

The December Review

Our yearend issue for 2008 contains a rich variety of articles that summarize, in each case, years of research intended to shed light on how businesses come and go, how they operate, and which of their activities might most likely be shifted overseas.

We begin this month with a focus on a topic of perennial interest for observers of “job creation” and “job destruction,” namely, the measurement of business “births” and “deaths” for entire firms or individual business establishments. Akbar Sadeghi describes the culmination of more than 2 years of research on the development of methods and concepts that are designed to illuminate aspects of business formation and survival. The dynamism of the United States economy is legendary, and data from the Bureau of Labor Statistics Business Employment Dynamics program have served to flesh out an empirical portrait of precisely how job gains and losses relate to business births and deaths. The alternative definitions and methods described in the article provide another step forward in our understanding of this vitally important subject, a topic all the more relevant given current events in the Nation’s—and, indeed, the world’s—labor markets.

How do young adults spend their money? And how does this affect their economic status? Geoffrey Paulin examines data from the Consumer Expenditure Survey for this important demographic group (single, never-married persons aged 21 to 29 years), who typically are facing the challenges of starting careers, establishing initial financial footholds, and determining what kinds of purchases are essential at this stage in their lives. He deepens his analysis by comparing spending

patterns for this target group in recent years with their counterparts in the mid-1980s, and ponders just which group might be considered better or worse off economically.

In an attempt to shed more light on how workplaces and industries are changing, a classification system has been developed that describes basic business processes of firms and the business functions that are associated with those processes. As Sharon P. Brown describes, this system is now being used in the BLS Mass Layoff Statistics (MLS) program. The system is derived from existing literature on business processes, models of firms’ activities, current research on outsourcing, the results of a feasibility study conducted by the program, and the program’s ongoing collection of relevant information. In this article, mass layoff events are examined in light of changes in specific business functions, such as human resources management.

In a somewhat similar vein, Roger J. Moncarz, Michael G. Wolf, and Benjamin Wright summarize efforts that have been underway for a number of years to identify service-providing occupations that might be susceptible to “offshoring.” They describe a system designed to identify characteristics that make an occupation vulnerable, and then they review past and projected patterns of employment and wages for 160 such jobs.

Recession and involuntary part-time work

A committee of economists affiliated with the National Bureau of Economic Research recently declared that the U.S. economy entered into a recession in December 2007. Various national labor market measures clearly support this conclusion. The unemployment

rate, for instance, rose from 4.9 percent to 7.2 percent during the year ending in December 2008, and nonfarm payroll employment declined by 2.6 million.

Some labor market measures weakened even before the onset of the “official” recession, a phenomenon that is not atypical. The aforementioned jobless rate began edging up in mid-2007, and the share of the working-age population that is employed began trending down from its most recent peak 2 years ago. Another important indicator of labor market difficulty—the number of persons working part time for economic reasons—began to signal in about mid-2006 that the business cycle might be heading for a downturn. As a recent BLS report notes, it is not uncommon for this indicator of unfavorable business conditions to rise during periods of slackening demand for labor. Sometimes referred to as involuntary workers, persons working part time for economic reasons want full-time jobs but currently are unable to find full-time work or have had their hours cut back. The recent rise in involuntary part-time employment thus far has been due mainly to the latter circumstance. The rise has occurred mostly among workers aged 25 years and older. Workers employed in certain industries, particularly construction, food services, and retail trade, have borne the brunt of the increase.

The report discussing these and other findings derived from Current Population Survey data can be found at www.bls.gov/opub/ils/pdf/opbils71.pdf □

Communications regarding the *Monthly Labor Review* may be sent to:

Editor-in-Chief
U.S. Bureau of Labor Statistics
Washington, DC 20212
E-mail: mlr@bls.gov