THE COMMITTEE ON ENERGY AND COMMERCE

INTERNAL MEMORANDUM

February 13, 2012

To: Members of the Subcommittee on Commerce, Manufacturing, and Trade

From: Majority Committee Staff

Re: Hearing on "Where the Jobs Are: Employment Trends and Analysis"

I. Summary

On Wednesday, February 15, 2012, the Subcommittee on Commerce, Manufacturing, and Trade will convene a hearing entitled "Where the Jobs Are: Employment Trends and Analysis" at 9:30 a.m. in room 2123 of the Rayburn House Office Building. This will be the first in a series of hearings examining employment and ways to revitalize job creation. The focus of this first hearing will be on current employment trends, with discussion of factors bearing on job growth. Witnesses are by invitation only.

II. Witnesses

John Abowd
Edmund Ezra Day Professor of Economics
Director of Labor Dynamics Institute, School of Industrial and Labor Relations
Cornell University

John Berlau
Director
Center for Investors and Entrepreneurs
Competitive Enterprise Institute

Harold Sirkin
Managing Director
Boston Consulting Group, Inc.

John Schmitt
Senior Economist
Center for Economic and Policy Research

III. Background

A. Current Statistics

Data issued by the Bureau of Labor Statistics (BLS) shows a recent uptick in monthly job creation, with the jobless rate declining to 8.3 percent.[1] While the so-called Great Recession officially ended in June 2009, BLS statistics reveal the recession remains a dark presence on Main Street, U.S.A., with the average duration of unemployment for job seekers lasting more than 40 weeks.[2] While a downward trend in the overall unemployment number is welcome news, the rate itself remains unacceptably high, with nearly six million more unemployed workers today than prior to the beginning of the recession. Additionally, experts suggest this number does not represent the true unemployment rate. After factoring in the number of individuals who are under-employed (e.g., part-time workers in search of full-time employment) and those who have given up hope and exited the job market, BLS reports the effective unemployment rate stands at a staggering 15.1 percent (seasonally adjusted).[3]

B. Comparison to Recent Recessions

In comparison to recent recessions, the rate of job recovery from this recession is much weaker. For instance, at a comparable point of the recovery from the 1981-1982 recession, the U.S. economy had added 6.2 million jobs above pre-recession levels, a growth of 6.8 percent. Today, while the U.S. economy added nearly 2 million jobs over the last year, the employment level remains at a net loss: nonfarm payroll employment is approximately 5.6 million, or 4 percent, below pre-recession levels. Additionally, when comparing the rate of recovery after the end of the respective recessions, at 31 months after the end of the 1981-1982 recession, U.S. payroll employment was up by 9.8 percent. Comparatively, today, 31 months after the end of the Great Recession in June 2009, payroll employment is up only 1.5 percent.

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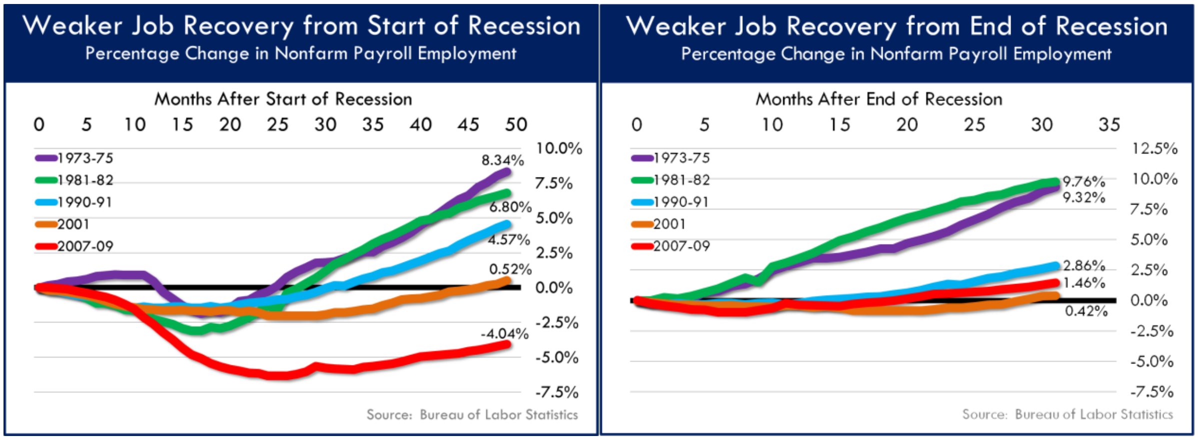
[1] Bureau of Labor Statistics, Employment Situation Summary (last modified February 3, 2012) <http://www.bls.gov/news.release/empsit.nr0.htm >.
[2] Bureau of Labor Statistics, Unemployed persons by duration of unemployment (last modified February 3, 2012) <http://www.bls.gov/news.release/empsit.t12.htm>.
[3] Bureau of Labor Statistics, Alternative measures of labor underutilization (last modified February 3, 2012) <http://www.bls.gov/news.release/empsit.t15.htm>.



Source: Joint Economic Committee

C. *Outlook*

Industry experts see both potential for growth and potential for further economic decline. The Boston Consulting Group projects the U.S. can potentially add 2 to 3 million new jobs in the manufacturing sector alone over the next decade. The chief factor in support of this forecast is the decreasing cost advantage of manufacturing in China due to the rapid rise in Chinese wages. In fact, the Boston Consulting analysis concludes that Chinese wages are rising at such a fast rate that, when coupled with the rising costs of energy, land, and transportation to ship goods back to the U.S., it will virtually erase any cost advantage held by Chinese manufacturing.[4]

Conversely, a study conducted by the Harvard Business School involving nearly 10,000 graduates reveals a more pessimistic view: a sense that there is a "deepening competitiveness problem" for the U.S.[5] At the heart of this view is a sense that the U.S. is falling behind in fostering an environment conducive to job creation.

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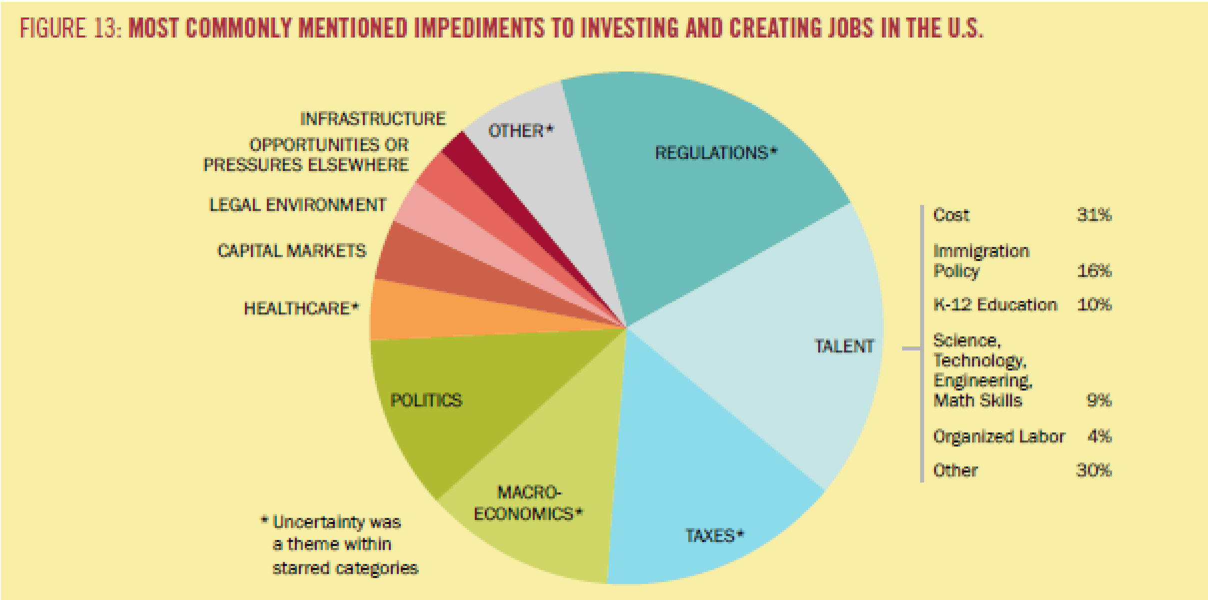
[4] Harold L. Sirkin et al., The Boston Consulting Group, Made in America, Again (August 2011) <http://www.bcg.com/documents/file84471.pdf >.

[5] Michael E. Porter and Jan W. Rivkin, Harvard Business School, Prosperity at Risk, Findings of Harvard Business School's Survey on U.S. Competitiveness (January 2012) < http://www.hbs.edu/competitiveness/pdf/hbscompsurvey.pdf>.



Source: Harvard Business School, p. 16

The U.S. tax code, uncertain political environment, burdensome (and sometimes unpredictable) regulatory and legal framework, a declining education system, and a perceived decline in workforce skills were cited as contributing factors to this assessment, with each factor valued as an area where the U.S. is weak or in decline. This study predicts that the most severe impact of this lack of competitiveness will be borne by the manufacturing sector.

IV. Topics for Discussion

- Employment trends
- Obstacles to job creation
- Opportunities for job growth

Please contact Brian McCullough, Gib Mullan, or Shannon Weinberg at (202) 225-2927 with any questions.