The New Job Market: Who Wins and Who Loses?

by Nancy F. Smith | Jun 24, 2009 | **27** Comments

Just looking at the numbers, it's hard to be optimistic about the job market in the coming years. Since the recession began in December 2007, the economy has shed approximately 7 million jobs, taking the unemployment rate to 9.4 percent. The total number of Americans who are out of work stands at 14 million, a 26-year high. Another 9 million find themselves in the category of involuntary part-time workers, a jump of 3.7 million in just over a year. That's a staggering 23 million people in need of full-time work. Plus, the economy must create 125,000 jobs a month just to stay even with population growth, according to the U.S. Bureau of Labor Statistics. It's a daunting task for the healthiest economy, but the U.S. is still mired in the worst recession in 80 years.

If history is any guide, unemployment will continue to rise after the recession bottoms out, according to Steve Hipple, an economist with the BLS. The last recession began in March 2001 and ended that November, but the unemployment rate didn't peak until June 2003.

Here's the good news: Even within an ugly trend, there are millions of happy stories. In February, 4.8 million workers were laid off — but 4.3 million workers were hired. The key to being in the 142 million who held onto their jobs or the 4.3 million who got new ones is to make sure you're positioned to be a winner. To do that, you'll need a clear picture of what the new workforce will look like. And it's shaping up to look very different.

Women Will Bring Home the Bacon

One key factor shaping the post-crash workforce is the relative ascendance of women. Since May 2007, the number of jobs held by men aged 25 to 64 fell by 4.7 percent a year; for women in the same age group, the loss was 1.7 percent. Women aged 55 to 64 gained jobs while every other group in the prime working years lost jobs. The gap in jobless rates between men and women has been increasing. According to BLS data, the April unemployment rate for men was 10 percent; for women, 7.6 percent. That 2.4 percent gap is an all-time high.

As the numbers suggest, it is male-dominated professions that have been hit hardest — construction has lost about 450,000 jobs so far in 2009, manufacturing has lost 1.2 million jobs since September 2008, and the financial industry dropped 352,000 from April 2008 through April 2009. "This recession has been much tougher on brawn," says John A. Challenger, CEO of the global outplacement company Challenger Gray & Christmas. "Jobs in health care and education, in natural sciences and services — industries that have been more equitable in their hiring practices —

will show much more growth."

Take Action: Now's the time to figure out which industries have the best prospects for job growth, where those industries are most likely to be located, and what it would take for you to be competitive in those job markets. Be prepared for significant changes over the course of your work life — not just new jobs but new careers.

"The opportunity cost for retraining is low now," says David Autor, an economist at the Massachusetts Institute of Technology. "If you're not working anyway or you're working at a job with no future, now's a great time to learn the skills for your next job. It's a challenge to decide you're going to invest time and energy in something totally different, but it's the surest way forward."

Just one example: Speaking at a conference in early June, former Environmental Protection Agency head Christine Todd Whitman said that Miami Dade College teamed up with Florida Power and Light to train nuclear engineers. The graduates had well-paying jobs as soon as they graduated.

Boomers Will Continue to Hog Jobs

Boomers have always been a hard-working group, clocking the highest participation rates in the workforce and inflating the job numbers of each age cohort they pass through. They are now between the ages of 45 and 63, and they're still hogging jobs. The participation rate for 55- to 64-year-olds in May 2009 was 65.6 percent, a jump of 1.3 million workers over the year before.

Now this flood of boomers is approaching retirement age on the heels of a double financial whammy. They've seen a decline in the value of their homes, and 401(k) portfolios have fallen by 30 percent. The average 401(k) balance at the end of 2008 was $56,000, down from $78,000 in 2007. Their only option is to keep working.

The old guys are not only holding onto their high-seniority jobs at the expense of younger workers, but those who have already retired are pouring back into the market, taking jobs at the low end of the skill and pay distribution — stocking grocery-store shelves, clerking at fast-food joints, even working construction — the kinds of jobs traditionally held by young high-school graduates, according to Andrew Sum, director of the Center for Labor Market Studies at Northeastern University. The result: The number of Americans 65 and older who are working has risen by 700,000 over the past two years, to 6 million, while the 16- to 24-year-old group has fallen by 2 million, to 18.3 million.

Take Action: If you're a boomer, don't be dissuaded from staying on the job — it's the best way to make up the losses in your portfolio. "If you're 60, you can work an additional two years beyond 65 to recoup the losses," says Pamela Hess, director of retirement research at Hewitt Associates. "Or you can save 41 percent more a year, a near impossibility." What's more, that's two years you won't have to draw down your savings. And postponing Social Security until you're 70 years old increases your payout a whopping 75 percent over what you'd receive at 65.

If you're not a boomer, know that the big squeeze on your employment prospects isn't permanent. "In the long haul, the labor market is very flexible and will accommodate the labor supply," says Alicia H. Munnell, director of the Center for Retirement Research at Boston College. And eventually the boomers will retire.

The Stimulus Will Reshape the Labor Force

President Obama promised the $787 billion package would add 3 million to 4 million jobs. Most of the funds are mandated to be spent in the next two years, but the impact in many areas will be much longer term. Here are four areas that will get a relatively quick hit from the package but also have the potential for longer-term job growth. (Click here for a breakdown of how all of the stimulus money is going to be spent.)

- **Government work:** Teaching, health care, and public works construction projects will have direct infusions of stimulus cash. As a bonus, many existing jobs paid through federal, state, and local payrolls will also open up, since boomers actually have an incentive to retire from government work. Why? It's one of the last strongholds of good, livable defined-benefit pensions, and workers who don't retire and take the benefits are essentially working for free. It's estimated that retirement from executive-branch federal jobs alone will total over 300,000 in the next five years, according to the Office of Personnel Management.
- **Health care:** Despite the recession, the health care industry has been adding an average of 17,000 jobs per month. The demands of an aging population and scientific and technological advances in health care services will create even more new jobs in the long term. Stimulus dollars will flow into science and research projects as well as into support for local Medicaid expenditures, children's health programs, and health-insurance premiums for laid-off workers.
- **Natural sciences:** Research institutions will see more funding than they've had over the past five years combined, including National Institutes of Health, $10.4 billion; National Science Foundation, $3 billion; and National Oceanic and Atmospheric Administration, $830 million.
- **Energy and "green-collar" projects:** Well over $50 billion will be pouring into projects as diverse as mass transit, modernizing the electric power grid, and weatherizing government buildings. Long term, the industries that are nurtured by these research-and-development funds may well spark the next economic boom (not to be confused with bubble) for the U.S. economy.

Take Action: Go green. Don't discount the idea of green-collar jobs just because it seems trendy and, well, because it's hard to figure out exactly what green-collar jobs are. "One way to think of them is like blue-collar jobs on green projects," Challenger says. Knowledge workers such as environmental engineers and architects will have new opportunities, too. "To conform to U.S. laws, green manufacturing plants will be built here rather than offshore if they want access to the funds in the stimulus package," Challenger says.

Generous Wages and Full-time Work Will Seem *So* 20th Century

The 3.7 million jump in the number of part-time workers, to 9 million, is the hidden bombshell in the unemployment story. These increases are often a bellwether that more layoffs are likely, according to Susan Lambert of the University of Chicago School of Social Service Administration. The BLS defines involuntary part-time workers as those who are working less than 35 hours a week because their employer has cut their hours or they can't find full-time work. Today the national average workweek for hourly workers is 33.2 hours — "the lowest average work hours in 30 years," says Lambert. "A lot of people who think they have full-time jobs are not getting full-time hours."

This trend has been developing over the past 20 years as employers embraced just-in-time labor management, Lambert says. In retailing, for example, 70 percent of the store clerks were full-time 20 years ago; now it's 30 percent.

As for wages, flat is the new raise. Other than a year-over-year uptick of 3 percent in May, wage growth has been pretty much stagnant for the past year. And according to research by Columbia University economist Till von Wachter, anyone who's entering the workforce for the first time or has lost his job during a recession will suffer significant and persistent wage losses for years. "Typically, these workers will make 20 percent less for maybe 20 years, sometimes longer," he says. "It's not just supply and demand. There is something about being out of work and looking for a job that has an impact on earning power." Nor is the impact limited to the unemployed. Workers who keep their jobs in firms that lay off large numbers of workers lose earnings.

Take Action: Presumably you're doing everything you can to stay on the job, even if it means cutting back your hours. In the meantime, be prepared to be part of a more "flexible" workforce in the future by coming up with a contingency plan for freelance work, networking like crazy, and drafting multiple resumes that emphasize different skill sets.

Then schedule a meeting with your boss and make sure she thinks you're doing as great a job as you think you're doing. Worst-case scenario, you're instituting an early-warning system. Best case, you're first in line for a promotion when the economy finally bounces back.

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