

St. Petersburg Times

Experts puzzle: Why are jobs lagging?:[SOUTH PINELLAS Edition]

HELEN HUNTLEY, JEFF HARRINGTON. *St. Petersburg Times*. St. Petersburg, Fla.: Sep 19, 2003. pg. 1.A

Abstract (Article Summary)

Economists expected it to take some time for companies to flip the hiring switch but not this long. The recession officially ended in November 2001. If this were a typical recovery, the country would be adding 225,000 to 250,000 jobs every month, said University of Central Florida finance professor and economist David Scott.

One of those hiring is Fortress Technologies, an Oldsmar company focused on wireless technology. Three years ago, Fortress was struggling to slash its debt and survival was in question. The key to Fortress' rejuvenation was finding a niche working for the federal government.

Keenan McCardell; Monthly change in total U.S. employment: Line graph traces employment from 2001 to August 2003.; On the upswing: Line graph traces productivity and Gross Domestic Product from 2001 to August 2003.; Photo: PHOTO; GRAPH, MICHAEL GUILLEN, (2)

Full Text (1298 words)

Copyright Times Publishing Co. Sep 19, 2003

The recession ended nearly two years ago, and the recovery is picking up momentum. So where are the jobs?

Economists expected it to take some time for companies to flip the hiring switch but not this long. The recession officially ended in November 2001. If this were a typical recovery, the country would be adding 225,000 to 250,000 jobs every month, said University of Central Florida finance professor and economist David Scott.

"Instead, we're still losing jobs," he said. "We're about 300,000 jobs a month from a good economy."

The nation has about 130-million nonfarm jobs, 1.1-million fewer than it had when the recession ended. Just in the last three months, an additional 225,000 have disappeared.

Florida has fared better, but the 7.6-million jobs the state had in July is only 9,000 more than in November 2001.

"It puts the recovery at risk," said Scott Brown, economist for Raymond James & Associates in St. Petersburg. "We're not in a sustainable recovery without job growth."

But we are in a recovery, which is why the job dearth seems mystifying. The economy grew at an annualized rate of 3.1 percent during the second quarter ending in June, and many experts are expecting growth to be even stronger for the current quarter.

"It's somewhat of a puzzle," economist Brown said. "Global trade is part of the problem, but I don't think that's the real problem."

One "culprit" economists are pointing to is productivity. Rising productivity means companies are squeezing more production out of their current employees and equipment. They are able to meet modest increases in demand without hiring new workers.

For example, Switch and Data of Tampa, a small technology company that provides telecom companies and

Internet service providers with space for switching equipment, just received \$5-million in venture capital funding that will allow it to grow. However, the company has no plans to hire new employees. Company spokeswoman Dawn Wright said staying profitable means "watching the expenses."

Some of the jobs that are disappearing are not likely ever to come back. Manufacturing employment is off 14 percent since the recession began, and there have been big job losses in wholesale and retail trade, transportation and warehousing. Jobs are lost when giant retailers and restaurant chains push their smaller competitors out of business. Brown said the Internet is even a factor because it increases competition and forces companies to become efficient.

Plant capacity also plays a role. U.S. manufacturing plants are operating at about 75 percent of capacity, compared to the 82 to 83 percent that would be expected if the economy were even more robust. Companies with excess capacity are less likely to kick into the expansion mode.

Business leaders also want to be confident that growth is accelerating before taking on new employees and higher payrolls.

The country managed to get through another essentially jobless recovery after the recession of the early 1990s. However, far more jobs have been lost this time around. In 1992, 28 months after the recession began, private sector employment was down 0.9 percent. At that same point this summer, it was down 2.9 percent.

What would it take to spur significant job growth this time around?

"Once you see a string of quarterly growth rates, all of which beat 4 percent and maybe a couple approach 5 percent, then you'll see optimism return to the business owner," Scott said. "That will begin to drag along job increases."

He said the economy might get those kind of numbers for the last two quarters of this year and the first two of next year.

Economists who belong to the National Association for Business Economics also are optimistic about next year. Their consensus forecast is that gross domestic product will grow 4 percent in 2004. They expect that will be enough to spur job growth of about 1.4 percent, which would be a start.

There are some encouraging signs.

Dave Foster, chief executive of temporary help agency Ablest Inc. in Clearwater, said demand for his temps is up 4.4 percent nationally and slightly more than that in the company's Florida offices. "In this economy, that's pretty good," he said. "It's been a long two or three years."

Demand for warehouse workers from Ablest is up slightly, while new clerical jobs remain flat. Despite a strong movement of call center jobs overseas, "the call center work is still there," Foster said. "It has not decreased for us."

Some small tech companies, survivors of the dot-com debacle, are also starting to hire again. Michelle Bauer, executive director of the Tampa Bay Technology Forum, said a half dozen companies have told her they need workers.

"I've heard rumblings for the past couple of months" of hiring to come, she said, "so it's not a shock, but it's really gratifying."

One of those hiring is Fortress Technologies, an Oldsmar company focused on wireless technology. Three years ago, Fortress was struggling to slash its debt and survival was in question. The key to Fortress' rejuvenation was finding a niche working for the federal government.

"Our year has been phenomenally successful," said chief executive Shawn Hughes. The company increased its

workforce by 10 percent, or about five or six positions, so far this year and is trying to fill several more positions.

In Largo, medical device manufacturer Linvatec also has started hiring again.

"It's starting to loosen up a bit," spokeswoman Penny Jerge said. "Thank God."

The staffing agency Manpower Inc. said its most recent survey of 16,000 employers found that 22 percent said they planned to increase hiring in the fourth quarter, twice the percentage expecting a drop in hiring.

The South has the most promising employment outlook, as it has since the third quarter of 2002, Manpower said. Job prospects are especially strong in the finance, insurance and real estate sector, and the most optimistic since mid 2001. Of the major industry sectors, mining is the only one in which job growth is expected to slow.

In addition, the government said Thursday that new claims for unemployment benefits dropped last week for the first time in a month. There were 399,000 new claims, down 29,000. About 3.7 million Americans are collecting unemployment benefits.

Still, it will take some significant growth in jobs to begin to bring down the unemployment rate, currently 6.1 percent nationally and 5.5 percent in Florida. That's because a lousy job market discourages people from entering the work force and causes others to drop out. The Economic Policy Institute says about 2-million such workers are not officially counted among the unemployed. If they were counted, the true unemployment rate would be closer to 7 percent, the institute says.

Some of these people are "discouraged workers," who have stopped job hunting. Others are students, retirees or stay-at-home parents who decide not to bother looking. But if a more vibrant job market prompts them to start looking, they will swell the unemployment rate until they find jobs.

These newcomers are one reason that competition for jobs is likely to remain fairly stiff for some time. Another reason is that many people have been underemployed, working part time when they wanted to work full time or working at jobs that do not use their educations and experience.

How fast the job situation improves could affect the future employment prospects for President Bush. Economic problems got the blame for his father's failure to win re-election.

"The key question is whether things are going to really improve in the early part of next year when it's going to matter," professor Scott said.

[Illustration]

Caption: Keenan McCardell; Monthly change in total U.S. employment: Line graph traces employment from 2001 to August 2003.; On the upswing: Line graph traces productivity and Gross Domestic Product from 2001 to August 2003.; Photo: PHOTO; GRAPH, MICHAEL GUILLEN, (2)

Reproduced with permission of the copyright owner. Further reproduction or distribution is prohibited without permission.

People: Scott, David, Brown, Scott

Author(s): HELEN HUNTLEY, JEFF HARRINGTON

Section: NATIONAL

Publication title: St. Petersburg Times. St. Petersburg, Fla.: Sep 19, 2003. pg. 1.A

Source Type: Newspaper

ProQuest document ID: 407517021