Florida economists: High unemployment persistent but not permanent

By JOHN LANTIGUA

Palm Beach Post Staff Writer

Unemployment in South Florida and the nation has become much like a high fever that won't go down.

The national rate is 9 percent, and the South Florida fever is even worse at more than 11 percent.

Some observers have wondered whether rates ever will go back to 4 percent to 5 percent or whether companies that cut workforces during the recession have found more efficient ways to complete basic tasks and won't rehire for certain positions.

It may be true that some jobs are gone forever, but Florida economists say there is no reason to think high unemployment is permanent. But the recovery might be slow, economists say, and workers will have to learn new skills while the economy recuperates.

"We are seeing some economic recovery, but it is not accompanied by job growth in this country," said economist Eric Chiang of Florida Atlantic University. "Companies are getting by with less of a labor force and taking advantage of cheaper labor overseas by outsourcing. We have sluggishness in job growth, but this is not the first time we've seen this."

Chiang said the past two economic downturns, in the early 1990s and from 2001 to 2003, also led to recoveries characterized by slow job growth.

"This is exactly what we saw then," Chiang said. "The pattern is the same in this jobless recovery, although the severity is a lot greater. This was clearly a more severe recession. This time we have a tremendous loss of jobs in the public sector as well - policemen, teachers, etc. That wasn't true in the previous two downturns because they didn't have the housing bubble that created all those property taxes and that increased public hiring."

But Chiang sees unemployment turning around the same way previous dips were reversed, although it will take longer. The last two unemployment crises topped out at 7.5 percent in 1992 and 6 percent in 2003.

"What helped create jobs back then was innovation," he said.

"In the 1990s the introduction of the Internet created jobs. In the 2000s we saw the housing bubble create jobs, and the smartphones and other new technologies have led to many new jobs. Green jobs, clean energy, solar and hydropower and biotechnology could be the next wave. But because this recession is deeper, it will take time."
University of Miami economist Douglas Emery took that historical evaluation further back.

"We don't have people making buggy whips anymore, but that doesn't mean we didn't find other jobs for them," Emery said. "We have many fewer people working in manufacturing than we once did, but they are serving McDonald's burgers and driving airport shuttles. They're working in service jobs.

"What I think we'll see now is similar, not just a rebound, but realignment," Emery said. "The person who lost their maintenance job is probably not the person who will be designing new technology at Sony. But people will move up until a job opens near the bottom for that maintenance person."

Sandro Andrade, assistant professor of finance at the University of Miami, thinks there is an exaggerated fear that companies becoming more efficient will eliminate some jobs.

"If a company has learned to be more efficient with fewer jobs, if it has learned to burn off fat during the recession, those jobs will not come back," Andrade said. "But I think, in most cases, people were laid off because the amount of goods and services in demand is less. The unemployment we are seeing, in most cases, is not structural. When the economy comes back, many of those jobs will come back."

Sean Snaith, economist at the University of Central Florida, sees the past few years as a survival battle for many companies.

"During a recession, what we see is economic Darwinism, survival of the fittest, and companies get what they can out of fewer workers," Snaith said. "But as the economy starts to come back, there is just so much you can squeeze out of those workers. There are just so many pizzas you can make with one guy spinning the dough.

"The maintenance guy at the plant may have lost his job during the recession," Snaith said. "As the plant produces more widgets, they will have to put on a second shift and maybe a third and they will need more maintenance men. Those jobs are not necessarily lost for good at all."

Economists are optimistic in the long run, but they warn the shrinking of the unemployment rate could take awhile.

Chiang said venture capital available for innovation has decreased by half in recent years.

And existing companies are holding onto their money, not sure whether the economy is on steady ground.

Meanwhile, many workers are without jobs, even though the recession ended in 2009.

"Every time there is change like this, it's wrenching for the individual," UM's Emery said.

"If you happen to be the unemployed person, you are in recession until you are employed again."