

KZNT 1460: Scott Stafford's Business Initiative Show on the **Labor Market** 4/1/06, 2 - 3 pm

Bob Powell's Ph.D. is in Physics from Case Western Reserve University and his MBA is from Florida Institute of Technology. He's held positions as manager of ASIC product engineering and ASIC Computer-Aided Design software integration in the semiconductor industry.

His company is Continuous Improvement Associates which focuses on management consulting. He uses the lens of systems thinking to help organizations to overcome what he calls, "group multiple personality disorder," to create exponential process improvement, and to generate strategic alignment. The systems approach explicitly examines system feedbacks that foster improvement and defines measures that monitor that improvements are actually on track.

While his primary focus is on organizational issues, He's also become interested in applications of systems thinking to social issues. For example: the workforce system, economic clusters, the dynamics of growth and sprawl, poverty, health care, and the decline of manufacturing from the U.S.

Website: www.exponentialimprovement.com.

Interest in the Labor Market

I first became interested in the labor market by doing a Labor Market Economics study for the EDC back in 1994. [Labor Market Economics](http://www.exponentialimprovement.com/cms/labmkt.shtml) <http://www.exponentialimprovement.com/cms/labmkt.shtml>

Examples of what I learned:

- Data indicates that **investment in primary education**, as opposed to higher education, offers the best value for the money, 14% vs 8%. (*The Economist*, 3/26/94, p. 86)

And just this week the EDC luncheon speaker was Rob Grunewald, Economic Analyst, Federal Reserve Bank of Minneapolis. Topic: "Early Childhood Development: Economic Development with a High Public Return" <http://minneapolisfed.org/pubs/region/05-06/ecd.cfm>

- However, **targeted and focused higher education and training which leverages previous training and experience**, should give a much higher return than higher education in general. Especially concentrate on making training available and affordable to supply workers for target industry growth sectors of the Colorado Springs Strategic Plan.

However, the problem now is that we're losing high tech manufacturing and IT jobs.

[see the comment by recruiter, Kathleen Connors, in [The State of Colorado Employment](http://www.exponentialimprovement.com/cms/coemploy.shtml)

(<http://www.exponentialimprovement.com/cms/coemploy.shtml>): "No matter how good the economy is getting, it's a difficult professional job market," Connors said. "I still have a lot of Ph.Ds in my database who don't have jobs."]

- Unemployment is typically understood to be higher in Europe than in Japan and the U.S., but data shows that rates of unemployment are not all that much different ...

	U.S.	Japan	Britain	France
Unemployment at the end of 1993:				
Official:	6.4%	2.9%	10.2%	12.0%
"Effective":	9.3%	9.6%	12.8%	13.7%
effective/official ratio:	1.453	3.310	1.255	1.142

Official unemployment only counts those who are actively seeking work. "Effective" unemployment includes "discouraged" & "involuntary part-time" workers (but not under-employed). Britain and France are much more efficient in counting all unemployment. [Reference: Amex Bank Review analysis using BLS data and cited in *The Economist*, 2/5/94, p. 25]

I learned from this that, counting similarly, there's not all that much difference between unemployment in the U.S. and France. But note that adding "discouraged" & "involuntary part-time" still doesn't count everyone. The chart below on "U.S. Unemployment - Official Measures" shows that a U-3 (official unemployment) of 4.9% equates to a U-6 of 8.6% ($8.6/4.9 = .755$). The U-6 unemployment measure adds these categories to U-3: discouraged, other marginally attached (want to work but classified as not actively seeking work because they haven't looked in the current reporting period), and part-time for economic reasons (involuntary part-time). Using this ratio, the 6.4% in the table above equates to $1.755 \times 6.4\% = 11.2\%$... not all that much different from France's 13.7%. More about unemployment later.

Then more lately my involvement in the Mfg Task Force and loss of our manufacturing base has increased my interest. Rocky Scott at the EDC started the task force about 3 years ago because of his concern about the loss of its associated high-paying jobs with high multiplier effects. The strategy of the EDC has been to attract higher-paying jobs to increase the tax base to support a higher quality of life. I believe that emphasis has continued.

The jobs situation in Colorado

On the status of the jobs situation in Colorado, it depends on whom one asks.

Some sources say things are great. For example, Colorado Biz Magazine, March 31, 2006 paints a rosy picture.

[Jobs! Unemployment drops to 2001 levels](http://www.cobizmag.com/articles.asp?id=933) By Keith DuBay <http://www.cobizmag.com/articles.asp?id=933>

Jobs are rolling in and we couldn't be happier. It's good to have one, as 51,500 more Coloradans found out over the past year.

Unemployment in February fell to 4.3 percent, down from 4.7 percent in January and 5.2 percent a year ago. The last time we were this prosperous was in fall of 2001, just before 9/11 hit and the overjuiced tech economy started collapsing. ...

Economists showed caution, even, citing job losses in manufacturing and retail. Well, manufacturing jobs have been leaving for a long time and Colorado is retail to death anyway. ...

What it is, is a steady, slow increase of jobs – the most important economic indicator – that is the best kind of economy. Just like when Goldilocks said about the Baby Bear's porridge, bed and chair: "It's just right!"

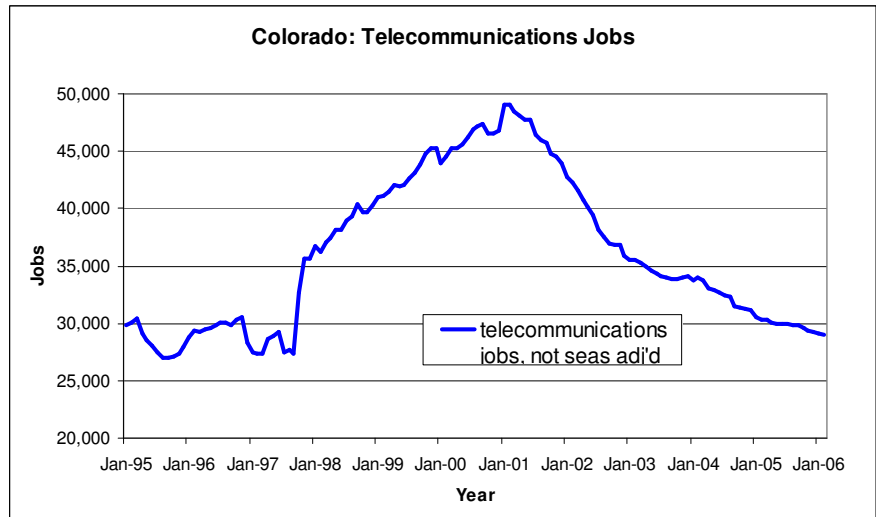
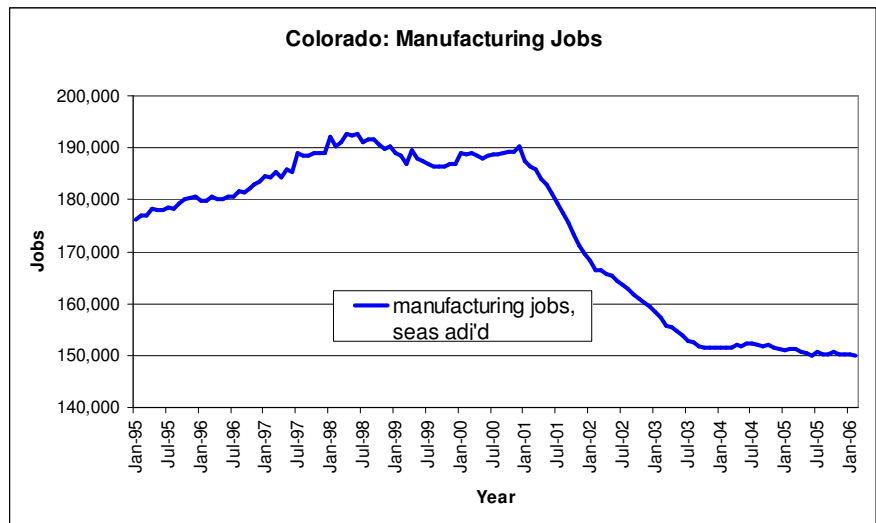
So this article even casts Colorado as having a "just right" "Goldilocks' economy"

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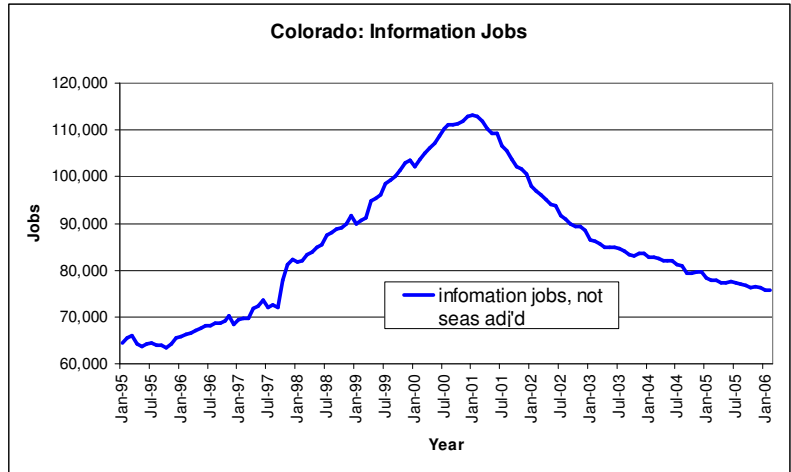
But the concern about job losses in manufacturing is more appropriate, even though it's cavalierly dismissed. With Rick Kemple of [MadeInUSA.com](http://www.madeinusa.com), we've been analyzing data from the [Bureau of Labor Statistics](http://data.bls.gov/PDQ/outside.jsp?survey=sm). <http://data.bls.gov/PDQ/outside.jsp?survey=sm>

40,000 mfg jobs lost in manufacturing since Jan 2001. Still declining, but almost flat.

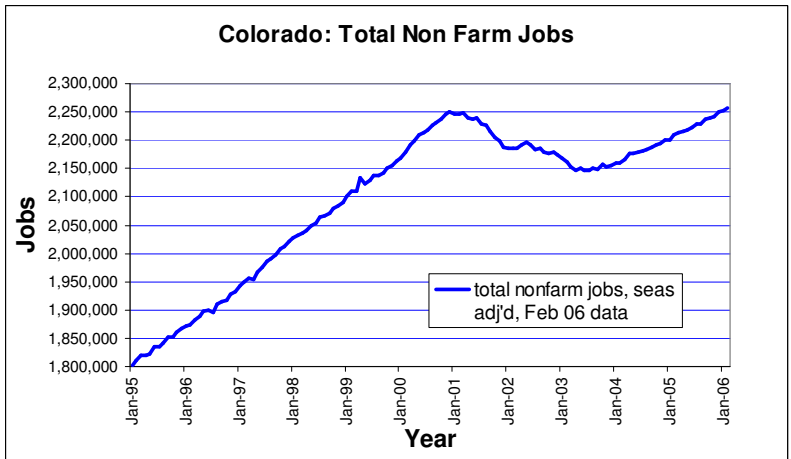
20,000 telecom jobs lost since Jan 2001 and still losing.



35,000 info tech jobs lost since Jan 2001



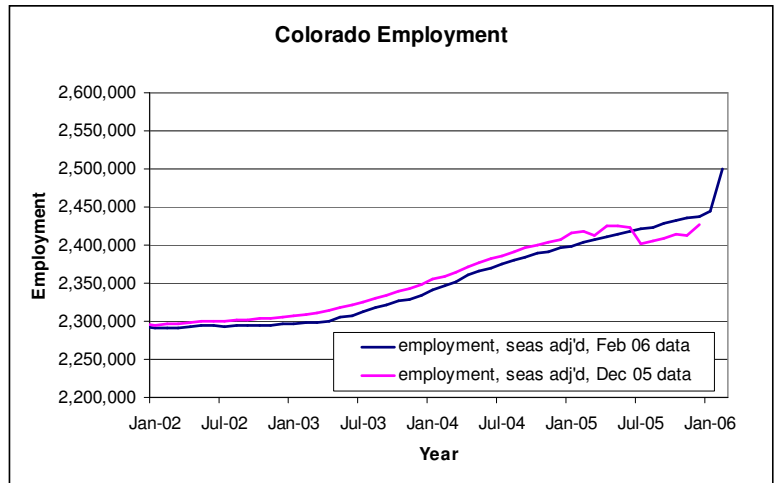
In February 2006, Colorado non-farm jobs have just reached the level back in Jan 2001.



But looking at total employment, the data looks weird ... there's a hockey stick gain of 62,000 jobs in the last two months ... and 74,000 from what was reported in Dec 05. What???

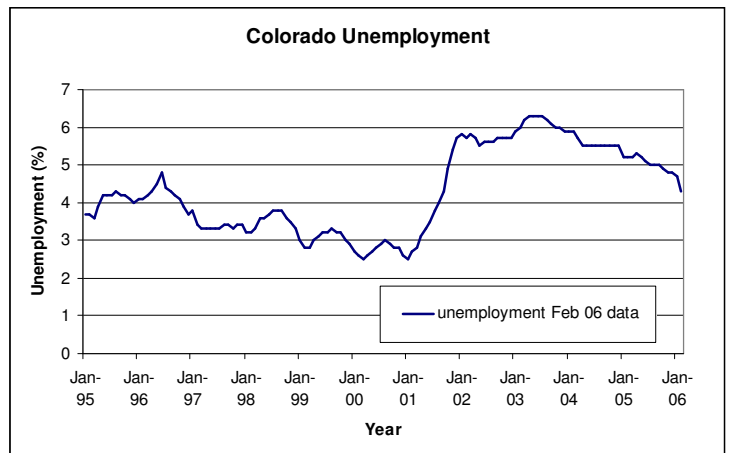
Monthly job increases:
 Nov-05 Dec-05 Jan-06 Feb-06
 2,760 2,826 7,507 55,013

This hockey stick behavior looks really strange. Big error? Data manipulation?



CO Unemployment

“Official” unemployment is down to about 4.3%, less than the Sep 03 at 6.2%, but well above the ~2.5% in Jan 01.

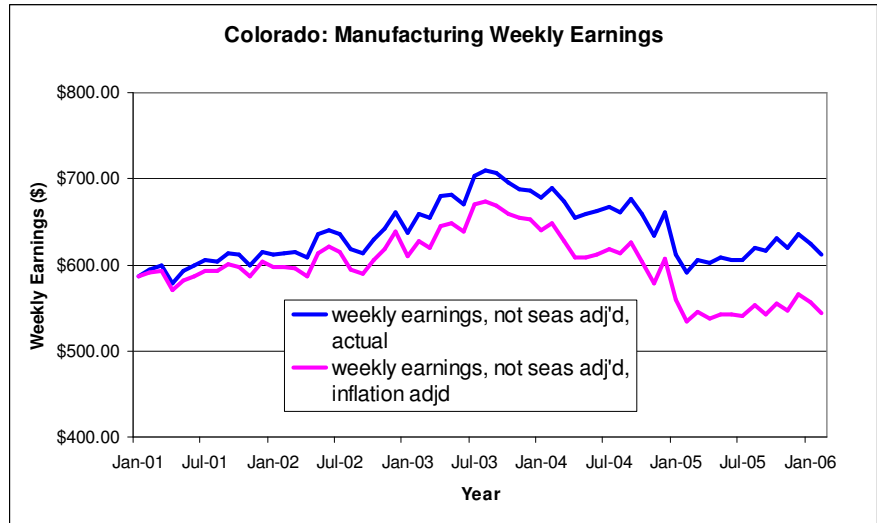


CO wages and hours

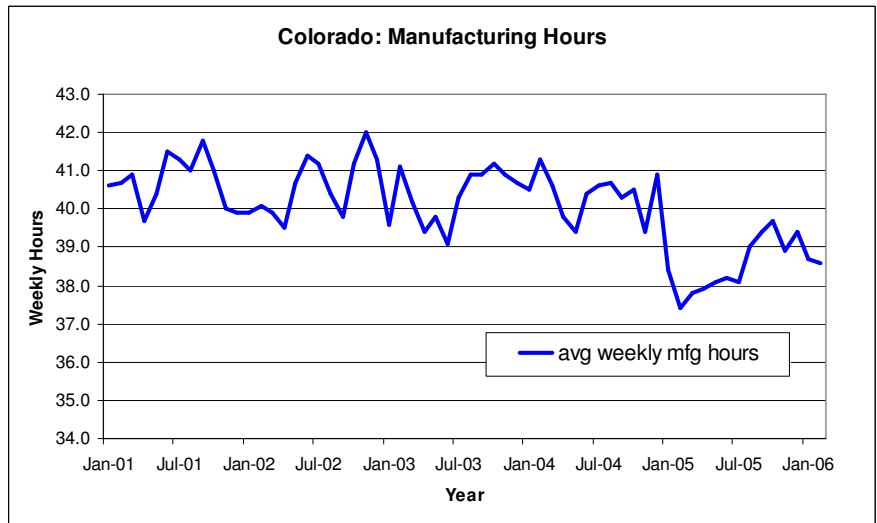
Because of our interest in the loss of manufacturing, we've looked at this industry sector.

Weekly earnings are up about \$26 from Jan 2001.

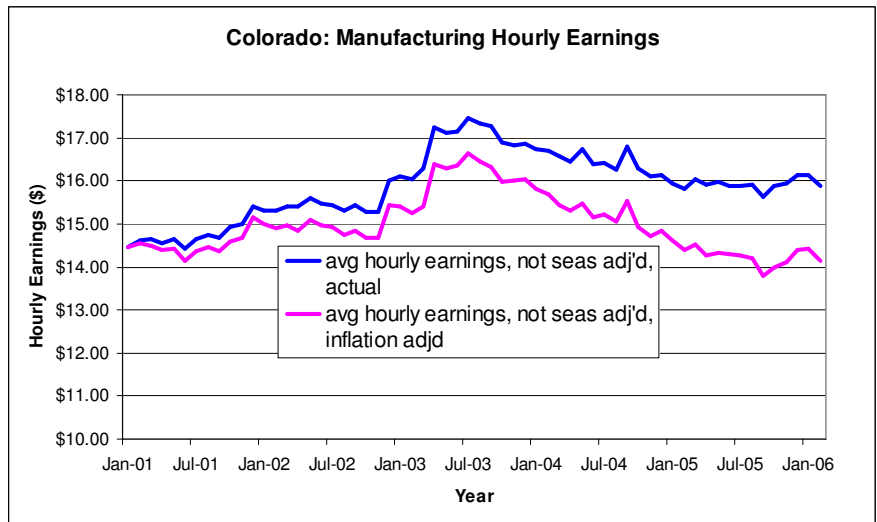
But adjusted for inflation, they're down \$43.



Manufacturing weekly hours are down from just below 41 to just below 39 since Jan 2001

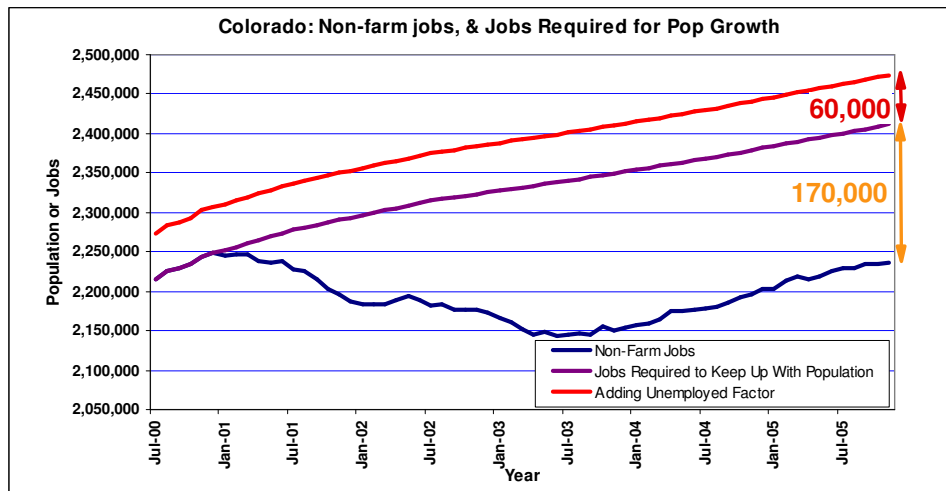


Manufacturing hourly earnings are up \$1.42 to \$15.87, but adjusted for inflation they're down \$0.31 to \$14.14.



While CO has caught up to the number of jobs in Jan 2001, to keep up with population growth, we need another 170,000 jobs ... with unemployed another 60,000 jobs ... That's ~230,000 jobs in all.

It's this need for jobs that prompts initiatives like MadelnUSA.com.



Colorado jobs are growing about twice the rate of jobs nationally, but because jobs fell so much more drastically in CO, it's just now catching up with the level of jobs.

U.S Employment

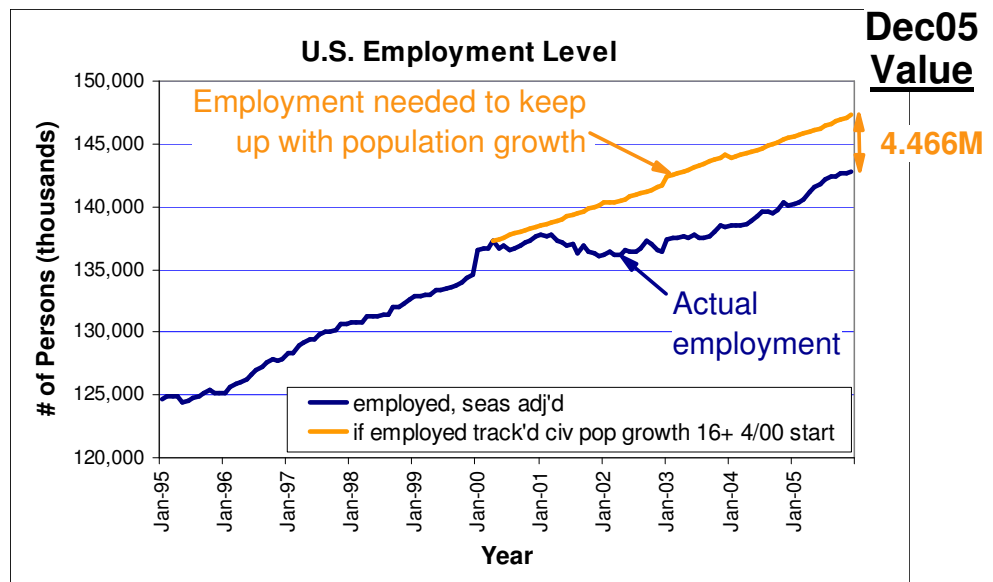
The nation as a whole has done somewhat better in that the # of jobs have surpassed Jan 2001 by about 5 million jobs, but to keep up with population growth we'd need another 4.5 million jobs.

U.S Unemployment

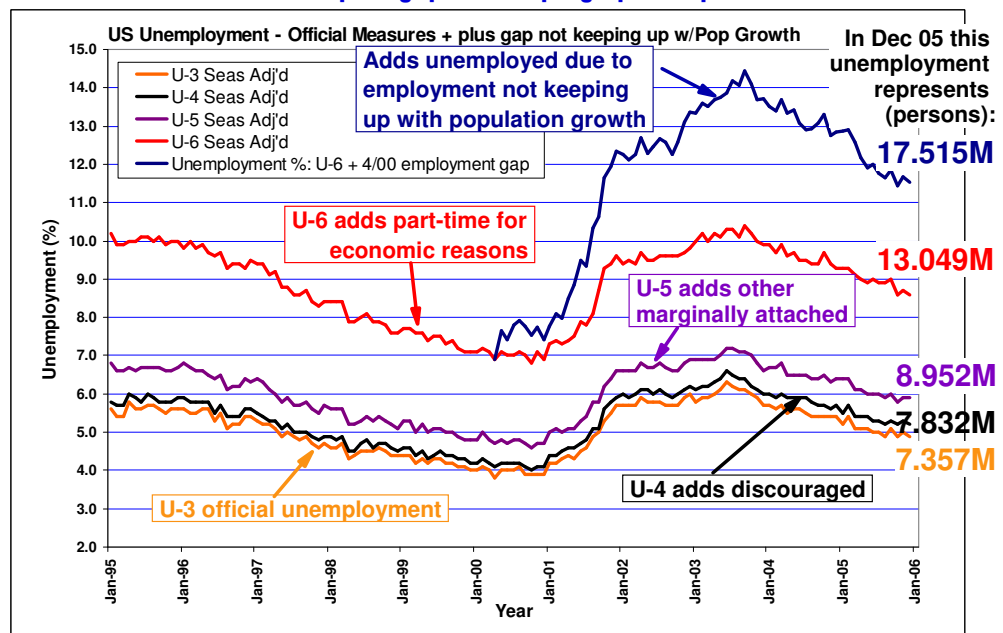
Unemployment in general is complicated to talk about.

See chart.

Taking into account that job growth hasn't kept up with population growth, we have about 12% unemployment.



US Unemployment - Official Measures + plus gap not keeping up w/Pop Growth



If you don't believe the jobs situation is serious, in Chicago there's a graphic illustration that there's vast unemployment, understated even by these graphs. [Article: 25 thousand apply for 325 jobs at a new Wal-Mart.](http://www.suntimes.com/output/news/cst-nws-walmart26.html) <http://www.suntimes.com/output/news/cst-nws-walmart26.html>

Another source that puts unemployment at ~12% and notes flaws in other government statistics as well, is "[SHADOWING REALITY](http://www.gillespiere.com/cgi-bin/s/article/id=779)" (An Interview of John Williams Conducted by Kate Welling) - Mar. 11, 2006 <http://www.gillespiere.com/cgi-bin/s/article/id=779>

Also see:

John Williams: Shadow Government Statistics http://www.gillespiere.com/cgi-bin/bgn/Analysis_Behind_and_Beyond_Government_Economic_Reporting

Real unemployment right now—figured the way that the average person thinks of unemployment, meaning figured the way it was estimated back during the Great Depression—is running about 12%. Real CPI right now is running at about 8%. And the real GDP probably is in contraction. I venture that if you talked about those numbers now with the average person, they would say that they seem reasonable. If you tell them that people are playing with the official numbers, they say, “Yep, I figured that. There are no great surprises there.” I guess what I am saying is that my work shows that the economic perceptions of non-professionals actually have some real validity; there are in fact reasons for the disconnect between official statistics and what the populace is feeling. ...

The jobs being created

That's perhaps an even greater concern than the number of jobs.

Paul Craig Roberts writes columns about this and he's very concerned. Go to [Counterpunch.com](http://www.counterpunch.com) to read his articles

Paul Craig Roberts has held a number of academic appointments and has contributed to numerous scholarly publications. He served as Assistant Secretary of the Treasury in the Reagan administration.

In [Will the US Need an IMF Bail Out?](http://www.counterpunch.com/roberts01102006.html) 1/10/06 <http://www.counterpunch.com/roberts01102006.html>
Only a paltry number of private sector jobs were created--94,000 [in Dec 05]. Of these 94,000 jobs, 35,800 or 38% are for waitresses and bartenders. Health care and social assistance account for 28% of the new jobs and temporary workers account for 10%. These three categories of low tech, nontradable domestic services account for 76% of the new jobs. This is the jobs pattern of a poor third world economy that consumes more than it produces.

America's so-called first world superpower economy was only able to create in December a measly 12,000 jobs in **goods producing industries**, of which 77% are accounted for by wood products and fabricated metal products--the furniture and roofing metal of the housing boom that has now come to an end. US employment declined in machinery, electronic instruments, and motor vehicles and parts.

2,600 jobs were created in computer systems design and related services, depressing news for the several hundred thousand unemployed American computer and software engineers.

August 9, 2005 <http://www.counterpunch.org/roberts08092005.html>

Good News! Soon You'll No Longer Need an Expensive College Education to Work in the US ... [Watching the Economy Crumble](#) By PAUL CRAIG ROBERTS

The US continues its descent into the Third World, but you would never know it from news reports of the Bureau of Labor Statistics' July payroll jobs release.

The media gives a bare bones jobs report that is misleading. The public heard that 207,000 jobs were created in July. If not a reassuring figure, at least it is not a disturbing one. On the surface things look to be pretty much OK. It is when you look into the composition of these jobs that the concern arises.

Of the new jobs, 26,000 (about 13%) are tax-supported government jobs. That leaves 181,000 private sector jobs. Of these private sector jobs, 177,000, or 98%, are in the domestic service sector.

Here is the breakdown of the major categories:

- 30,000 food servers and bar tenders;
- 28,000 health care and social assistance;
- 12,000 real estate;
- 6,000 credit intermediation;
- 8,000 transit and ground passenger transportation;
- 50,000 retail trade; and
- 8,000 wholesale trade.

(There were 7,000 construction jobs, most filled by Mexicans immigrants.)

February 11/12, 2006

Forget Iran, Americans Should be Hysterical About This

Nuking the Economy By PAUL CRAIG ROBERTS <http://www.counterpunch.org/roberts02112006.html>

No sane economist can possibly maintain that a deplorable record of merely 1,054,000 net new private sector jobs over five years is an indication of a healthy economy. The total number of private sector jobs created over the five year period is 500,000 jobs less than one year's legal and illegal immigration! (In a December 2005 Center for Immigration Studies report based on the Census Bureau's March 2005 Current Population Survey, Steven Camarota writes that there were 7.9 million new immigrants between.)

1.05 million new private sector jobs in 5 years

7.9 million immigrants in 5.25 years (January 2000 to March 2005)

$$= 7.9\text{million}/5.25 = 1.5 \text{ million immigrants/year}$$

So there were 500,000 more immigrants / year than private sector jobs created in 5 years!!!

No wonder there's an uproar over immigration.

Innovation and design jobs won't save us.

We don't have a monopoly on innovation. There's no magic wall between the loss of manufacturing jobs and the loss of engineering, design and information technology jobs. In fact, we're losing those, too, to India and China.

What to do? We've got to create jobs in **goods producing industries** ... tradable goods ... exports. Unfortunately, that's not happening. We need manufacturing ... innovation and design are built on the back of manufacturing. Manufacturing is a major customer of the IT industry.

The loss of manufacturing is a MAJOR problem.

Not covered on air ... backup in case there was more time.

Implications of a 12% unemployment

See the [Growth Facts of Life](http://www.exponentialimprovement.com/cms/growthfacts.shtml) <http://www.exponentialimprovement.com/cms/growthfacts.shtml>

Game theory discussion: with 10 people and 9 jobs, the added value of any one person is zero ... nada, zip, rien.

So regions compete for the jobs there are by giving tax breaks. The result of this tax competition: an escalating tax war that results in infrastructure backlogs ... traffic congestion ... and in jobs redistributed, but not created.

Describe graphs:

Graph 1: unemployment is reduced in high-growth regions by ~1% for 10% extra growth. It's unsustainable to try to decrease unemployment that way.

Graphs 2 & 3: High-growth regions don't show a reduction in unemployment

Because Fed policy allows only so many jobs to be created, it's a zero-sum game for states to compete by giving incentives to companies to get them to locate in their state.

Art Rolnick, an economist at the Federal Reserve Bank of Minneapolis, also points out that [Congress Should End the Economic War Among the States](http://minneapolisfed.org/pubs/ar/ar1994.cfm) <http://minneapolisfed.org/pubs/ar/ar1994.cfm> because it results in a negative return on investment. His recommendation instead? [Invest in Early Childhood Development on a Large Scale](http://minneapolisfed.org/pubs/region/05-06/eecd.cfm) for a positive return on investment.

<http://minneapolisfed.org/pubs/region/05-06/eecd.cfm>

Attractiveness Principle

Result: The only way to improve the attractiveness (the combination of factors that attract) of any region over the long run is to improve the nation as a whole. That's because, given free migration, no place can long remain more attractive than any other place.

