



March 2012

Behind the Jobs Numbers: Answers to Questions about Jobs

by Raymond E. Pinard

Shrinking jobs numbers and unemployment are in the news, but what is the story behind these numbers? The following discussion digs a bit deeper into the current — and future — job market and employment situation in the U.S.

What is the expected average number of entrants into the job market 2012-2020?

About 1 million new people will enter the labor force each year between now and 2020. Slower population growth and a decreasing overall labor force participation rate are expected to lead to slower civilian labor force growth from 2010 to 2020: 0.7 percent annually, compared with 0.8 percent for 2000-10, and 1.3 percent for 1990-2000. The projected 0.7 percent growth rate will lead to a civilian labor force increase of 10.5 million by 2020.

Source: <http://www.bls.gov/news.release/ecopro.nr0.htm>

Over the 2010-20 decade, 54.8 million total job openings are expected. While growth will lead to many openings, more than half (61.6 percent) will come from the need to replace workers who retire or otherwise permanently leave an occupation.

In four out of five occupations, openings due to replacement needs exceed the number due to growth. Replacement needs are expected in every occupation, even in those occupations that are declining.

What is the average number of baby boomers that will hit age 65 between 2012-2020?

There are about 76 million baby boomers. Beginning January 1, 2011, more than 10,000 baby boomers reach age 65 every day. This will continue every day for the next 19 years, totaling 3.6 million every year and 36 million over 10 years.

The baby-boom generation moves entirely into the 55-years-and-older age group by 2020, increasing that age group's share of the labor force from 19.5 percent in 2010 to 25.2 percent in 2020. The "prime-age" working group (ages 25 to 54) is projected to drop to 63.7 percent of the 2020 labor force. The 16- to 24-year-old age group is projected to account for 11.2 percent of the labor force in 2020.

Source: <http://www.bls.gov/news.release/ecopro.nr0.htm>

Have we exhausted “productivity improvements,” human or capital, to the point where employers will have to start hiring, albeit reluctantly and minimally?

Gross domestic product (GDP) is projected to grow by 3.0 percent annually, consistent with slow labor force growth, the assumption of a full-employment economy in 2020, and labor productivity growth of 2.0 percent annually. So, we have not “exhausted” productivity improvements, but the growth in productivity will slow.



**MONTICELLO
STRATEGIES**

SM

PO Box 57
Deerfield, NH 03037
603-620-7500
raypinard@monticellostrategies.com

How many people have dropped out of the workforce during this recession and what would the unemployment rate be if they had stayed in?

Right now there about 3 million people that are not in the labor force but who would take a job if offered one. They are defined as marginally attached workers.

Source: <http://blogs.wsj.com/economics/2012/02/11/number-of-the-week-accounting-for-labor-force-dropouts/>

Some have estimated there are almost 5 million workers “missing” from the labor force, workers who dropped out of (or didn't enter) the labor force during the downturn.

Source: http://www.epi.org/publication/labor_market_moving_in_two_directions_at_the_same_time/

The following are the alternative definitions for the unemployment rate, with the current percent of unemployed:

- U-3, total unemployed, as a percent of the civilian labor force (**this is the definition used for the official unemployment rate**); 8.9 percent
- U-4, total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers; 9.5 percent
- U-5, total unemployed, plus discouraged workers, plus all other marginally attached workers, as a percent of the civilian labor force plus all marginally attached workers; 10.4 percent
- U-6, total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers; 15.9 percent

Source: <http://www.bls.gov/lau/stalt.htm>

How many people are structurally underemployed or working two jobs?

In 2009, 7.3 million workers held more than one job, and the multiple jobholding rate—the proportion of total employment made up of multiple jobholders—was 5.2 percent. Both the number of multiple jobholders and the rate of multiple jobholding have been stable in recent years and remain below the levels recorded during the mid-1990s.

Source: <http://www.bls.gov/opub/mlr/2010/07/art3full.pdf>

What is the level of workforce participation?

The labor force participation rate is 63.7 percent, the lowest since 1984. The peak was 67.3 percent in January 2000.

Source: <http://www.zerohedge.com/news/record-12-million-people-fall-out-labor-force-one-month-labor-force-participation-rate-tumbles->

Raymond E. Pinard is principal and Chief Freedom Architect™ of Monticello Strategies™, a principles-based business solutions firm that excels in assisting business leaders with business strategy, executive focus and management consulting through The Entrepreneurial Freedom Program™.
www.monticellostrategies.com