



THE UNIVERSITY OF  
**SOUTHERN**  
**MISSISSIPPI**

**Department of Economic & Workforce Development**

## **What to do before the plant closes?**

### **Structural or Cyclical**

***Appalachia's Educational Assets: Investing in a Skilled Future***  
**Rome, Georgia**

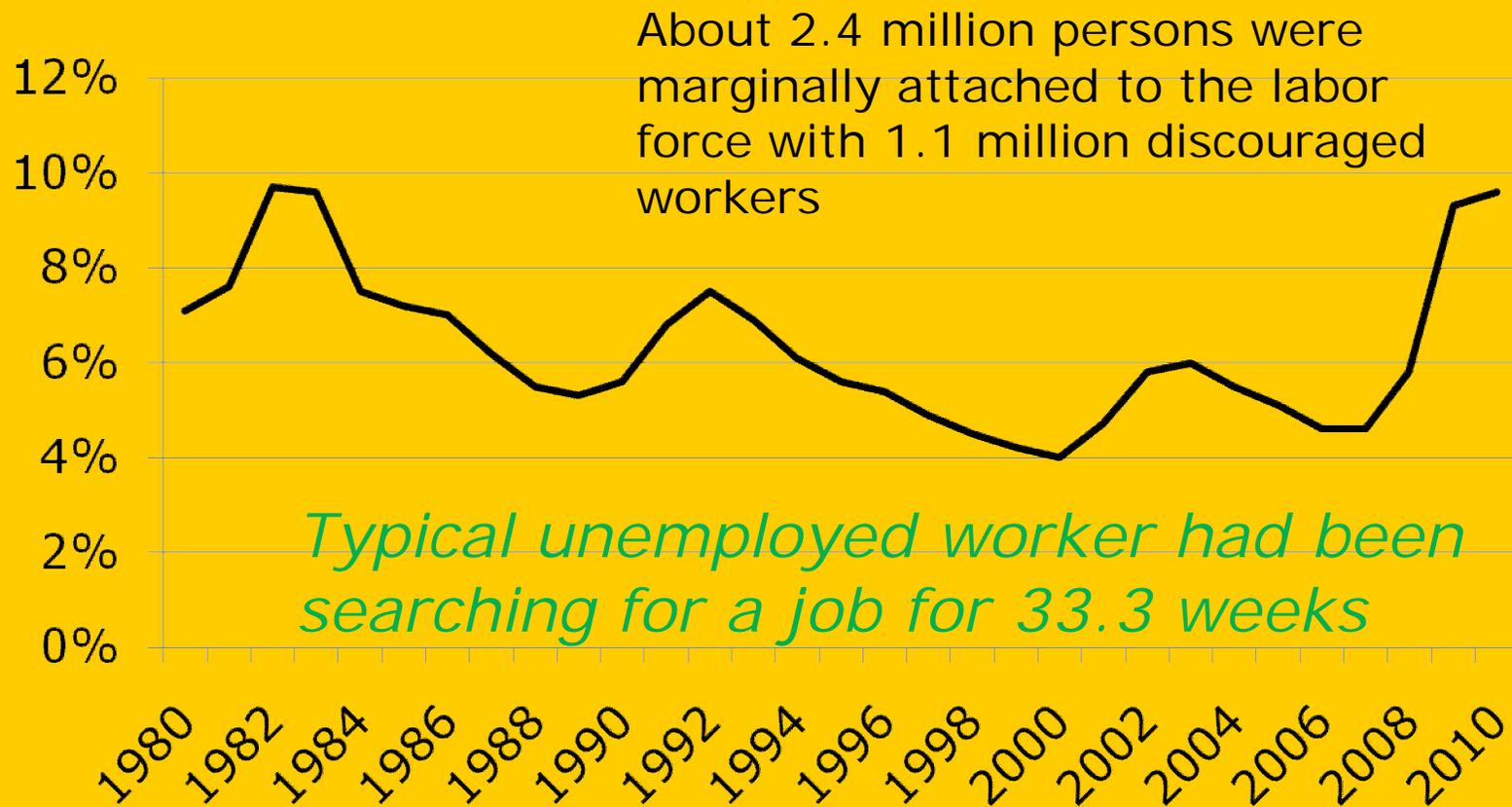
Chad R. Miller, PhD.

Assistant Professor & Graduate Coordinator  
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Program

October 25-27, 2010

1.1 million discouraged workers

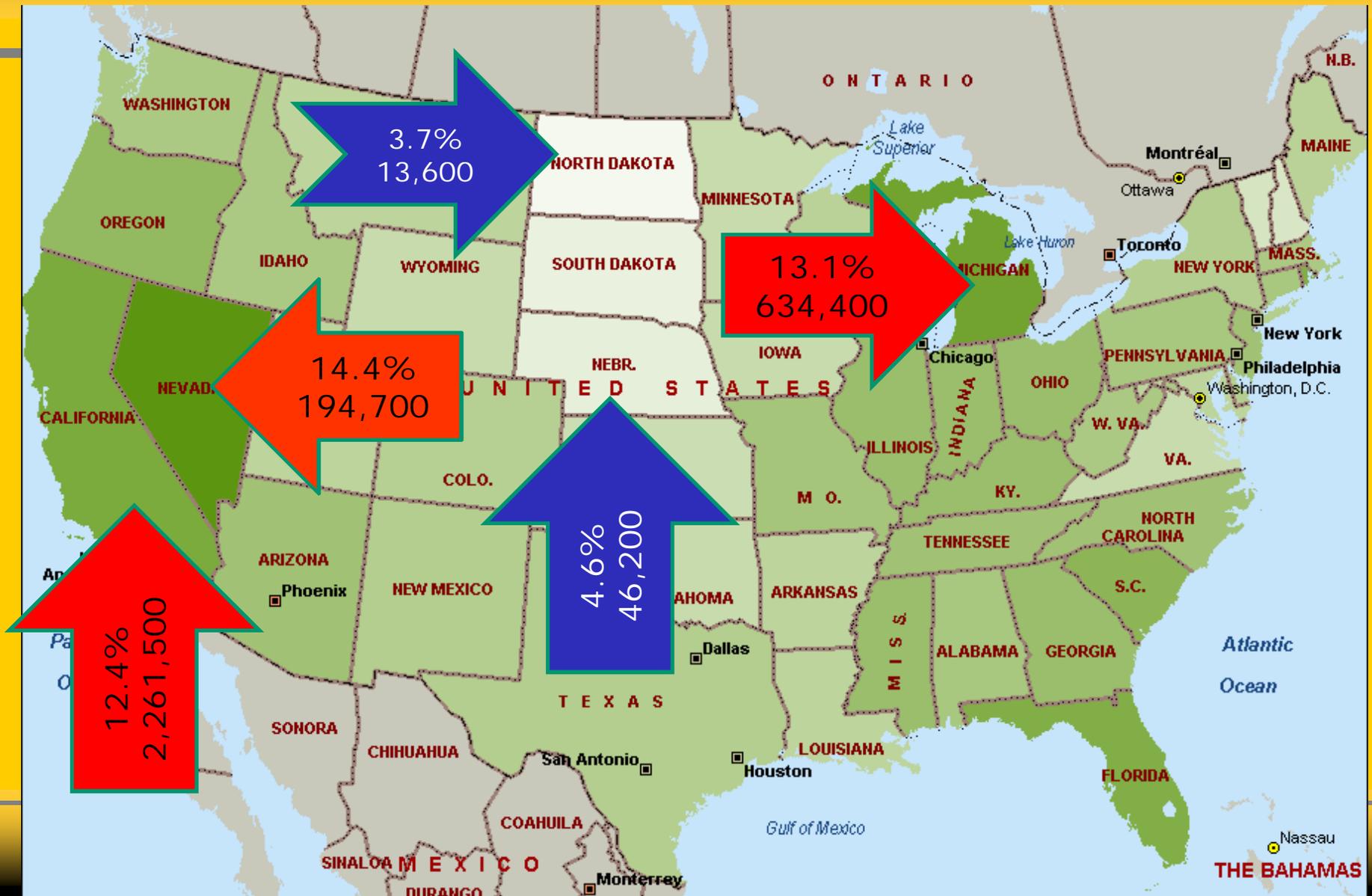
## 14.9 Million Unemployed in 2010 (9.6%)



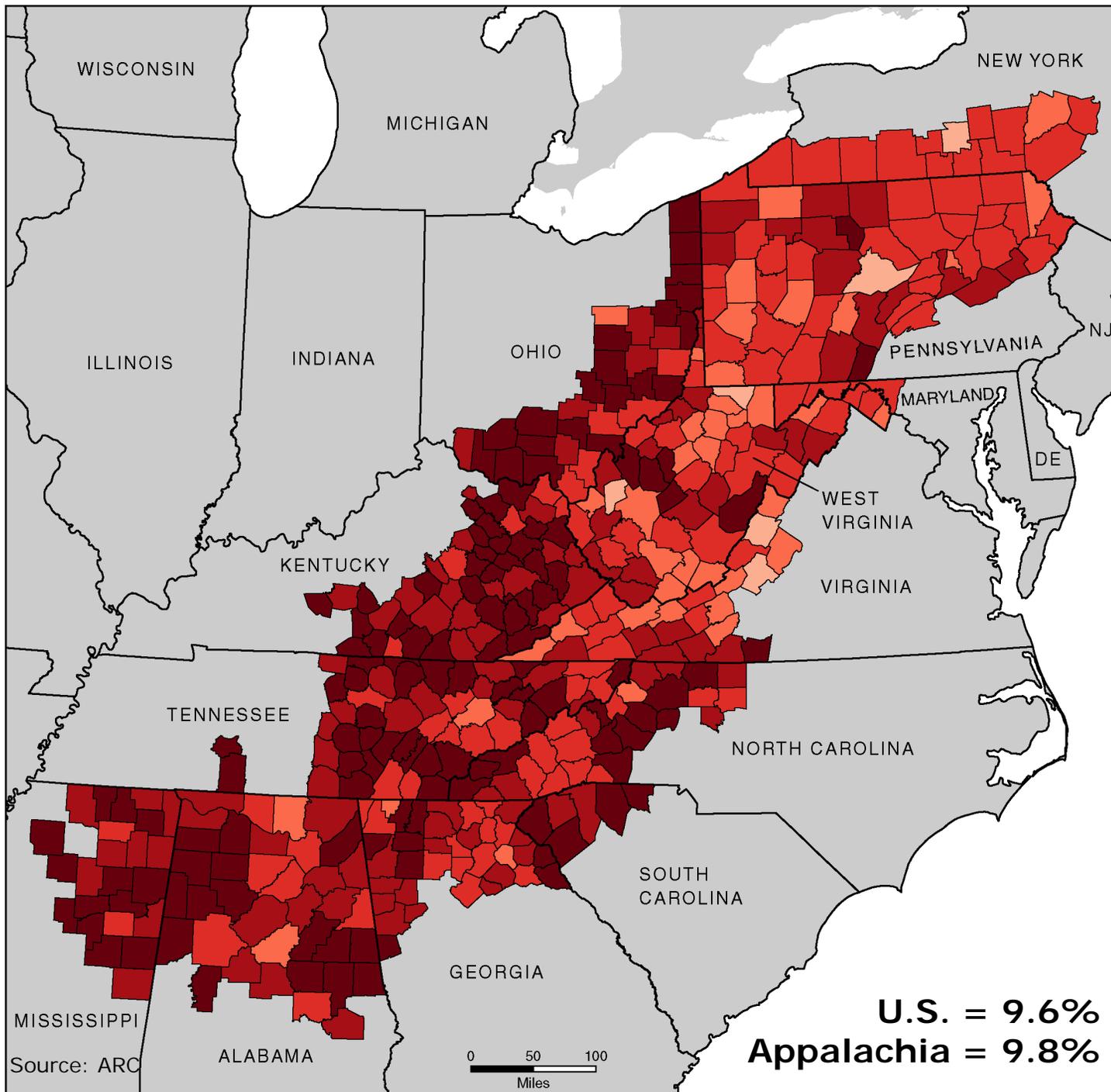
Source: U.S. Bureau of Labor Statistics Employment Status of the Civilian Noninstitutional population, 1940 to date

Structural or Cyclical Unemployment?

# Current Unemployment Rates for States



Structural or Cyclical Unemployment?



## Unemployment Rates in Appalachia, 2009

(4<sup>th</sup> Quarter)

**Percent Unemployed**

- 12.0% or more
- 10.0% to 12.0%
- 8.0% to 10.0%
- 6.0% to 8.0%
- 4.0% to 6.0%
- 2.0% to 4.0%

**U.S. = 9.6%**  
**Appalachia = 9.8%**

## Different Implications of Whether Structural or Cyclical Unemployment

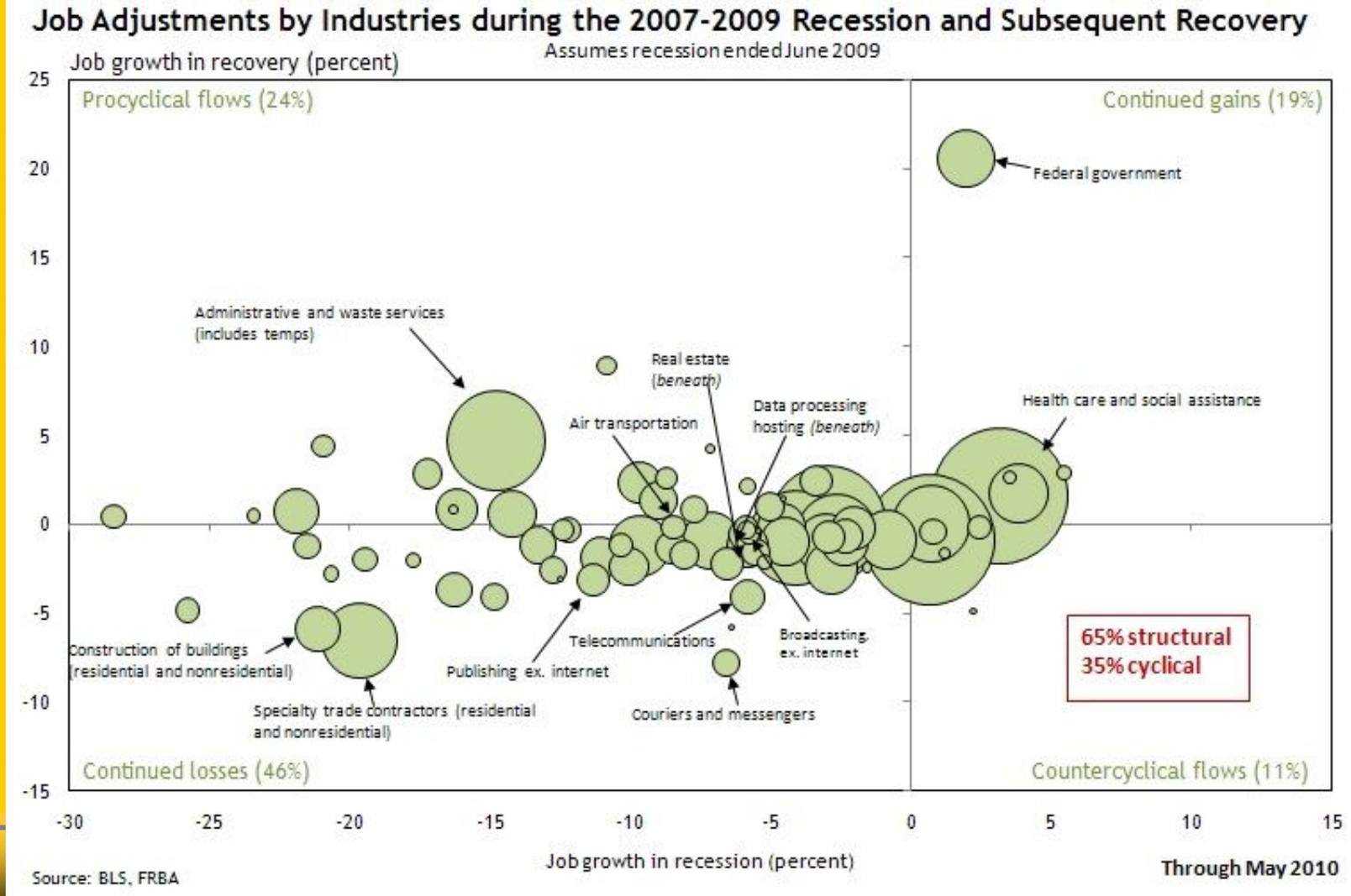
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“Firms have jobs, but can’t find appropriate workers. The workers want to work, but can’t find appropriate jobs”

Narayana Kocherlakota, President of the Federal Reserve Bank of Minneapolis

- Recent growth in the number of job openings has not been matched by growth in hires
  - Skills mismatch between the unemployed and the jobs being created is one.
  - Geographical frictions generated by the housing market crash is another

# Case for Structural Unemployment



Source: FRBA (Shiferaw & Robertson 2010)

**Structural or Cyclical Unemployment?**

## Lack of Demand is the Main Problem

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Collapse of overall output, reductions in consumption, and extensive excess capacity.

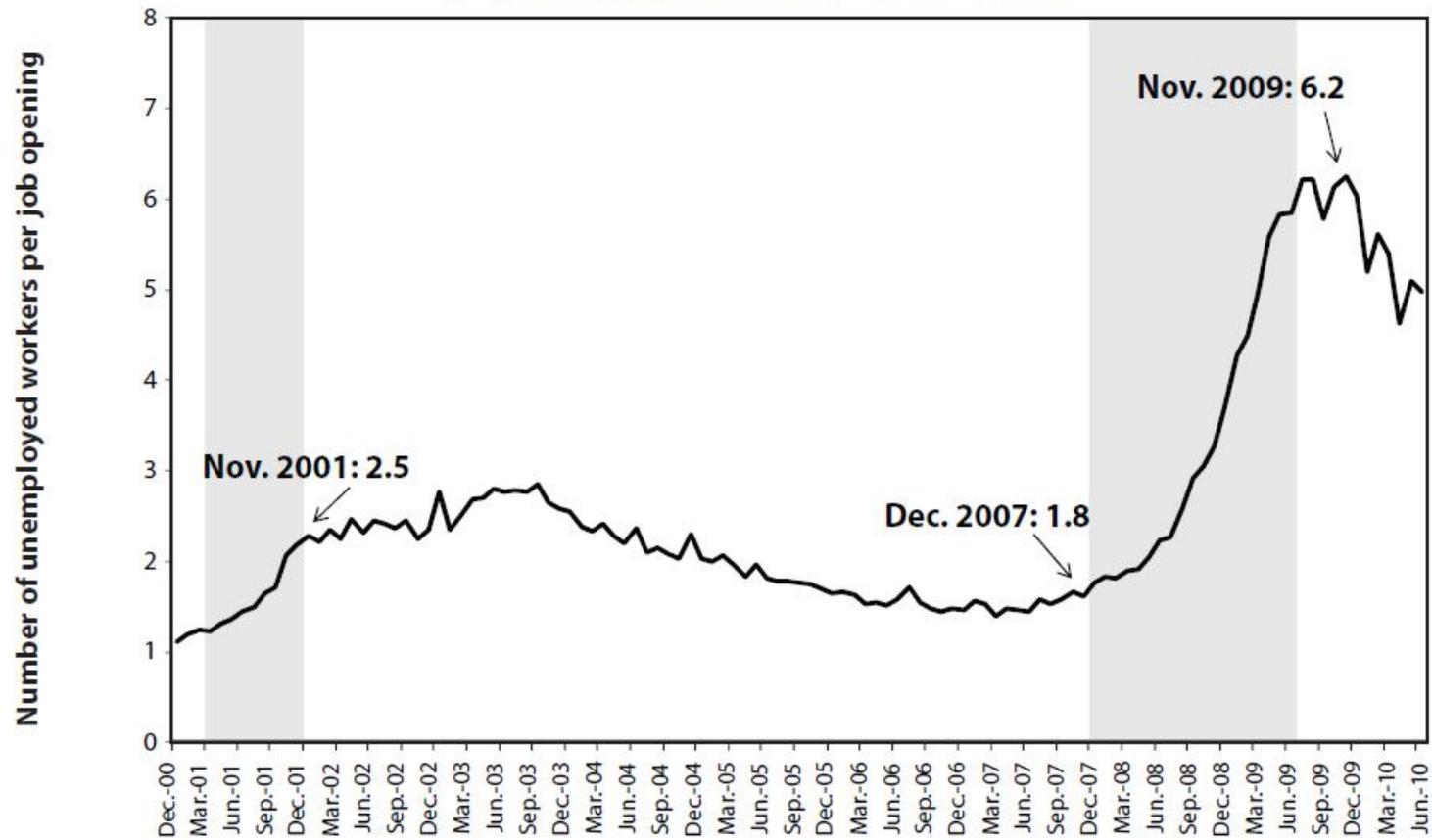
There have been between five and six unemployed for every job opening (the job seeker ratio) since mid-2009, suggesting a shortage of jobs.

Economic Policy Institute

**FIGURE B**

### The job seekers ratio

*The number of unemployed workers per job opening*



NOTE: Shaded areas denote recession.

SOURCE: EPI analysis of Bureau of Labor Statistics data.

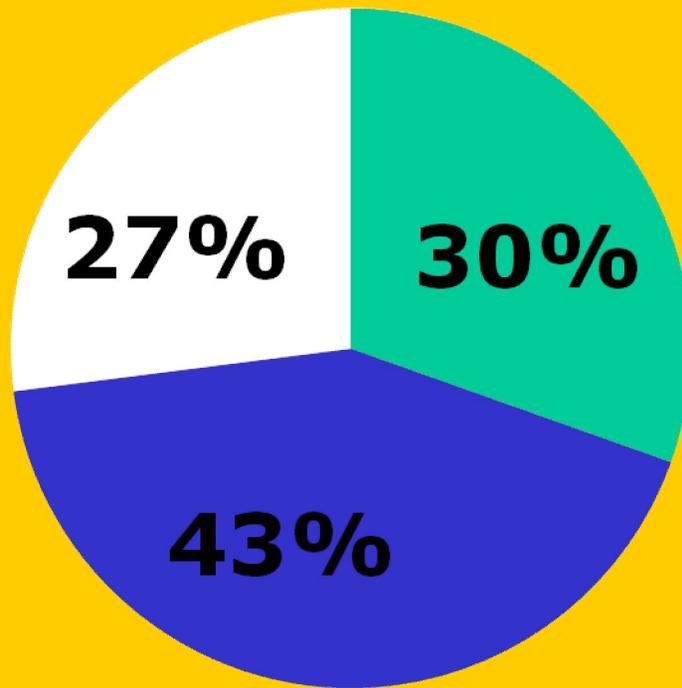
**Structural or Cyclical Unemployment?**

## Indicators of Cyclical Unemployment

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- In the first 12 months of this recovery there were 32m job openings, 10m fewer than the first 12 months of the last jobless recovery
- Every sector including labor intensive service industries such as hospitality, entertainment, and accommodation was hit more than past.
- Lack of mobility? The 11 states with less than 7% unemployment would have to double labor force to absorb the unemployed.

## Long-Tenured (3 or more years) Displaced Workers - 2007-09



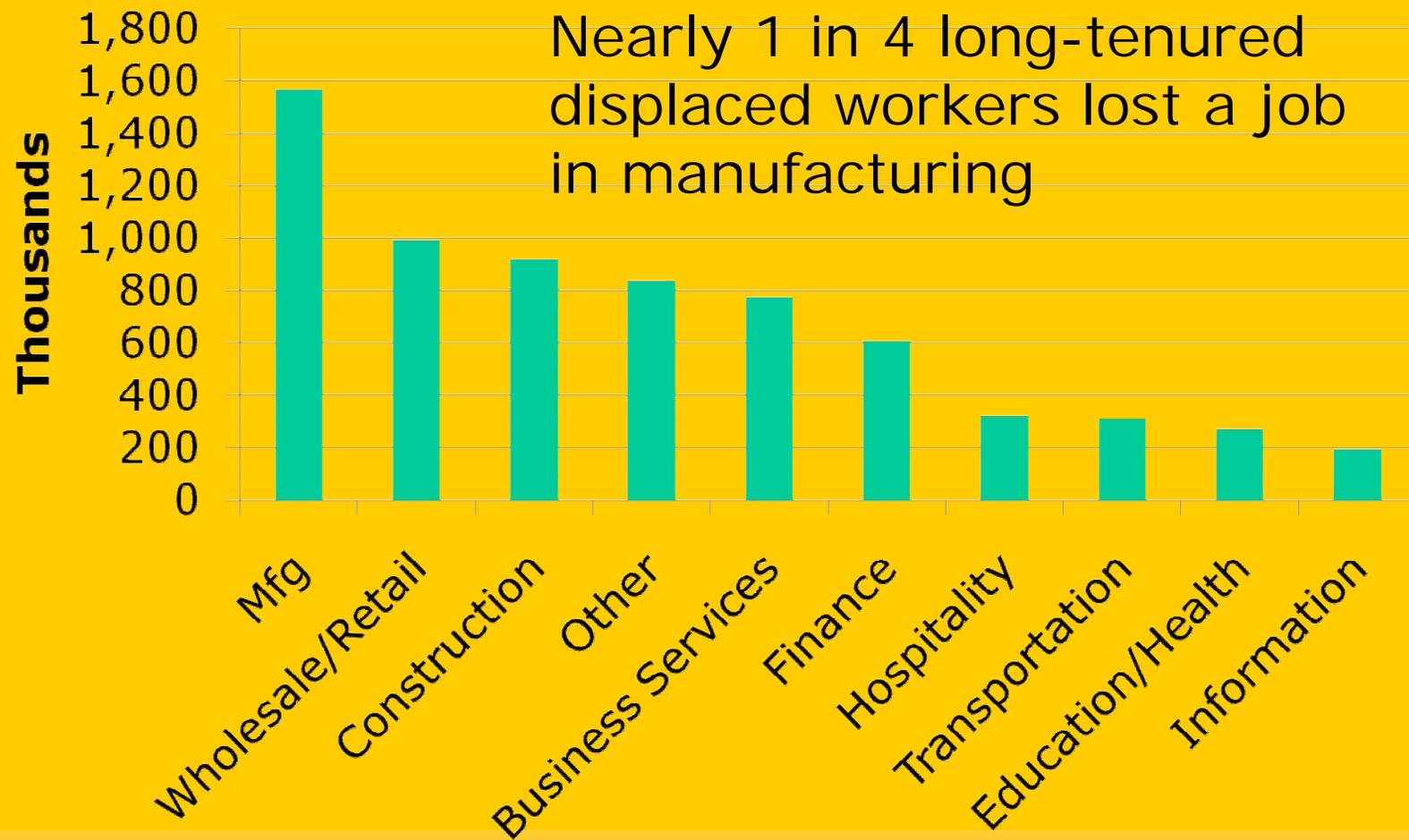
Only 49% of the 6.9 million long-tenured displaced workers were reemployed compared to 67% in 2008  
-lowest rate in 25 yrs

- Plant Closing
- Insufficient Work
- Position Abolished

Source: BLS

Nearly 1 in 4 long-tenured displaced workers lost a job in manufacturing

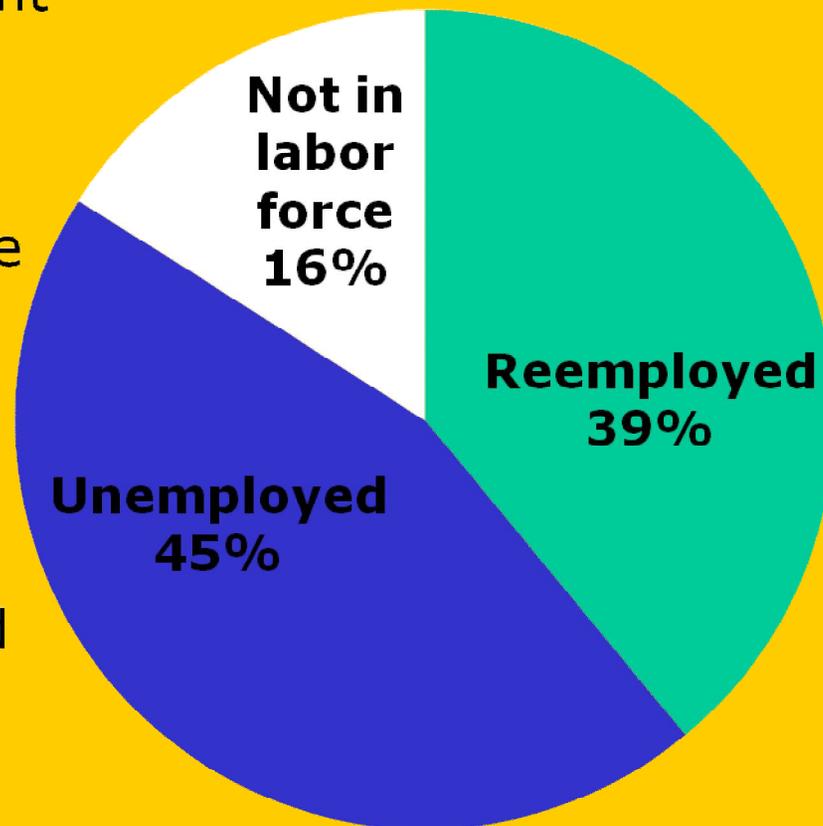
## Long-Tenured Displaced Workers - 2010



Structural or Cyclical Unemployment?

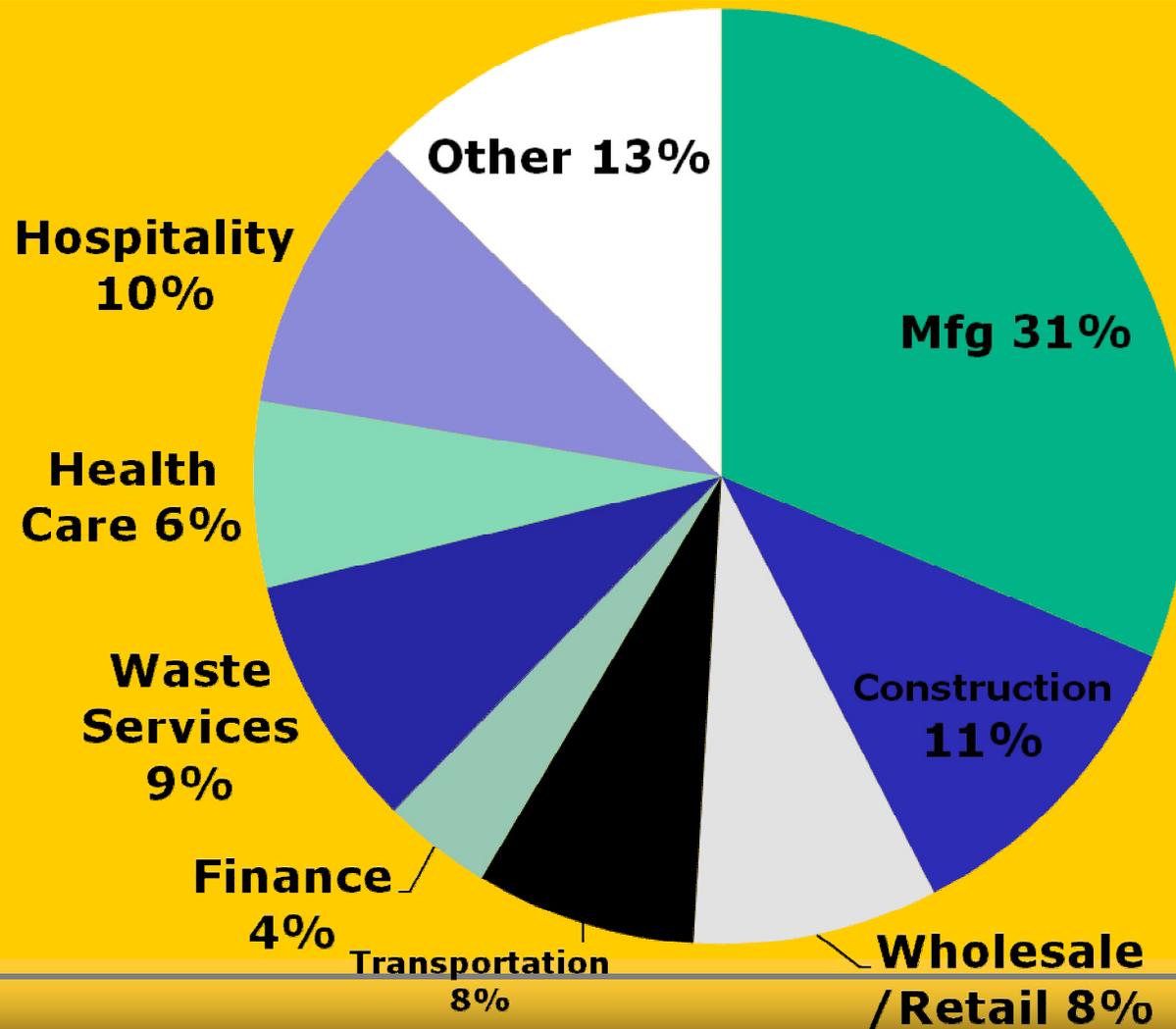
## What happened to the displaced mfg workers?

The reemployment rates for workers displaced from construction (49%) and wholesale and retail trade (49%) were the same as the overall reemployment rate for displaced workers.



45% of the reemployed earning as much, 55% in prior surveys

## Mass Layoff Statistics (MLS) 2009



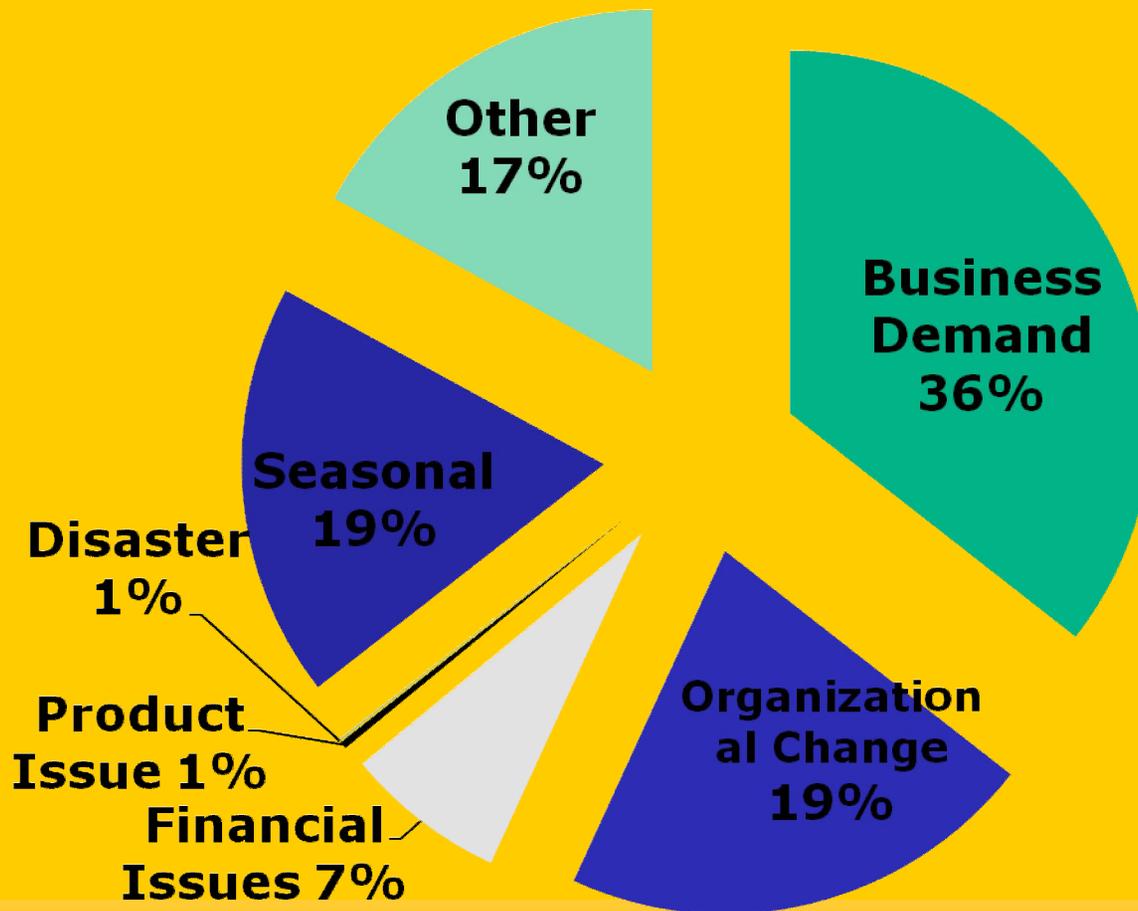
The total numbers of mass layoff events, at 28,030 with 2.8 m initial claims

Highest annual levels on record.

Source: BLS

Structural or Cyclical Unemployment?

# Reason for Mass Layoffs 2009



70% of the business demand was slack work or insufficient demand

Import competition less than 2%

Source: BLS

Structural or Cyclical Unemployment?

## My thoughts on the jobless recovery

- The new “natural” rate of unemployment, likely to be between 6.5% and 7.5% once “recovery” is complete (Phelps 2010)
- Not just a matter of retraining or moving workers. Need to increase demand and create jobs, but how?
- Beef up your business retention & contraction programs
  - Monitor for consolidations
- Fix the leaks in your bucket
  - LOIS strategy
- Economic Gardening/Helping the gazelles
  - Large firms sitting on \$1.6 trillion in cash and SMEs cannot get cash
  - 1% of firms create 90% of net new jobs (Gundersen 2010)

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Let's hear from our distinguished panel

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