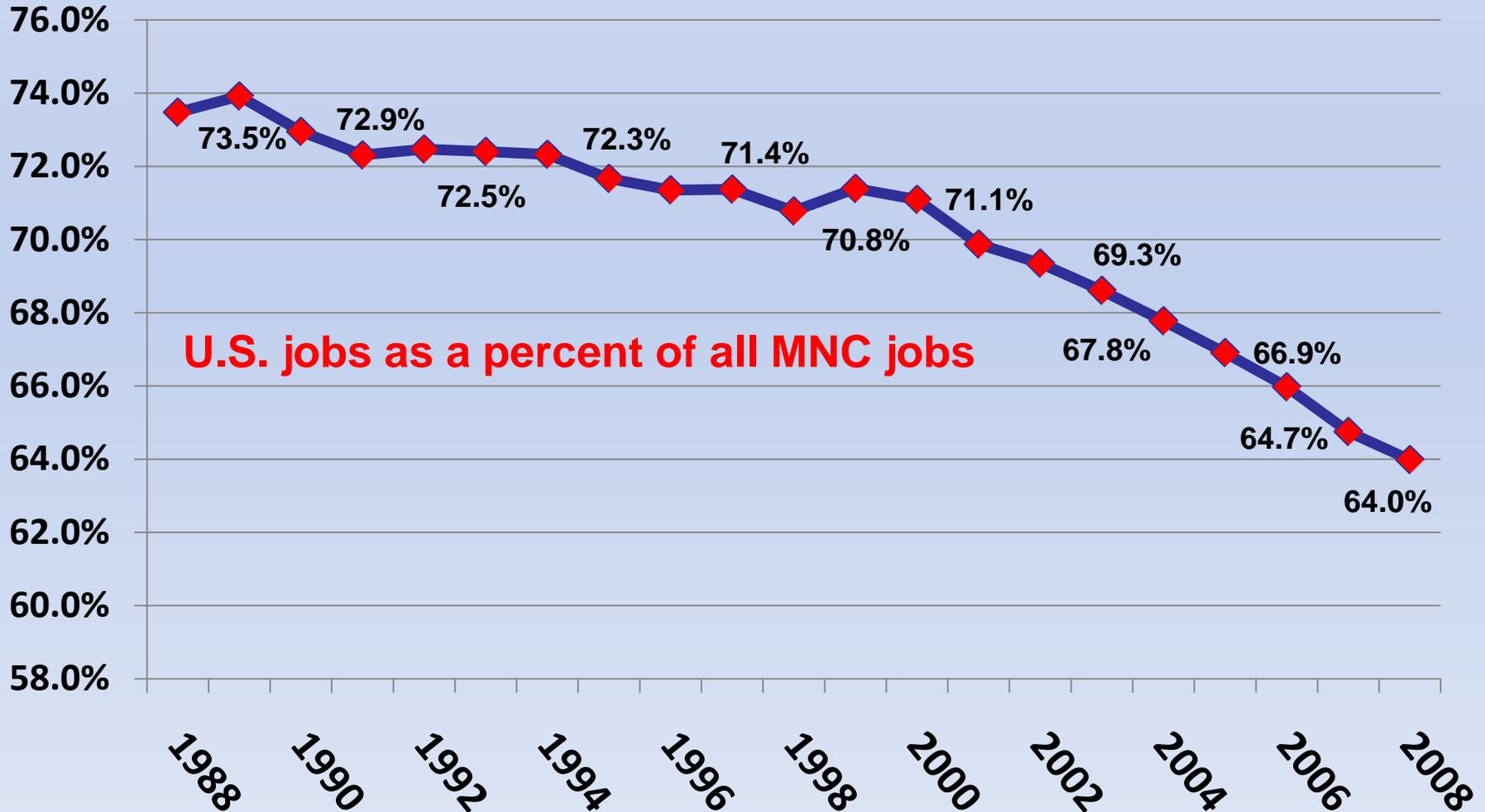
CHICAGO – Overseas customers helped boost first-quarter profit more than 10 percent for the owner of Pizza Hut, Taco Bell and KFC, fast-food chain operator Yum Brands Inc. said Wednesday.

The increase was biggest in China, where Yum Brands' profit soared 37 percent to \$176 million. That made the country – considered a sales region of its own with more than 3,500 restaurants, most of them KFCs – Yum's most profitable region worldwide.

Yum Brands earned \$241 million, or 50 cents per share, for the three-month period that ended March 20.

Excluding one-time items related to franchising, its profit was 59 cents per share – much better than Wall Street forecast – and the shares rose in after-hours trading.

Percent of Multinational Corporation Jobs Employed by U.S. Parent Company



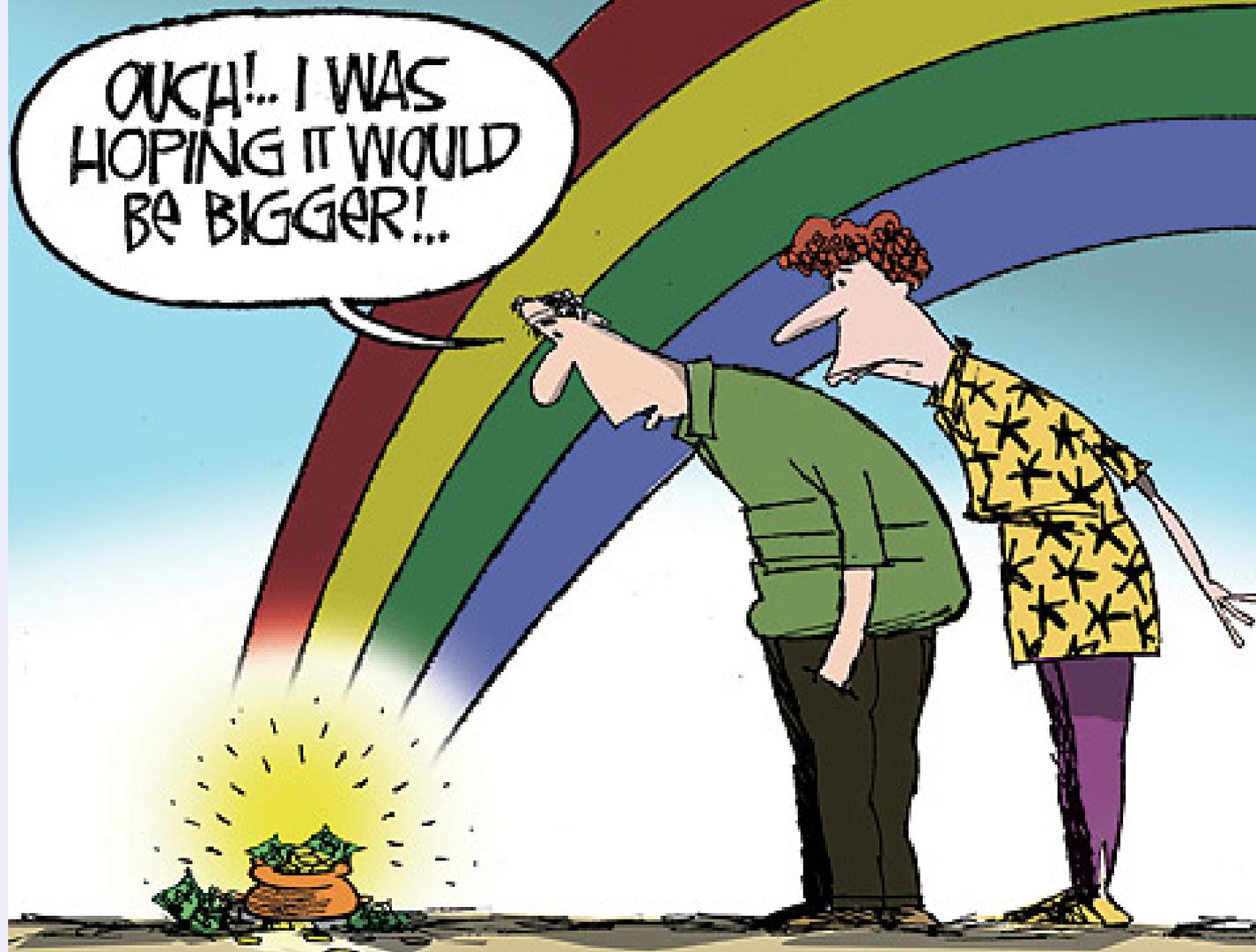
**Prediction is very difficult,
especially if it's about the future.**

Nils Bohr, physicist

- **A good forecaster is not smarter than everyone else, he merely has his ignorance better organized. *Anonymous***
- **It is far better to foresee even without certainty than not to foresee at all.
*Henri Poincare, The Foundations of Science***

AT THE END OF THE RECOVERY RAINBOW...

OUCH!... I WAS
HOPING IT WOULD
BE BIGGER!...



WAT
HANDS MAN
NEWBY

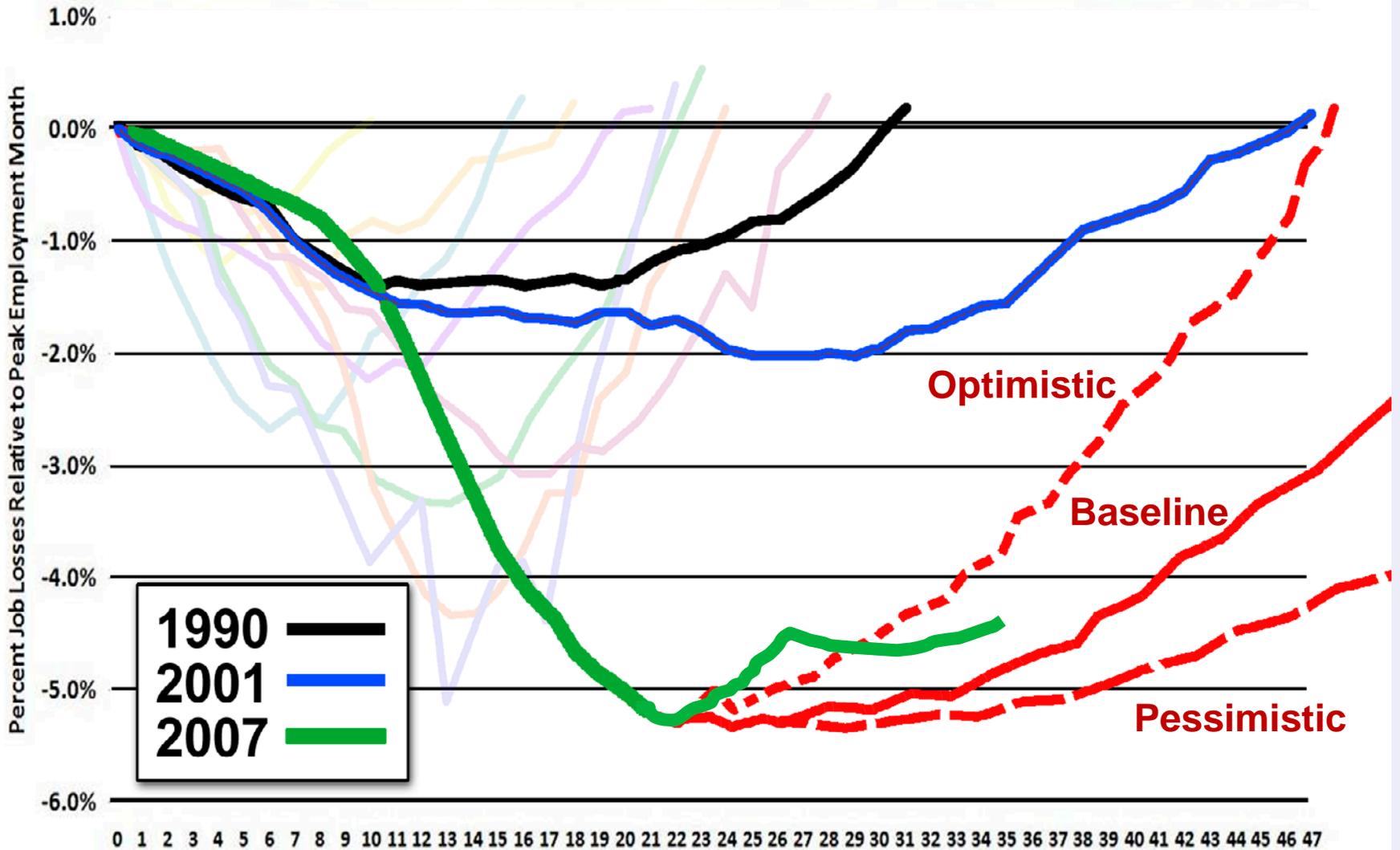
It Just Ought to be Better!

- Households have increased savings rates (5.8%) & **paying down debt**, not consuming
- Wealth effect; household net worth down **\$12.3 trillion** from pre-recession (\$53.5 trillion)
- Corporate investments in U.S. low; **emerging markets** better bet, spending on technology
- New residential **construction** rebounding slow
- **Low consumer & business confidence**: political turmoil, weak demand, government regulatory uncertainty

Employer Hiring Progression: Shifting Business Practices

- Work existing full-time workers more hours
- Move part-timers to full-time workers
- Employ temporary or leased workers
- Use contract workers for fixed periods
- Reconsider work/hiring location based on potential growth markets & cost structure
- Outsource all non-core business functions
- Consider strategic partnerships to increase sales, limit labor liability
- Take advantage of H1B and L1 visas
- **Add full-time domestic employees (FTE)**

Percent Job Losses in Recessions 1990-2007



Number of Months After Peak Employment <http://www.calculatedriskblog.com/>

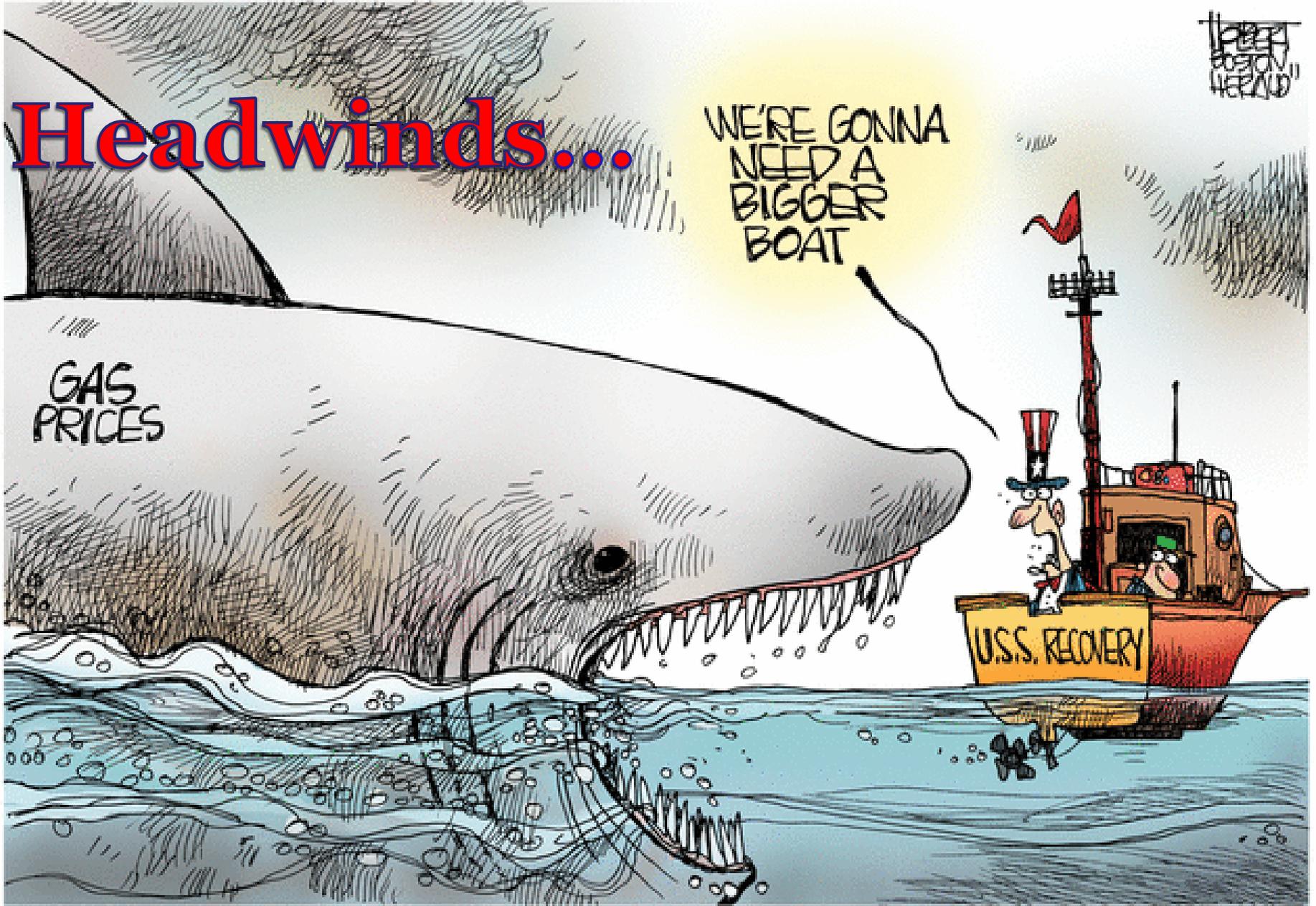
Headwinds...

WE'RE GONNA
NEED A
BIGGER
BOAT

GAS
PRICES

U.S.S. RECOVERY

THE
BOSTON
HERALD



21st Century Virtual Business Model

