POLICY WATCH – January 2012

Headlines

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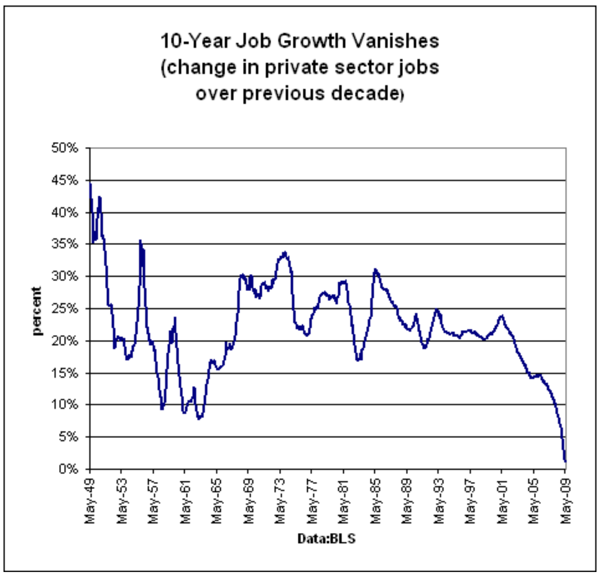
Understanding the Roots of the Jobs Crisis & How to Grow Again

Several new studies show that a jobs crisis was occurring prior to the recession. David Leonhardt in "A Slowdown in Jobs Lost, and Created," (New York Times, November 28, 2007) rightly pointed out, "The biggest problem with the job market isn't the jobs that are being eliminated, shipped overseas or filled by temporary workers. The biggest problem is on the other end of the equation. There are far fewer jobs being created by new or expanding companies than there were throughout the 1990s…This pattern has gone overlooked because of the way that the government tabulates its closely followed monthly jobs report. It includes only the *net* change in employment: jobs created minus jobs eliminated…But every quarter the Bureau of Labor Statistics also puts out a more detailed report that explains what's happening with job creation and job destruction — with the underlying forces that create the net changes… Scott Schuh, a senior economist at the Federal Reserve Bank of Boston, says that job destruction rates have probably been on the wane for most of the last 50 years.



If jobs weren't being created before the recession, what does that mean for job growth after the recession? The short answer is: a lot! Understanding why we have not been creating jobs is imperative to doing what it takes to create new jobs.

For example, there are fears that technology has greatly contributed to the less job growth. Tom Friedman wrote that information technology "is more rapidly replacing labor with machines." In "'Tectonic Shift's' in Employment," by David Talbot (Technology Review, January/February 2012), it details the kinds of jobs being lost before and during the recession from technological advances. Talbot says, "More evidence that technology has reduced the number of good jobs can be found in a working paper (by David Autor, an economist at MIT, and David Dorn, an economist at the Center for Monetary and Financial Studies in Madrid). They too point to the crucial years of 2000–2005. Job growth happened mainly at the ends of the spectrum: in lower-paying positions, in areas such as personal care, cleaning services, and security, and in higher-end professional positions for technicians, managers, and the like. For laborers, administrative assistants, production workers, and sales representatives, the job market didn't grow as fast—or even shrank. Subsequent research showed that things got worse after 2007. During the recession, nearly all the nation's job losses were in those middle categories—the positions easiest to replace, fully or in part, by technology."

Rob Atkinson (Innovation Policy Blog, 1/25/12) debates the idea of technology being the sole cause of job losses citing "productivity growth rates were much higher in the last five years of the 1990s than the last five years of the 2000s. And yet, unemployment was much lower in the 1990s period." Atkinson explains that the loss of manufacturing jobs in the last decade was due to a "decline in U.S. competitiveness, not automation… Manufacturing experienced about the same rate of productivity growth in the '90s as it did in the 2000s and yet only lost one percent (1%) of the jobs in the '90s, but 32% in the 2000s."

Peter Diamond, the MIT economist who won a 2010 Nobel Prize for his work on market imperfections, including those that affect employment, says, "Do I think we will have permanently high unemployment as a consequence of technology? No …What's different now is that the nature of jobs going away has changed. Communication and computer abilities mean that the type of jobs affected have moved up the income distribution. Jobs have been changing and moving around—within the country, out of the country—for a very long time," he says.'"

McKinsey & Company in "40 Million Jobs Needed" (http://www.mckinsey.com/Features/40_million_jobs_needed) describes it well: "Our emerging perspective is that the jobs crisis in the developed world is not a product of recession alone, and will not be solved simply by restoring economic growth. Growth is necessary and desirable. But in many countries, the historical link between growth and job creation was weakening before the current downturn began. Moreover, high job vacancy rates in some regions and industries suggest that labor markets are also failing to match supply and demand for skilled workers. While the causes of unemployment vary from country to country, any holistic approach to creating jobs and economic opportunity must address both the demand and the supply side of the jobs equation."

Virtuous Circle in the Making

Several years ago we were excited about "green shoots" popping up on the landscape of the economic recovery but most failed to thrive as the recovery has been protracted and weak. New green shoots are appearing bringing cheer and optimism. Paul Krugman, in "Is Our Economy Healing?" (New York Times, January 22, 2012) thinks so! He sees the making of a virtuous circle: "an improving economy leads to a surge in home purchases, which leads to more construction, which strengthens the economy further, and so on…it looks as if something like that may be starting: homes sales are up, unemployment claims are down, and builders' confidence is rising." Claiming that private debt was the "real culprit" of the recession, Krugman says, "the good news is that this private debt has declined in dollar terms, and declined substantially as a percentage of GDP, since the end of 2008."

Other bright spots are reported by Joel Kotkin in "This is America's Moment, If Washington Doesn't Blow It," (Newgeography.com, January 19, 2012). Kotkin believes that it is wrong to count America's economic future out. Here are some of his reasons:

- The U.S. is now the world's largest producer of natural gas and could emerge as the leading oil producer by 2017. Reserves of natural gas –a clean-burning fuel – are estimated at 100 years supply and could generate more than 1.5 million new jobs over the next two decades.
- The U.S. agricultural sector is also booming, with exports reaching a record $135.5 billion in 2011.
- In manufacturing, a survey of CEOs showed that 85% believed production could soon shift from overseas due to rising wages and labor unrest in China.
- Foreign investment in the U.S. rose 4.9%, in other developed nations is it stagnating or dropping.
- The U.S. maintains the youngest and most vibrant demographic profile of any advanced country avoiding the disastrous fiscal implications of slow or negative population growth being experienced in Greece, Spain, Italy, Japan and soon, Germany. Japan will have 53 retirees for every 100 workers by 2030.
- Despite our political gridlock, immigrants want to come to America, especially religious and political exiles.

And in a great article by Robert Kagan, "Not Fade Away," (Forbes.com, January 11, 2012), the myth of America's decline is debunked. America has experienced a nasty recession, says Kagan, but "Just as one swallow does not make a spring, one recession, or even a severe economic crisis, need not mean the beginning of the end of a great power." Kagan points out, "In economic terms, and even despite the current years of recession and slow growth, America's position in the world has not changed. Its share of the world's GDP has held remarkably steady, not only the past decade but over the past four decades. In 1969, the US produced roughly a quarter of the world's economic output. Today it still produces roughly a quarter, and it remains not only the largest but also the richest economy in the world. People are rightly mesmerized by the rise of China, India, and other Asian nations whose share of the global economy has been climbing steadily, but this has so far come almost entirely at the expense of Europe and Japan, which have had a declining share of the global economy."

Kagan ends his examination of whether America is in decline with this statement: "In the end, the decision is in the hands of Americans. Decline, as Charles Krauthammer has observed, is a choice. It is not an inevitable fate – at least not yet. Empires and great powers rise and fall, and the only question is when. But the when does matter. Whether the United States begins to decline over the next two decades or not for another two centuries will matter a great deal, both to Americans and to the nature of the world they live in."

St Vincent de Paul of Marin County Joins North Bay Leadership Council

St. Vincent de Paul of Marin County has joined North Bay Leadership Council as a member. St. Vincent, a nonprofit, has a long and remarkable history of helping provide services to those in Marin County who are struggling to make ends meet and might not otherwise receive help. Mark Wood, Chair of NBLC's board, welcomed St. Vincent saying "NBLC embraces the nonprofit leaders in the North Bay like St. Vincent whose work makes such a difference in people's lives. St. Vincent brings an outstanding record of success in dealing with intractable problems and will make a great addition to our membership."

St. Vincent provides basic assistance and serves free meals to people from all walks of life, including senior citizens, families, veterans, unemployed and the homeless. All individuals have equal access to their assistance programs, facilities and employment opportunities. Last year, St. Vincent helped more than 16,000 people, offering assistance in the form of free hot meals, rental deposits, utility assistance, social service referrals, and other vital needs. Their free dining room is open 365 days a year and provides over 200,000 meals annually. Their Homeless Help Desk serves over 1,400 clients each year. St. Vincent's volunteers also make home visits to help prevent homelessness.

Since 2000, the Marin Council of this worldwide organization has been led by Steve Boyer, Executive Director, who will be the board representative. Boyer received a Bachelor's Degree in Psychology from the University of Maryland and a Masters Degree in Systems Management from the University of Southern California. Under his leadership, St. Vincent has honored with the Beryl H. Buck Award for Achievement for Non-profit Organizations from the Marin Community Foundation and the Heart Tug award from the Center for Volunteer and Nonprofit Leadership. His alternate will be Terry Hennessy, the Director of Community Partnerships.

Boyer said, "St. Vincent supports the goals of NBLC members to lead on public policy issues like education, workforce development, affordable housing, and transit improvements. We look forward to partnering with the NBLC members on ways that North Bay's communities can provide dignity and respect for all of their residents."

During the past ten years the St. Vincent has partnered with well over fifty organizations including Adopt A Family, Canal Alliance, Canal Welcome Center, Community Action Marin, Helen Vine Detox Center, Homeward Bound, Legal Aid of Marin, Marin Interfaith Council, Marin Organizing Committee, Next Generation Scholars, Parent Services Project, Project Home Sweet Home, Ritter Center, Salvation Army, Transition to Wellness, Veterans Affairs and many more.

Members in the News

Autodesk is No. 52 on Fortune's 100 Best Companies to Work For List
Autodesk's pay and workplace culture earned it a spot on Fortune's 100 Best Companies to Work for.

Redwood Credit Union CEO Brett Martinez Named Chairman of the Board for Local Chamber
Brett Martinez, President & CEO of Redwood Credit Union (RCU), has been named Chairman of the Board of the Santa Rosa Chamber of Commerce, where he will work with the Chamber Board and CEO to help support and guide in their mission promote and advocate for local businesses and create a vibrant, sustainable economy for the region.

Nelson Family of Companies names Craig Nelson as CEO
Craig Nelson will become chief executive officer of Sonoma-based The Nelson Family of Companies as a result of its recent sale of the WorkforceLogic division to Orlando-based ZeroChaos.

Santa Rosa Junior College New President, Dr. Frank Chong takes the helm
Frank Chong started work Wednesday at Santa Rosa Junior College, succeeding Robert Agrella to become the fifth president in the college's 94-year history.

American AgCredit grows to sixth in nation after merger
American AgCredit, the farm lending giant headquartered in Santa Rosa, announced today that it has merged with Colorado-based Farm Credit Services of the Mountain Plains.

North Bay Business Journal, Press Democrat & Argus-Courier are sold by the NYT Company
The New York Times Company today announced an agreement to sell the North Bay Business Journal, Press Democrat and 14 other newspapers in its Regional Media Group to Florida-based Halifax Media Holdings LLC for $143 million in cash.

Read more online at www.northbayleadership.org/news

NORTH BAY LEADERSHIP COUNCIL

Who We Are

Twenty one years ago, business leaders founded the North Bay Leadership Council on a simple premise: We can accomplish more by working together. Today, the Council includes over 41 leading employers in the North Bay. Our members represent a wide variety of businesses, non-profits and educational institutions, with a workforce in excess of 25,000. As business and civic leaders, our goal is to promote sound public policy, innovation and sustainability to make our region a better place to live and work. For more information: Call 707.283.0028 **/ E-mail** info@northbayleadership.org

www.northbayleadership.org