

**Challenge: Develop a stock & flow structure that examines the logic of the indicated paragraphs (and optionally other aspects of the article).**

<http://denverpost.wsj.com/articles/SB106580584654962000.html>

**October 12, 2003**

## **As Jobs Come Back, It's a New Game**

**By JON E. HILSEN RATH**

Staff Reporter of THE WALL STREET JOURNAL

The nation's long run of rising joblessness might finally be coming to an end.

For workers who have been locked out of the job market during this plodding 23-month recovery, this could mean a long-awaited chance to get back in. But it won't be an easy task: The labor market is changing dramatically in many industries, even as the overall level of employment inches higher.

As a result, economists say this recovery will be rocky for millions of workers trying to navigate the shifting sands of an economy that reorganizes entire industries with increasingly brutal efficiency.

The Labor Department reported last week that fewer Americans were filing claims for unemployment insurance. Initial claims for such insurance dropped to 382,000 in early October, the lowest level in eight months. A level of initial claims below 400,000 is generally associated with an improving job market.

This followed other reports showing that U.S. companies are finally starting to create new jobs. The overall level of employment in the U.S. rose by 57,000 in September, the first increase since January. Meanwhile, workers are logging more overtime hours and temporary employment is on the rise -- both leading indicators of an improving job market.

"We may have turned the corner on employment growth," said Robert McTeer, president of the Federal Reserve Bank of Dallas, in a speech last week to the Money Marketeters, a New York University foundation, in New York.

The good news, in turn, is helping to push stock prices higher. The Dow Jones Industrial Average gained 1.1% last week, and is now up 16% for the year so far. The Nasdaq Composite is having an even better run. The index rose 1.8% last week, hitting a 19-month high, and is now up more than 43% for the year to date.

Yet even as overall employment is gradually rising again, many companies are still letting go of workers. In late September, Levi Strauss said it would cut 1,980 more jobs and shutter its remaining North American manufacturing plants. In early October, Ford Motor said it would close plants in Ohio and Michigan by year end and another in New Jersey in the first quarter of next year.

Even in Anchorage, Alaska, the mayor said the city would lay off 22 local library workers as part of a cost-cutting effort. "We are being cut back because the money to the municipality of Anchorage is being reduced by the state," says Art Weeks, the library's director. "It's having a serious impact."

### **Altered Landscape**

What's causing all this turmoil? For one thing, the U.S. economy today is much different than it was 20 years ago, when recoveries tended to go hand-in-hand with job-market gains. Back then, layoffs tended to be temporary. When Ford let workers go, it would call them back to the factory when consumer demand picked up. Today, many economists believe the job market is going through much more of what they call structural change. When companies lay off workers, they are often cutting jobs that won't be coming back.

This might be due to the introduction of cost-saving technology, such as computer check-in terminals at airports that eliminate the need for ticket-counter employees. It might also be traced to companies moving jobs overseas to shave costs, as Levi Strauss has been doing for years. A third factor: Companies have been shutting down unprofitable divisions amid corporate restructurings. All are aimed at reducing costs and increasing productivity, which many economists believe will help the economy in the long run, though it is painful in the short term.

For workers, this presents a unique challenge. To thrive in today's turbulent job market, they must target industries that are most likely to hire in the future, and get the training needed to compete for jobs in those industries.

"While I am confident that people will find new jobs, they are more likely to be in a new industry that requires new skills," says Thomas Hoening, president of the Kansas City Federal Reserve. "This will ... involve more than simply returning to the old job or the old way of doing things."

## A Major Shift

A recent study by economists at the Federal Reserve Bank of New York recently found that 75% of all jobs are now in industries that have undergone some kind of structural change in recent years, compared with 50% undergoing structural change in the 1980s.

Recent employment statistics spell out this shift. Many industries have seen employment decline sharply in recent years. For example, while the manufacturing sector has cut 645,000 jobs in the past year alone, health-care employment has risen by 248,000 jobs. Retailers have eliminated nearly 49,000 jobs, while residential construction companies have added close to 42,000. More people are working at homes for the elderly, but public-school teachers are being laid off in the face of massive state and local budget shortfalls.

"I suspect that a large part of these net job losses -- particularly in manufacturing, airlines, and telecommunications -- are permanent and will not be reversed as the economy gains steam," said Susan Bies, a member of the Federal Reserve Board, in a speech last week. "Instead, new jobs will need to be created in other sectors of the economy to replace them. This process will take time."

For some workers, temporary-help offices offer the best refuge these days. Still skittish about the recovery, many companies have been reluctant to make permanent commitments to workers until they see clear signs that the economic recovery is real. Temporary employment has risen for five straight months, after falling early in the year. Increasingly, many of these agencies provide retraining for workers who are switching industries. Other workers looking to change careers have been signing up at community colleges for programs in hot areas such as nursing, which has faced worker shortages for years.

In the meantime, job-market gains aren't expected to rise fast enough to greatly reduce the unemployment rate. According to a monthly survey by WSJ.com, the unemployment rate is expected to stay steady at 6.1% through November, and to fall just slightly to 5.9% by May. Economists say that even though employment is gaining ground, competition for new jobs will be intense because so many unemployed workers are expected to be re-entering the labor force.

*Hiring and salary data are available at CareerJournal.com. Write to WSJ Sunday at forum.sunday03@wsj.com.*

