

IS DOUBLE-DIGIT UNEMPLOYMENT THE NEW NORM? SOME THINK IT MIGHT BE.

By

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I just finished reading a very interesting, albeit somewhat disturbing, article on the economy in general and the job market in particular in the September 21, 2009, edition of *Time Magazine*. The article, entitled “Unemployment Nation,” was written by Joshua Cooper Ramo, and contained some pretty startling, sobering premises and outlined some possible future scenarios that should give us all pause. Let me touch on the highlights of the article for you, in the event you haven’t read it.

The basic premise in the article is that, even as the economy starts to grow again—as it reportedly did in the 3rd quarter 2009—many of the millions of jobs that have been lost during this the deepest, longest economic recession since the Great Depression of the 1930s, won’t necessarily follow suit.



Job-Seekers Still Playing by the ‘Old Rules’ of the Hiring Game, Waiting for Things to Get Back to ‘Normal,’ May be in for a Big Shock, Long Wait.

Perhaps somewhat ironically (or not), the issue of whether or not the concept of “full employment” (generally considered to be in the 5% to 6% range) has become anachronistic because of permanently altered economic realities was first touched upon by Lawrence Summers, director of the president’s National Economic Council, while speaking at the Peterson Institute for International Economics in Washington, D.C., in July.

For the moment let’s just set aside any hidden political agenda and examine the crux of what Summers had to say about the issue.

The Role of ‘Okun’s Law’. There appears to be, Summers said, a strange bit of physics operating in the current economy. The problem stems from an arcane economic “rule” called Okun’s law, first postulated by economist Arthur Okun in 1962. At the risk of oversimplification, the rule states that, when the economy grows, it produces new jobs at a predictable rate. Conversely, when the economy heads south, jobs are shed at a similarly

predictable rate. The problem is, according to Summers, the “push-pull” phenomenon simply isn’t happening today.

The economy has been shedding jobs at a much faster pace during the most recent recession than Okun's law would predict. According to the rough rule, unemployment today should be at about 8.5%. Instead it just passed the ten percent mark, the highest level since 1983. In other words, something new, different and strange seems to be happening in the economy, insofar as the relationship between economic growth and creation of new jobs is concerned.

“I don't think,” Summers is quoted as saying, “that anyone fully understands this phenomenon.”

The implication, of course, is that, if things continue the way they seem to be going in today's job market, we could well be facing double-digit unemployment for quite a few years, if not for the foreseeable future.

Economic ‘Experts’ Apparently as Confused as the Rest of Us

To be sure, as the article points out, those who should have the answers, or at least some of them, to the general malaise in the job market seem to be as baffled as the rest of us. For example, former Federal Reserve Chairman Alan Greenspan recently confessed that much of what he considered to be true about the economy now appears to be wrong.

When asked to compile a “worst case scenario” for the banking industry last year, policymakers said the most chilling would be an unemployment rate of 8.9% in 2009. (Coincidentally, we blew past that benchmark in May, and we just passed the ten percent unemployment rate in early November.) And, from December 2007 through August of this year, our economy has jettisoned nearly eight million jobs, according to the Bureau of Labor Statistics. This represents a five percent decline in total number of jobs, something that hasn't occurred since the end of World War II.

The number of long-term unemployed, i.e., those who have been out of a job for more than 27 weeks, was the highest since the BLS began keeping such records in 1948. In other words, the U.S. is now facing the most dire employment picture since the Great Depression. And, if that's not troubling enough, the current labor market, buffeted by globalization and technology, not to mention the recent financial meltdown, certainly looks very different from anything we've ever seen before. The result may be, then, that we are destined to be stuck with persistent 9% to 11% unemployment for awhile.

Long term, the Federal Reserve is predicting moderate economic growth at best. That could well mean more than a decade without any real employment expansion.

Before the Great Recession, America typically shed 2.5 million jobs a month, but created nearly 3 million new jobs, offsetting these losses. That is no longer happening today.

So, What's the Solution to the Employment Dilemma?

So, what to do? Well, certainly we can't just throw up our hands and surrender the flag! Something must be done, and done sooner rather than later, if we ever hope to get back to something resembling "full employment."

If we are to create jobs, the article continued, we essentially have two choices and one very painful fact to confront. The two choices are, or at least seem to be, that either the government or private industry (or both, of course) will have to be the driving force behind new job creation. The painful fact, however, is that, unlike during the 1930s, the federal government really doesn't have the option of employing millions of workers today.

"There's no way to create real jobs using this approach," Harvard professor Robert Mangabeira Unger is quoted as saying in the *Time* article.

Unlike during the Great Depression, the federal government can't simply throw shovels at 10,000 unemployed people and have them build dams or roads. Today, such work is done by just a few machines. And, the article goes on, it was a lot easier to persuade farmers during the Great Depression to switch to ditch-digging than it would be to get laid-off hedge-fund traders to switch to repairing sewers, as appealing as that prospect might be today to many Americans.

So, if the federal government can't hire everyone—and it certainly can't!—where will tomorrow's jobs come from? Obviously, one viable option might be to rely upon traditional strategies: create demand through growth, cheaper money and massive government spending, in the reasonable expectation that at least some new jobs will necessarily follow. In the meantime, we could continue training people for whatever work they can get—fast food, nursing, whatever. Still, this hardly is a long-term solution. While I certainly strongly believe that there is dignity in all honest work, let's face it, cheap, low-end jobs won't result in a workforce capable of sustaining globally competitive growth and continued U.S. economic dominance.

The bottom line on all of this, at least to me, is that those who are waiting around for things to "get better" in the job market may be in for a rather long wait, not to mention prolonged disappointment. As I've mentioned many times, in many different forums, in the last couple of years, regardless of how bleak the employment picture is today, it's important to keep in mind that new jobs still are in fact being created. However, these scarce new jobs will go only to those job seekers who are fully prepared for and thoroughly schooled in the NEW "rules" of the "hiring game."

ABOUT THE AUTHOR

Skip Freeman, author of **"Headhunter" Hiring Secrets: The Rules of the Hiring Game Have Changed . . . Forever!**, has successfully completed more than 300 executive search assignments in just seven years. Specializing in the placement of sales, engineering, manufacturing and R&D professionals in industry, he has developed powerful techniques that help companies hire the best and help the best get hired.

A distinguished graduate of the United States Military Academy, West Point, he is a lifelong student of leadership, people and the principles of success. While serving in the U.S. Army Corps of Engineers and Chemical Corps, he also earned a Master of Science degree in Organic Chemistry from The Georgia Institute of Technology and a Master of Business Administration degree in Marketing from Long Island University.