

## **June 21, 2010: The Future of Jobs**

Economists continue to be shocked that the US is not creating jobs. What a bunch of dullards. Take away the Census workers, the million or so government employees that have been hired during the last couple of years, and the false assumptions about small business hiring and we are in negative job creation territory.

In May, the US economy created 20,000 or so private jobs. We're still not creating the roughly 150,000 to 200,000 private sector jobs per month needed to substantially reduce unemployment and help the recovery ascend to self-sustaining status.

As of now, the key feature of the U.S. job market remains unemployment and underemployment. An alternate measure of unemployment, one that includes part-time workers who want full-time work and discouraged workers, rose to 17.1% in May from 16.6%. I still say the number is closer to 25% than 17%.

What's more, the U.S. economy remains 7.8 million jobs below where employment was when the recession started in December 2007, according to data compiled by the [Economic Policy Institute](#), a think tank based in Washington. Further, the proportion of people jobless for six months or more has accelerated in the past year and now makes up 46 percent of the unemployed. That's the highest percentage on records dating to 1948.

Don't expect employment metrics to go back to what they used to be. To lower the unemployment rate from the current 9.7 percent to a more normal 6 percent would require roughly a net 15 million new jobs by the end of 2016, estimates Brian Bethune, chief U.S. financial economist at IHS Global Insight. Never going to happen.

With an economy that is 70% generated by consumers, it sure seems that we'll need to create private sector jobs at some point. And I'm not talking about the \$10-15 per hour job varieties, as that amounts to only \$20,000-\$30,000 per year. I don't see new homes and houses being bought based on these wages.

### **The Midas Answer**

Before I can give you the Midas answer, we need to agree on the problem. The US is not creating enough highly paying jobs for four main reasons. First, our education system is not generating students who are value added enough to compete in the global economy. Second, our private businesses (which generate the majority of the US economy) are not attempting to compete globally; thereby they are not creating opportunities for high paying domestic jobs. Third, with crowdsourcing, outsourcing and offshoring, many companies do not need to add employees to meet their corporate goals. Fourth, many of us are learning to leverage technology to a degree that eliminates the need to add employees.

Let's pull on this leverage thread a bit more. Historically, companies needed to generate \$100,000-\$200,000 in sales per employee to break-even and maybe make a few bucks. By using Midas models and strategies, many companies now generate more than \$1 million in sales per employee. Another way of looking at these numbers is to consider that avant-garde

companies need only 20-25% of the employees now than what it used to take to get the job done. Uh-oh.

What if most companies move to Midas models? Answer: highly-skilled people will make tons of money. So what will the bottom 75-80% do for a living? They hope that America's move toward socialism picks up speed.

Does this mean that the U.S. is destined to have the majority of its population living outside of the global economy, at least in terms of ever-increasing living standards? Yes.

So what is the sustainable good answer? We need to totally reconceptualize our education system. I'm talking a K-20 redo. This would result in fewer MBAs and more engineers and scientists; more technical tradespeople; and hopefully more philosophy/physics double majors. At the least our education system would move away from the current least common denominator approach that insures a non-valued added result.

But is the US likely to reconceptualize any of its institutions in the near term? Hardly...the status quo has tremendous momentum. My buddy Josh Patrick told me that 30% of the US economy is involved with financial services and/or intermediation. In other words, 30% of our economy is not creating any value. At what point in America's past did creating value go out of vogue? Most business owners don't intend to create value and "surprise!" they aren't creating any. The government (at all levels) isn't creating value. We've made it all but impossible for manufacturing to exist in the US. Good grief – none of this seems to promote an increase in living wage jobs. At least not in the US.

So how does the job story end here? If you're in the 25% that will earn a good living going forward, be prepared to carry the entire load. Because the money for the other 75% has to come from somebody.

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