

## **August 26<sup>th</sup>, 2011 KC Chamber Current Article:**

### **Jobless Claims and Economic Recovery**

The number of people seeking unemployment benefits went up again this week but this time there is an explanation that has kept the markets from over reacting. The majority of the increase has been attributed to the strike by Verizon workers as many of them were entitled to jobless benefits during the strike action. This week there is a cause for the number of applicants but overall the number of people applying for aid has been higher than preferred for this point in a recession. The realities of the job market are such that economic growth is generally linked with some specific numbers.

The number of people applying for benefits has to be consistently below 400,000 a month for there to be an expectation of improvement. There are nearly always a certain number of people applying for unemployment as people shift and move from job to job but when the numbers are between 250,000 and 400,000 there is economic distress. The second key number is the number of new jobs created. The US needs to see over 300,000 new jobs a month in order to keep pace with economic growth and population expansion. The number of new hires has been far below that level for nearly three years.

**Analysis:** We have harped on this many times in the past. The unemployment situation facing the US today is far more structural than cyclical and that will make job recovery that much more challenging. There are certainly people who have lost their jobs due to the slumping economy and a certain percentage of these people would stand to get employed again if the economy was perking along at 3% as it is supposed to. But the unfortunate fact is that the majority of those who lost their jobs have been structural unemployed. The job that they did is no longer being done. The low level unskilled jobs in manufacturing have been eliminated by robotics and technology; administrative assistants are being replaced by technology as well. Whole categories of employment have been changed and eliminated by everything from technological change to shifts in the way that business organizes. These are the jobs that will never come back and these people will have to reinvent themselves in order to gain employment in the future.