



Finding a place

Navigating today's labor market



Arley Arkenberg grew up in Fort Scott, Kan., where she learned the satisfaction and honesty associated with hard work.

“I was taught to contribute to society,” she said. “That’s why I feel so guilty taking unemployment.”

Arkenberg, 29, lost her job at The Kansas City Nursing News in May 2011. The company that owned the publication restructured its workforce, using more part-time and freelance workers, to make up budget shortfalls.

She had never sought financial assistance when she was in between jobs. Even in college she earned scholarships and grants and avoided taking out large student loans to pay for her education.

“I was taught to be financially responsible,” she said.

Her sound fiscal habits have helped in the last few months as she looked for work and made ends meet, but the slow economic recovery made things difficult. And unemployment has played on her sensibilities.

“Some days are pretty difficult,” she said.

In the days following her layoff, Arkenberg dove into finding a new job and making herself more marketable. Although she sat through several interviews for full-time employment, she has yet to receive an offer.

“It’s almost like dating,” she said. “You go

on that first date and then a couple of weeks later you receive some form of rejection.”

Adult workers ages 25 to 54—the largest segment of the U.S. workforce—experienced significant job losses during the recession and only recently started to see signs of recovery in the labor market, said Jonathan Willis, an economist with the Federal Reserve Bank of Kansas City. Willis, in collaboration with economist Aysegul Sahin at the New York Fed, has studied employment patterns since the labor recovery began at the end of 2009.

From January 2010 through August 2011, employment of workers age 16 and older increased by 1.1 million. That number increased to 2.3 million by the end of 2011, and the national unemployment rate fell to 8.5 percent for the first time in three years. What Willis and Sahin discovered is that highly educated, older workers and men filled a majority of those jobs.

“The issue of gender really surprised me,” Willis said.

In the first 18 months of the labor market recovery, men accounted for 90 percent of the increase in employment. The economists found that the difference is not due to growth of male-dominated industries like construction and manufacturing. Instead, the difference likely reflects that men on average have a stronger attachment to the labor force.

“Evidence suggests that in the face of high

unemployment and falling wages, men are more likely to accept less desirable employment opportunities than women,” the economists wrote in their research, “Employment Patterns During the Recovery: Who Are Getting the Jobs and Why?”

The other reason for the disparity is that men more than women were adversely affected in the recession, especially in the job sectors related to construction, manufacturing and trade, transportation, and utilities.

The surprise, Willis said, was in the disparity between job loss and job gain among genders. In the labor recession, women accounted for 31 percent of the decline in employment, while they accounted for only 10 percent of the jobs gained in the labor recovery.

“Because industry employment patterns cannot explain the strong employment gains by men in the recovery, differences in the characteristics and job-search behavior of the unemployed likely account for observed employment patterns.”

Jerry Layne found himself unemployed

after working 33 years for Northern Telecom, now Nortel Networks Corporation. Nortel, based in Canada, filed for protection against creditors Jan. 14, 2009, in Canada, the United States and the United Kingdom, after a series of acquisitions during the telecom boom in the late 1980s and 1990s caused financial trouble for the company in the 2000s.

Layne made a good living in sales, but the company’s restructuring eliminated his position. Although he has a good pension and 401(k) plan, his home mortgage made early retirement unlikely.

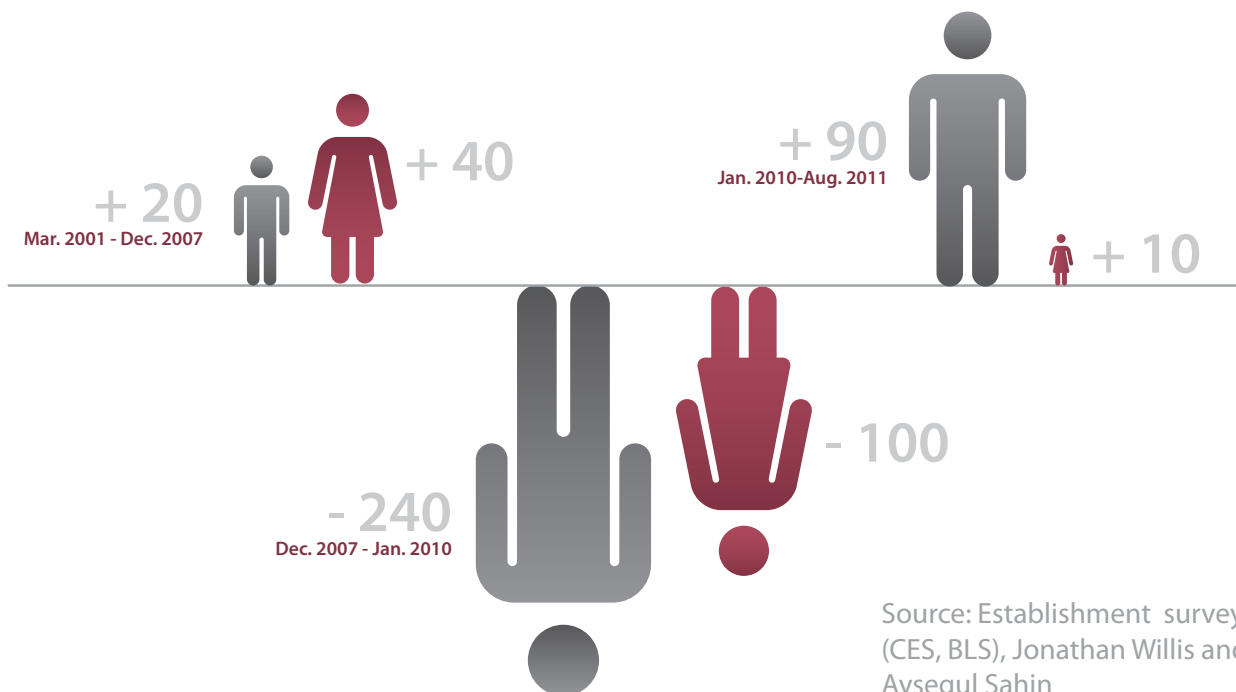
“I quickly updated my knowledge of best practices to search for a job utilizing the Internet,” he said.

He developed several different resumes, joined job search clubs, sought advice and began networking. So at 58, a time when he should look forward to finishing his career, he contemplated ways to reinvent himself—to make himself marketable in a tough economy.

Layne even thought about going into video production, a field in which he had interest

EMPLOYMENT BY GENDER

Average monthly employment change. Numbers are in thousands.



Source: Establishment survey (CES, BLS), Jonathan Willis and Aysegul Sahin

and limited experience. He soon discovered, however, the financial difficulties related to starting a career in that industry.

"I have to tell you, it was pretty scary," he said.

Layne found some age bias during his job search, although he admits, "It probably looks worse than it is when you're older and looking for work."

He realized that instead of reinventing himself, he would "look backward," he said. He relied on his years of experience in telecommunications and the relationships he built within the industry to land a job.

"There were a lot of people out there looking for jobs at the time and it was hard to get noticed," he said.

He reached out to his former Nortel sales contacts at a local telecommunications company, and soon after, the company offered Layne a position. Although the position involved managing people and a decrease in salary from what he made with Nortel, he was glad to have the job, especially with people and technology that were familiar to him.

After taking the job, the new employer made organizational changes due to a recent corporate merger and moved Layne's job out of state. This forced Layne to make a lateral move to another position; one he says is challenging, but enjoyable.

"Some people might describe me as underemployed, but I don't see it that way," he said. "I look at my age and (secure) financial situation, and I feel very fortunate to do what I do."

Layne looks forward to retirement one day—the thought of not going to the office every day appeals to him. Whether that occurs at age 65, earlier or later depends on when he's financially ready, he said.

Many older Americans consider the same question: "When will I retire?" For some, the weak economy, combined with declines in retirement savings and housing wealth following the financial crisis, may force them to work well into their 60s and even 70s. Although data show

many older workers have found new employment, many of them remain unemployed.

The U.S. Labor Department reported in December that the unemployment rate among workers aged 55 to 64 was 6.5 percent. This statistic only includes those who reported that they looked for a job within the previous month. Using a broader measure that takes into account older workers who want full-time work but are unemployed, working part-time or need a job but quit looking, the percentage increases to 17.4 percent. And this does not take into account workers 65 and older.

Janice Wilbourn knew her job as an office manager and bookkeeper at a civil engineering firm was in jeopardy when the housing market crashed in 2008. She decided to use what time she had left at the Kansas firm to prepare herself for the next stage of her life.

"I was going to work as long as I could to pay off as much as I could," she said.

Her hours, along with other employees', were cut in an effort to offset the lack of work coming into the firm due to the housing market decline, and many employees received partial unemployment benefits to make up for lost wages. Two years later, the managing partners eliminated Wilbourn's position.

"My plan was to become debt free before I retire, but I didn't quite make it," she said.

Now, at age 68, she has been unsuccessful in finding a comparable full-time job. Although she had a good retirement nest egg, "I've worked all my life and I wanted to continue working," she said.

Her foray into the labor recovery market changed her mind.

"I was unable to find full-time work that was close to my previous income, and the work I could find was physically demanding," she said.

She took a part-time job at Target, working about 20 hours a week, and drew partial unemployment benefits. The demands of retail and the stress of finding full-time employment wore on her both mentally and physically.

"This is a time when I should think about retirement," she said.

Wilbourn decided to change her lifestyle and use her retirement savings to become debt free. She owed several years on her mortgage, so she sold her home. She paid off her loan on a 2009 Honda hybrid she bought to save gas, and after talking with family, she used her retirement to pay for the construction of an addition—a small apartment—to her youngest daughter's house.

Her plan worked, she said, except she does have one more bill to pay—she owes taxes on the large withdrawal from her retirement fund. But she no longer has a car payment or a mortgage, and her new monthly cost of living fits within her retirement budget.

She won't drop out of the workforce completely. Wilbourn will work at Target for a while until she decides her next step.

"I'll use this situation to find my own niche, something that suits me at this time in my life," she said.

Many older workers from the baby boom generation will continue to drop out of the workforce in the next decade, but not as quickly as many anticipated—employers still value that generation's experience and expertise.

From January 2010 to August 2011, the average employment gain for workers age 55 and older was 75,000 per month. Employment declined by an average 27,000 per month for workers ages 25 to 54 during that time. For the youngest segment, however, ages 16 to 25, employment increased an average of 15,000 per month.

"These employment patterns based on age are primarily a result of demographic factors. The aging of the baby boom generation has resulted in a shift among employed workers toward an older work force," Willis and Sahin wrote in their study.

As the labor market recovery improves and businesses increase hiring, the applicant's experience will be a critical factor for employers in their hiring decisions. Willis thinks the weak economy with a large pool of unemployed workers has made employers reevaluate the savings they can accrue from finding an

experienced worker who can accomplish more than a less experienced worker who will need training.

The overall trend, regardless of age, is that workers finding employment are highly educated. The Current Population Survey, commonly known as the household survey, revealed that employment gains in the recovery have been concentrated among workers with at least some college education.

By August 2011, "Employment for workers with a bachelor's degree or higher increased by 1.1 million, and employment for workers with some college or an associate's degree has increased by 345,000," Willis said.

Many unemployed workers, especially women, have gone back to school to enhance their career opportunities. Arkenberg thought about going back to college and earning a degree in the field of health care, a growing sector of the economy, considering her career in journalism faces several obstacles.

The major employer of journalists was the newspaper industry, which has experienced dramatic losses in revenue since the recession. Several major and smaller market newspapers have cut workforces or froze employment levels or closed. In the Tenth Federal Reserve District, Colorado's second-largest daily newspaper, the Rocky Mountain News, closed its doors, and The Kansas City Star, the flagship paper of the McClatchy Company, the third-largest newspaper company in the United States, has cut half its workforce.

"There are not a lot of opportunities for full-time employment in journalism," Arkenberg said. "I've been in this for seven years, and now it might be over."

The cost of going back to college has kept her from seeking another degree. She also "loves" journalism.

"I don't want to give up on it yet," she said.

Fortunately, Arkenberg's husband works in the health care industry, which gives her some breathing room to rethink her career. Much of the available work in journalism today is freelance or part-time. Arkenberg wants to build

JANICE WILBOURN stands in the entryway of her new apartment, an addition being built onto her daughter and son-in-law's house, which is part of her retirement plan.



a new journalism career working for several clients instead of one employer.

“The drawback is benefits,” she said. “Getting health care insurance on your own is expensive.”

Economists differ on the reasons for the sluggish recovery and why certain people find employment and others remain on the list of long-term unemployment. Some say the labor pool mismatches available jobs created in the recovery. After studying unemployment and employment data, Willis concludes that these trends in the workforce began before the recession, and the weak economy only hastened the shift.

During the recession, every worker category was adversely affected, regardless of age, education, and gender. “If you look at the trends before the recession and after the recession, the unemployment rate doubled for every group,” Willis said.

The most noticeable long-term trend is the United States shifting to a highly educated workforce.

“The workers in highest demand are those with the most education, yet the population of highly educated workers has increased at a faster rate than employment in the recovery,”

Willis said.

Even with job gains now outpacing job losses by an increasing margin—4.2 million jobs were added in January compared to 4.0 million job losses for a net employment increase of 214,000—Willis sees little evidence of a mismatch between jobs and workers at this stage of the labor market recovery. Instead, the economy is too weak to create enough jobs.

“The limiting factor for the current recovery is weak demand,” Willis said. “The economy needs to grow at a faster rate to effectively reduce unemployment.”



BY KEVIN WRIGHT, EDITOR

FURTHER RESOURCES

“EMPLOYMENT PATTERNS IN THE RECOVERY: WHO ARE GETTING THE JOBS AND WHY?”

By Jonathan Willis and Aysegul Sahin
KansasCityFed.org/publications

COMMENTS/QUESTIONS are welcome and should be sent to teneditors@kc.frb.org.