

The Deep Depression in Blue Collar Labor Markets
in the U.S.: Their Implications For Future Economic
Stimulus and Workforce Development Policies

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Introduction

The onset of the national economic recession in December 2007 has taken a severe toll on many American workers, especially teens (16-19) and young adults (20-24), non-college educated male adults, blue collar workers (crafts, production, transportation, material moving, and laborers), and Black and Hispanic males.¹ The pain of this labor market downturn has not been widely shared across age, educational, or occupational groups. The last 24 months have witnessed very steep declines in national civilian employment (down 8.163 million), the absence of any growth in the labor force at a time when more than 3 million persons were earlier projected to join the labor force over this time period, and a sharp rise in labor underutilization problems, including open unemployment, underemployment, hidden unemployment (those who report that they want jobs now but are no longer actively looking for them), and the mal-employed, especially among young college graduates. In November 2009, there were 30.2 million U.S. workers who were either completely unutilized or underutilized, the largest number in our nation's history.

This research paper is designed to rigorously examine and assess changes in the labor market fate of the nation's blue collar workers (crafts persons, production workers, assemblers/fabricators, transportation equipment operatives, material moving, laborers/helpers) over the course of the Great Recession.² The deteriorating well being of the nation's blue collar workers also helps explain the growing economic plight of young, non-college educated male workers, the above average shares of job losses accounted for by males in the "hecession" of 2007-2009, and the steep decline in the employment of the nation's Black males.

Our paper will begin with a review of national employment developments over the past two years by major occupational group, highlighting the extraordinary declines in the number of blue collar jobs, vastly exceeding those of all other occupational groups. This will be followed

¹ For earlier reviews of the labor market impacts of the recession on age, gender, and educational groups of workers, See: (i) Andrew Sum, Ishwar Khatiwada, with Allison Beard, et al., The Great Recession of 2007-2009: Its Post-World War II Record Impacts on Rising Unemployment and Underutilization Problems Among U.S. Workers, Center for Labor Market Studies, Northeastern University, Boston, June 2009; (ii) Andrew Sum, Joseph McLaughlin, Ishwar Khatiwada, et al., The Labor Market Impacts of the Great Recession of 2007-2009: It is a Man's, Man's, Man's Recession, Center for Labor Market Studies, Northeastern University, July 2009.

² For a recent newspaper article highlighting the deep economic despair prevailing in the nation's rust belt in Ohio, See: Anne Hull, "Recession Hits Rust Belt Towns Hard," The Washington Post, December 17, 2009. For another look at the high labor surplus in blue collar occupations, See: Ed Stoddard, "U.S. Blue Collar Army Chases Few Vacancies," Reuters, October 23, 2009.

by an analysis of changes in unemployment levels and rates among the blue collar workers, the changing character of their unemployment problems, and their re-employment prospects upon being displaced. The final section of the paper will highlight the implications of these findings for the design of future macroeconomic policies including a new stimulus package and workforce development policies to address the labor market plight of our nation's blue collar workers. The future economic fate of the nation's working class and their children is at stake as well as the economic competitiveness and fiscal outlook for America.

Blue Collar Employment Changes Over the Course of the National Recession

Aggregate employment of all persons (16+) in the U.S. has declined considerably over the past two years, exceeding that of any other two year period in the U.S. since the end of World War II. In October/November 2007, the two month period immediately preceding the official onset of the recession of 2007-2009, total civilian employment declined from 146.7 million to 139.1 million, a drop of nearly 7.6 million or 5.2% (Table 1).

Table 1:
Changes in Total Civilian Employment and in Key Blue Collar
Occupations in the U.S. from October/November 2007 to October/November 2009
(Not Seasonally Adjusted, in Millions)

	(A)	(B)	(C)	(D)
Group	October/ November 2007	October/ November 2009	Absolute Change	Percent Change
All Workers	146,693	139,110	-7,583	-5.2
Construction Crafts	9,690	7,556	-2,134	-22.0
Installation, Repair, and Maintenance Occupations	5,426	4,672	-754	-13.9
Production, Transportation, Material Moving	18,524	15,820	-2,704	-14.6
Above Three Groups Combined	33,640	28,048	-5,592	-16.6

Source: U.S. Bureau of Labor Statistics, "CPS employment series, historical data", web site.

Employment conditions in the U.S. over the past two years, however, have varied quite widely by major industrial sector and occupational group. The nation's blue collar workers, who are heavily concentrated in the goods producing industries (construction, manufacturing, and

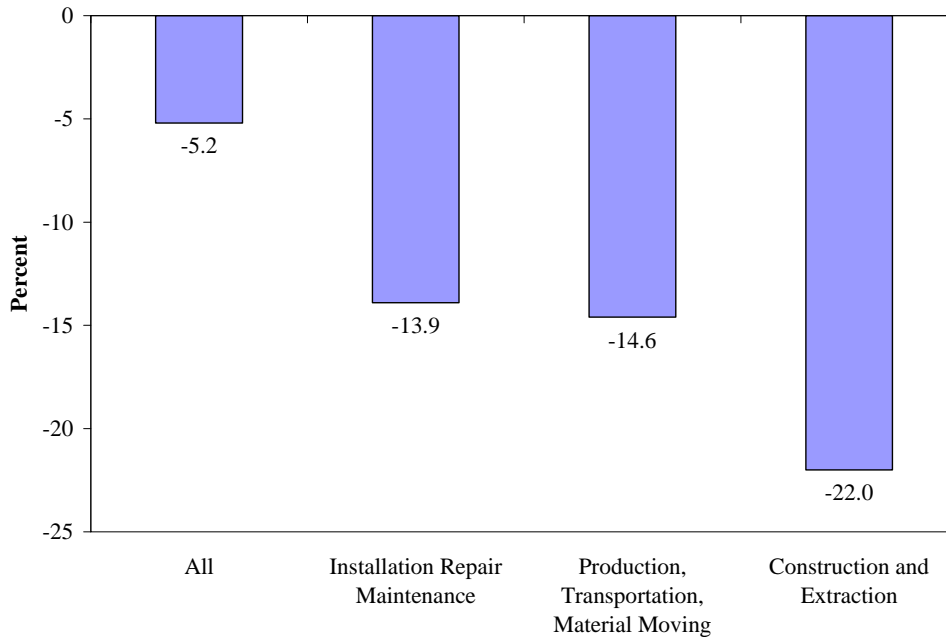
mining) which were ravaged by the effects of the recession, have fared the worst by far in the job market. To illustrate the depths of their declines, we categorized the nation's blue collar workers into the following three major occupational groups:³

- Construction and extraction
- Installation, maintenance, and repair
- Production, transportation operatives and material moving occupations

Over the October-November 2007-2009 time period, employment in each of the three major blue collar occupations declined at double-digit rates, ranging from -14% for installation/repair/maintenance craft workers and production/transportation/material moving occupations to 22% in construction crafts. Each of these rates of decline in employment were anywhere from 2.5 to 4.2 times as high as those of all workers in the United States (Table 1 and Chart 1). Together, overall employment in these blue collar occupations declined by nearly 5.6 million or one-sixth. To put these numbers in proper comparative perspective, consider the following. In the fall of 2007, these blue collar workers represented only 23% of all civilian employees in the U.S. By October/November 2009, they had accounted for 74% of the net job losses in U.S. labor markets.

³ There is another subset of blue collar workers classified as agriculture, forestry, and fishing occupations. We have excluded them from our analysis since the vast majority of them work outside of the construction, manufacturing, and mining industries of the nation.

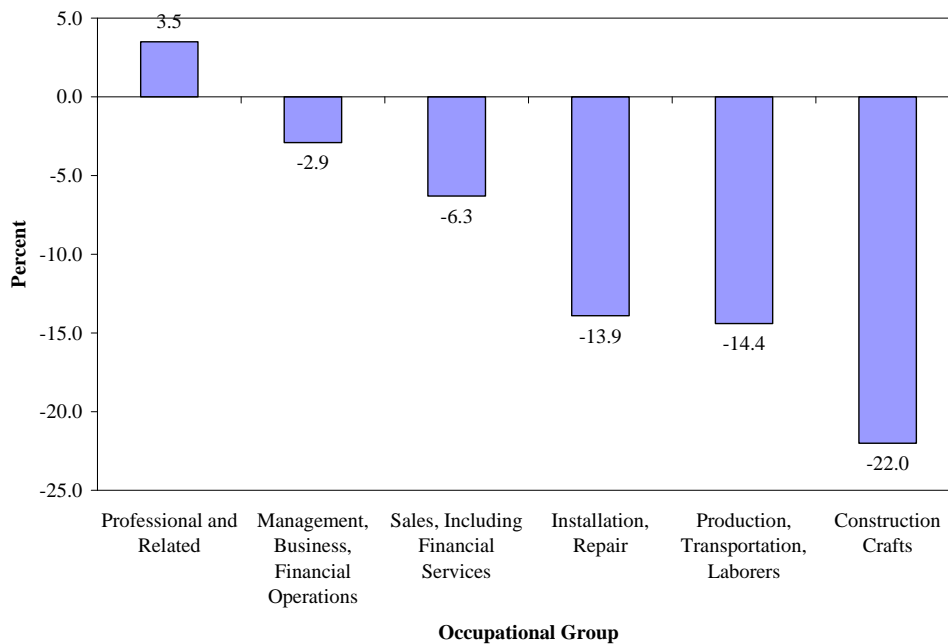
Chart 1:
Percent Decline in Civilian Employment Between October/November 2007 and
October/November 2009, All and Major Occupational Group



While workers in many other occupational groups also experienced some declines in their employment over the recession, no other major occupational group came close to experiencing the severity of the employment losses of blue collar workers. In Chart 2, we compare the relative sizes of the employment losses among the three groups of blue collar workers with those of professional, managerial/management support/financial operations, and sales workers. The latter group includes high level sales workers (sales managers, stockbrokers, commodity brokers, real estate brokers) as well as sales clerks/cashiers. Among professional workers, total employment actually rose in the recession by 3.5%, partly reflecting their concentration in industries that were more sheltered from the adverse effects of the recession (education, government, health care, social services) and lower layoff rates than those experienced by their blue collar brethren. Managers and management support workers only faced a 2.9% decline in their employment rate, only one-sixth as high as that of blue collar workers combined. Sales workers encountered a deeper decline in their job opportunities (-6.3%) but this was only 40% as high as that of all blue collar workers. Lower level sales workers were more adversely affected than high level sales. Thus, the 2007-2009 recession was overwhelmingly a blue collar depression. A one-sixth decline

in employment can only be classified as a depression not a recession, and this job decline came very close to matching the estimated national job losses in the Great Depression of the 1930s.⁴

Chart 2:
Comparisons of the Rate of Employment Declines in Selected Major Occupational Groups in the U.S., October-November 2007 to October-November 2009 (in %)



The Unemployment Problems of America’s Blue Collar Workers

The steep drop in the employment levels of the nation’s blue collar workers have created a growing number of labor market problems for them, including rising unemployment, long-term unemployment, labor force withdrawals, underemployment; i.e., working part-time though desiring full-time jobs and movement into lower paid occupations. Over the October-November 2007 to October-November 2009 period, total unemployment in the U.S. more than doubled, rising from slightly over 6.8 million to just under 14.5 million, representing an increase of 7.632 million or 111%. Both the absolute and relative increases in unemployment over this two year period were the highest in postwar American history.

⁴ The best estimates of national employment change (persons 14+) during the 1929-33 period of the Great Depression suggest a decline of slightly more than 18% over this four year period. See: Council of Economic Advisers, Economic Report of the President: 1964, U.S. Government Printing Office, Washington, D.C., 1964.

Table 2:
Trends in the Number of Unemployed Workers Between October-November 2007 and
October-November 2009 in the U.S., All and by Selected Major Occupational Group

Group	(A)	(B)	(C)	(D)
	October/ November 2007	October/ November 2009	Absolute Change	Percent Change
All	6,865	14,477	7,632	111%
Construction Craft Workers	697	1,847	1,150	165%
Installation/Repair/Maintenance	144	453	309	215%
Production, Transportation Operators, and Material Moving	1,104	2,348	1,244	113%
Above Three Blue Collar Groups	1,945	4,648	2,703	139%

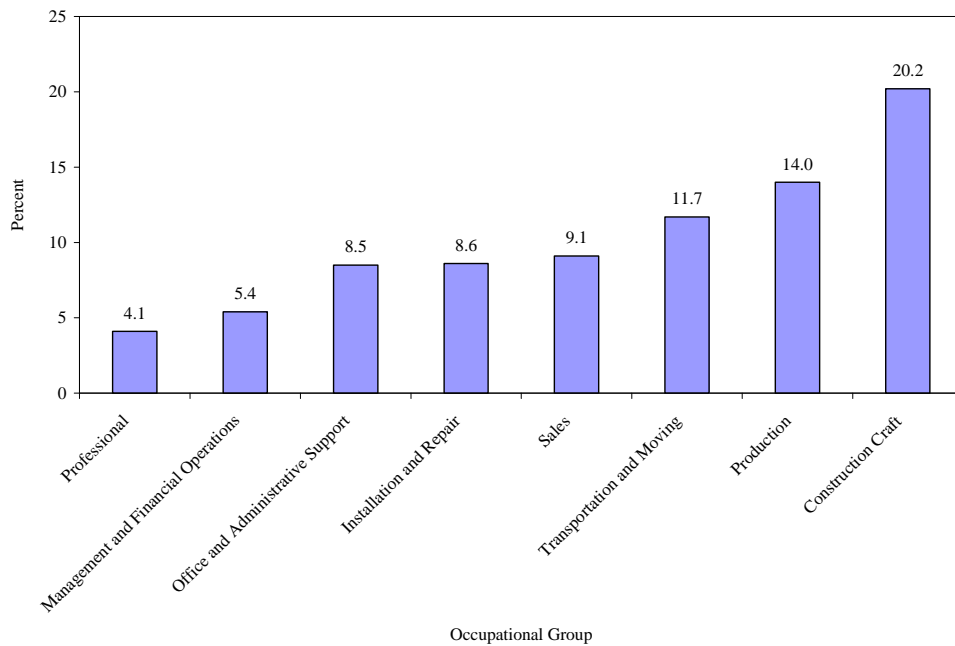
Source: U.S. Bureau of Labor Statistics, “CPS Unemployment Series,” website, tabulations by authors.

In each of our three major blue collar employment categories, the relative rise in the number of unemployed workers exceeded the overall increase in aggregate unemployment. The total number of unemployed blue collar workers rose from 1.9 to 4.6 million, an increase of 2.7 million that represented a 139% rise, far exceeding that for all other workers (106%). The increases in unemployment over this two year period were steepest among installation/repair/maintenance crafts (215%) and those in the construction/extraction trades (165%) (Table 2). In October/November 2009, just under one-third of all the unemployed in the nation were blue collar workers despite the fact that they represented only 23% of the employed.

The sharp drop in employment among blue collar workers combined with the substantial increase in their unemployment levels drove up their official unemployment rates over the past two years well above the average for most other occupational groups, especially professional and managerial workers (Chart 3). In October-November 2009, the mean monthly unemployment rate for the nation was 10.1%, the first double-digit rate since early 1983 in the beginning stage of the recovery from the 1981-82 recession. However, the unemployment rates of U.S. workers varied markedly by major occupational group, ranging from lows of 4% to 5% among professional and management-related workers to highs of nearly 12% for transportation operatives/material movers, 14% for production workers, and 20% for construction crafts workers (Chart 3). These latter three groups of blue-collar workers were experiencing open

unemployment rates that were anywhere from three to five times as high as those of the nation's professional and para-professional workers. Yet, much of the national media coverage of the recession of 2007-2009 has been focused on the economic plight of Wall Street workers, managers, and some professional workers, including educators, whose ranks have risen during the course of the current labor market recession.

Chart 3:
Unemployment Rates of Experienced U.S. Workers by
Major Occupational Group, November 2009
(Not Seasonally Adjusted, in %)



The sharp rise in both the number of unemployed and the rate of unemployment among blue collar workers was accompanied by a number of important changes in the characteristics of their unemployment problems. The CPS public use tapes for the September-November period of 2009 were used to examine the duration (in weeks) of the current unemployment spells of U.S. workers, the percent of the unemployed that had been out of work for 27 weeks or longer, and the fraction of the unemployed that were permanent job losers; i.e., they lost their last job and were not on temporary layoff. These permanent job losers are often referred to as displaced or dislocated workers, who are the targets of some training programs under the Workforce Investment Act.

The mean duration of on-going unemployment spells for all U.S. workers over the September-November period of 2009 was slightly over 28 weeks, a new historical high for the U.S., indicating severe difficulties faced by the unemployed in finding new work as national labor markets continued to deteriorate despite a recent uptick in overall real output growth as measured by the nation's real Gross Domestic Product (GDP)⁵ Three of the four groups of unemployed blue collar workers experienced mean, ongoing durations of unemployment spells above the average for all workers, with the mean size of these durations ranging from 29 to 33 weeks (Table 3, Column A).

A rising fraction of the unemployed in the U.S. are now unemployed for more than 6 months. Overall, 39% of the unemployed over the September-November period of 2009 reported that they had been continuously out of work for more than six months, a new record high for the U.S. Each of the four major occupational groups of blue collar workers either matched or exceeded that ratio, with 40 to 46 percent of the blue collar unemployed responding to the CPS interviewers that they had been out of work for more than six months.

Table 3:
Comparisons of the Unemployment Characteristics of All Unemployed Persons (16+) and Unemployed Blue Collar Workers in the U.S., September-November 2009

Occupational Group	(A) Mean Weeks Of Current Unemployment Spell	(B) Percent Unemployed 27 Weeks or Longer	(C) Percent Permanent Job Losers
All	28.2	38.7	54.8
Construction and Extraction	26.2	38.7	64.1
Installation/Maintenance/Repair	32.9	44.1	70.5
Production Occupations	30.9	46.3	69.4
Transportation and Material Moving	29.0	40.0	57.6

Source: Monthly Current Population Surveys, public use files, September-November 2009, tabulations by authors.

⁵ The preliminary, revised estimate of GDP growth in the third quarter that was just released by the U.S. Commerce Department indicated that real output advanced by only 2.2%, far weaker than earlier estimated by the U.S. Commerce Department.

Growing shares of the unemployed in the U.S. are permanent job losers who will not be recalled to their former positions.⁶ Over the September-November period of 2009, 55% of all of the unemployed were classified as permanent job losers. In each of the four blue collar categories, even higher fractions of the unemployed were classified as permanent job losers, with their shares ranging from 58% (transportation/material moving) to as high as 70% (production occupations and installation/maintenance/and repair crafts workers).

These lengthening durations of unemployment spells among U.S. workers are leading more of them to withdraw from active labor force participation, thereby removing them from the official count of the unemployed. Our analysis of the March 2009 CPS work experience data revealed that slightly over 30% of all those individuals reporting some unemployment in calendar year 2008 were no longer actively participating in the civilian labor force in March.⁷ Among those experiencing 26 or more weeks of unemployment in 2008, approximately one-third had withdrawn from the labor force in March. These withdrawals from active labor force attachment were reducing the size of the nation's civilian labor force. In November of 2009, the nation's labor force (seasonally adjusted) was nearly 1.2 million below its level in May of this year and has not grown over the past two years.⁸ The absence of labor force growth is masking the true magnitude of America's labor underutilization problems. There is a large and growing group of "hidden unemployed" in U.S. labor markets

In addition to the rapidly rising numbers of unemployed and long term, unemployed, blue collar workers in the U.S., a number of those keeping their jobs are reporting problems of underemployment. These are workers who can only obtain part-time work hours (under 35 per week) even though they desire full-time employment. Either their current employer only offers them part-time jobs or they have cut their hours below the full-time level. Overall, approximately 8.6 million workers in recent months report being underemployed. This was equivalent to 6% of all workers in the U.S. Among blue collar workers in September-November 2009, an estimated 2.451 million or 8.7% were classified as underemployed, considerably higher than the U.S.

⁶ The other unemployed individuals are those on temporary layoff, voluntary job leavers, new entrants, and re-entrants to the labor force.

⁷ The March CPS survey contains a supplementary set of questions that collect information on the work experiences, earnings, and incomes of each respondent (15+) in the prior calendar year.

⁸ See: Andrew Sum, Dire Straits for Many American Workers: The Economic Case for New Job Creation and Retraining Strategies in 2010, Report Prepared by the Center for Labor Market Studies, Northeastern University, Boston, December 2009.

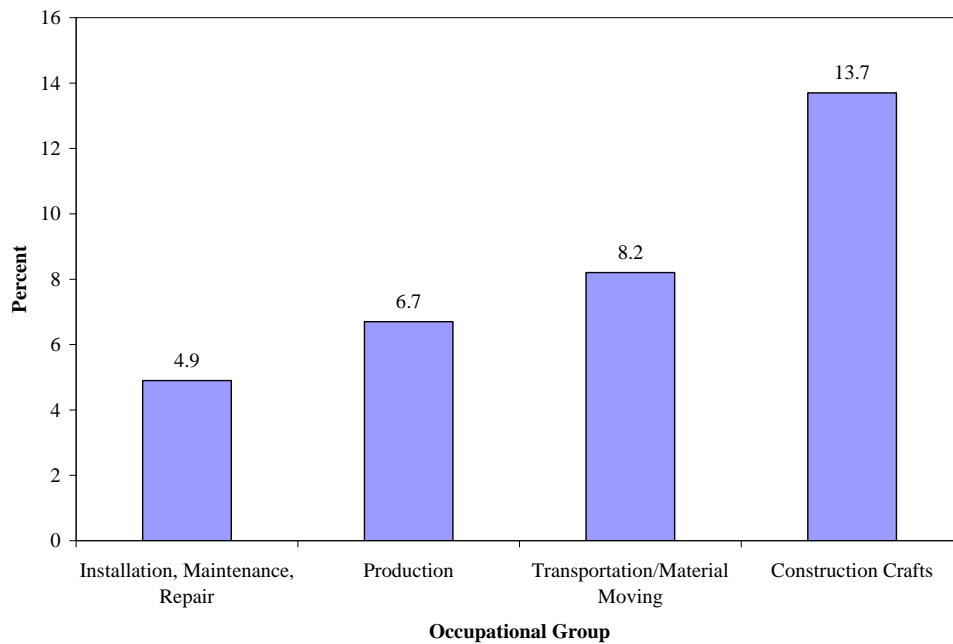
average (Table 4). These underemployment rates among blue collar workers ranged from a low of 4.9% among installation, maintenance, and repair occupations to 6.7% among production occupations to a high of nearly 14% among construction craft workers (See Table 4 and Chart 5).

Table 4:
The Number of Underemployed Blue Collar Workers and Their
Percent of Total Blue Collar Employment, September-November 2009
(not Seasonally Adjusted in 1000s)

Major Occupation	(A) Total Employed	(B) Underemployed	(C) Underemployed As % of total
Construction and Extraction	7,521	1,032	13.7
Installation, Maintenance and Repair	4,742	230	4.9
Production Occupations	7,609	512	6.7
Transportation and Material Moving	8,224	677	8.2
All Blue Collar Workers	28,096	2,451	8.7
All Workers	139,154	8,533	6.1

Source: Monthly Current Population Survey, public use files, September-November 2009, tabulations by authors.

Chart 5:
Underemployed as Percent of Total Employed in
Blue Collar Occupational Groups, September-November 2009

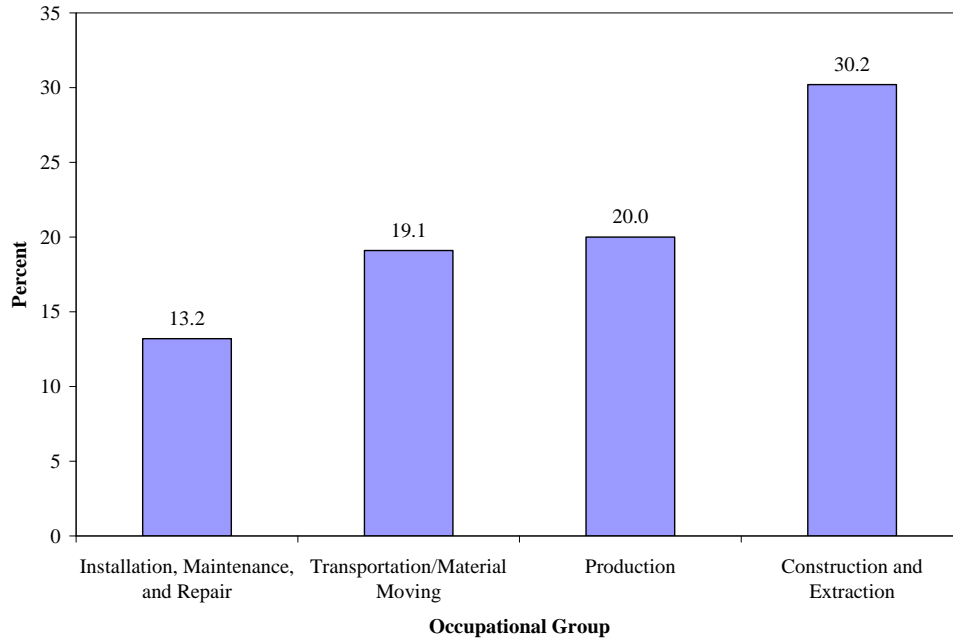


Both unemployment and underemployment among blue collar workers were quite high in the fall of 2009. We have added the underemployed to the unemployed and calculated the ratio of the combined pool of underutilized or unutilized labor to the size of the blue collar labor force. These combined unemployment and underemployment problems were quite severe among blue collar construction trades persons. Over one-third of all construction trades persons in the labor force in the U.S. were either unemployed or underemployed in the fall of 2009 (Table 5).

Table 5:
The Combined Pool of Unemployed and Underemployed Workers in All Occupations and Blue Collar Occupations in the U.S. as a Percent of Labor Force, September-November 2009
(Numbers in Millions)

Occupational Group	(A) Unemployed	(B) Underemployed	(C) Combined Pool of Underemployed or Unemployed	(D) Percent of Labor Force
All	14.557	8.358	23.115	15.0
Construction and Extraction Installation, Maintenance, and Repair	1.777 .455	1.032 .230	2.809 .685	30.2 13.2
Production	1.267	.512	1.779	20.0
Transportation and Material Moving	1.105	.677	1.782	19.1

Chart 6:
The Unemployed and Underemployed as a Percent of the Civilian
Labor Force in Selected Blue Collar Occupations, September-November 2009
(in %)



Labor Force Withdrawals Among Former Blue Collar Workers

Workers who experience a spell of unemployment during the calendar year may eventually choose to withdraw from active labor force participation especially when faced with a long, on-going spell of unemployment. The March 2009 CPS work experience supplement allows us to identify all individuals who report some unemployment during the prior year (2008) and their labor force status at the time of the March survey.

Overall, of the 20.5 million people with some reported unemployment in 2008, approximately 3.2 million or 5.6% had withdrawn from active labor force participation by March 2009 (Table 6). In each of our four blue collar categories, anywhere from 6 to 11% of the unemployed had withdrawn from the labor force by March. For all blue collar workers combined, the labor force withdrawal ratio was just under 10%. Labor force withdrawal rates were higher for production and transportation workers than for craft workers. While some of these formerly unemployed blue collar workers may have left the labor force to attend college or even high school, the vast majority did not report schooling as the main reasons for not looking

for work at the time of the survey.⁹ Clearly, high rates of job loss among blue collar workers and rising durations of unemployment have depressed their labor force attachment and increased the pool of hidden unemployed.

Table 6:
Percent of Persons (16+) with Some Unemployment in 2008 Who Were
No Longer in the Labor Force in March 2009, All and Selected Blue Collar Groups
(in Millions)

Major Occupation	(A) Unemployed	(B) Persons No Longer Active in Labor Force in March 2009	(C) Percent No Longer Active in Labor Force
All Workers	20.467	3.196	15.6
Construction and Extraction	2.289	.191	8.3
Installation, Maintenance and Repair	.573	.035	6.1
Production	1.468	.186	12.7
Transport Operators and Material Moving	1.547	.165	10.7
All Blue Collar Workers	5.877	.577	9.8

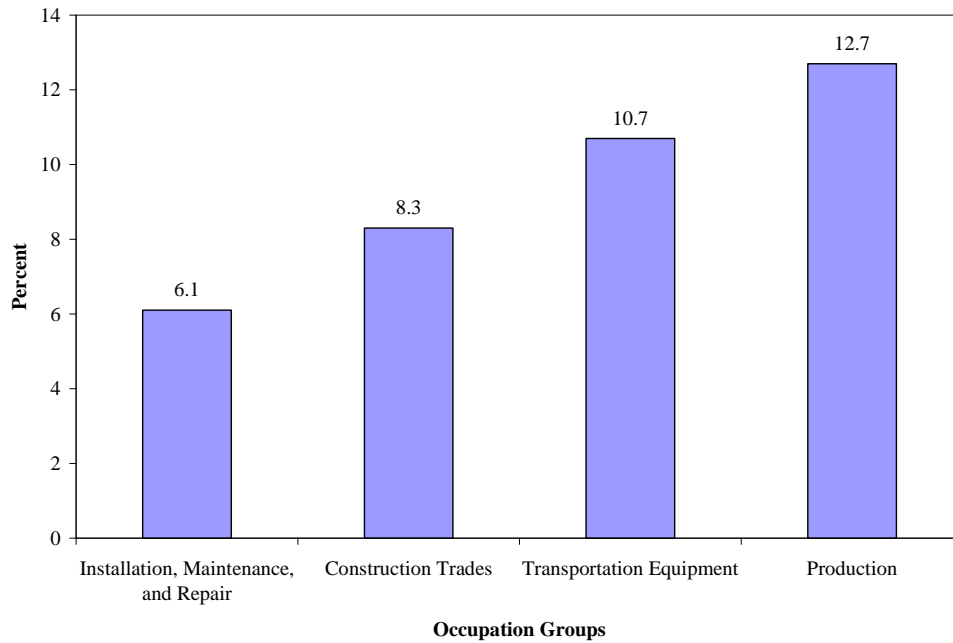
Source: March 2009 CPS public use files, work experience supplement tabulations by authors.

To identify the degree of labor force withdrawals among formerly unemployed workers in the aggregate and among blue collar workers, we analyzed the findings of the recently released March 2009 CPS work experience supplement. The March CVPS supplement collects data on the labor force activities of each working-age respondent in the prior year, including any spells of unemployment and weeks of unemployment during the year. With the work experience data, we conducted a series of cross tabulations of the March 2009 labor force status of all adults who were unemployed in the prior year by their occupation in 2008. All previously unemployed persons were classified into one of the three labor force categories:

- Employed
- Unemployed
- No longer in the labor force

⁹ The monthly CPS survey only asks respondent to report their current school enrollment status if they are 16-24 years old.

Chart 6:
Percent of Formerly Unemployed Blue Collar Workers Who Were No Longer Active in the Labor Force in March 2009 by Major Occupational Group



Source: March 2009 CPS, work experience supplement, public use files.

Trends in Job Vacancies in the Nation's Goods Producing Industries

The onset of the national recession in December 2007 was accompanied by a deep drop in the number of available job openings for workers in most industries, especially the key blue collar employing industries of construction and manufacturing. The sharp drop in employment reduced the number of job openings due to growth, and rising unemployment lowered the number of workers who voluntarily quit their jobs, thereby lowering replacement demand.

In Table 7, we provide information on changes in the number of job vacancies in all nonfarm industries and in both construction and manufacturing industries of the nation over the September-October periods of 2007 and 2009 (Table 7). Overall, the total number of job vacancies in the U.S. fell from 4.59 million in the fall of 2007 to 2.68 million in the fall of 2009, a decline of 1.9 million or nearly 42%. Job vacancies declined even more steeply in both construction (-49%) and manufacturing industries (-53%). The BLS job vacancy series unfortunately does not collect data on the occupational characteristics of job vacancies. In states like Massachusetts that do so, we find that job vacancies dropped at a higher rate for blue collar workers in these goods producing industries. In the second quarter of 2009, in Massachusetts,

there were more than 100 unemployed construction craft workers for every job vacancy in such occupations. The ratio of the unemployed to job vacancies was nearly 40 to 1 for production workers.

Table 7:
Changes in Job Vacancies in the U.S., All Nonfarm Industries, Construction, and
Manufacturing Industries, September/October 2007 to September/October 2009
(Numbers in 1000s)

	(A)	(B)	(C)	(D)
Industry	September/ October 2007	September/ October 2009	Change	Percent Change
All Nonfarm	4,590	2,682	-1,908	-41.6%
Construction	130	67	-63	-48.5%
Manufacturing	322	152	-170	-52.8%

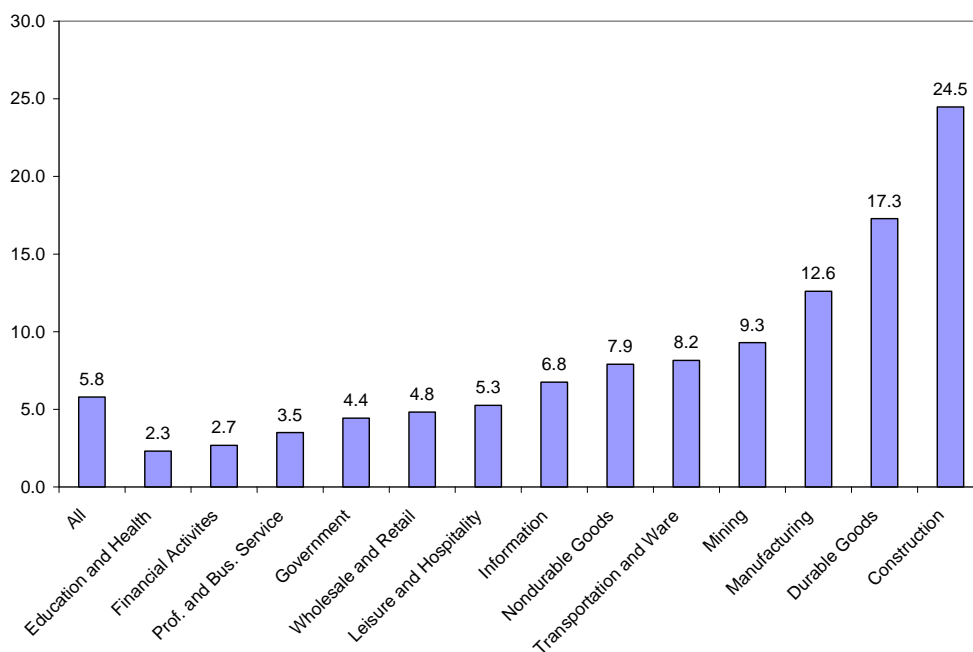
The Extraordinary Degree of Labor Surplus in the Nation's Goods Producing Industries

There are a variety of labor market measures that can be used to depict the degree of labor surplus in existing industries or occupations across the nation. One such measure involves comparing the number of unemployed in a given industry or occupational group with the number of available job openings (vacancies) in these same industries (occupations) for which private sector firms and government agencies are seeking workers from outside the firm to fill. If the number of unemployed is matched by an equivalent number of job openings, then we have balance between labor demand and supply; i.e., neither shortage nor surplus. If the number of job vacancies exceeds the available number of unemployed persons, then there is a labor shortage with the degree of shortage being dependent on the relative size of the gap between the number of vacancies and unemployed. Finally, if the number of unemployed in a given industry or occupation exceeds the number of job vacancies, then we have a labor surplus with the size of the surplus being dependent on the absolute and relative gap between these two pools.

Nationally, as the U.S. economy officially entered a recession in December 2007, overall labor surpluses have widened considerably as the number of unemployed more than doubled and job vacancies declined by nearly 40% over the past two years. The U.S. Bureau of Labor Statistics has been generating national (and regional) estimates of the number of vacancies in

nonfarm industries since December 2000, with separate breakouts for major industries but unfortunately not for occupations. In the months immediately preceding the onset of the Great Recession, there were approximately 1.8 unemployed persons for every job opening; however, as a consequence of rapidly rising unemployment and declining job vacancies, the ratio of the unemployed to job openings rose to 5.8 by September 2009 (Chart 7).¹⁰

Chart 7:
Ratio of Unemployed Persons to Job Openings by Major Industry,
U.S., September 2009 (Not Seasonally Adjusted Data)



Sources:

- (i) U.S. Bureau of Labor Statistics, “Job Vacancies in Nonfarm Industries of the U.S., September 2009;
- (ii) U.S. Bureau of Labor Statistics, “The Number of Unemployed Persons By Major Industry of Former Employer,” September 2009.

The degree of labor surplus in U.S. industries in September 2009 varied quite markedly by major industrial sector. In the education and health sector, there were 2.3 unemployed persons for every job vacancy and 2.7 unemployed per job opening in financial industries, including real estate. In each of the nation’s goods producing industries, however, there were massive labor surpluses in recent months (Chart 7). There were 8 unemployed workers for every job opening in

¹⁰ Recent release of preliminary job vacancy data for October 2009 shows a similar 5.8 ratio of unemployed persons for every job vacancy for that month.

nondurable manufacturing industries, 9 unemployed per job opening in mining, 17 unemployed per job opening in durable goods manufacturing, and nearly 25 unemployed workers in the nation's construction industries for every job opening. These latter four ratios in goods producing industries which dominate the hiring of blue collar workers represent massive degrees of labor surplus. Substantial majorities of the unemployed in these industrial sectors claim to have no job to return to; i.e., they are dislocated workers.

Preliminary release by the U.S. Bureau of Labor Statistics of job vacancy data for October 2009 shows no improvement in the labor surplus situation in either construction or durable manufacturing industries. In construction, job vacancies fell in October, and there were now 34 unemployed workers for every job vacancy. In durable goods manufacturing there were still 17 unemployed workers for every job opening in October. Workers in both of these sectors are in need of additional stimulus from the federal government to boost the immediate demand for their labor and to improve training opportunities for those displaced and in need of potential retraining to become re-employed in the labor market.

Dislocation Rates and Re-employment Problems of America's Blue Collar Workers

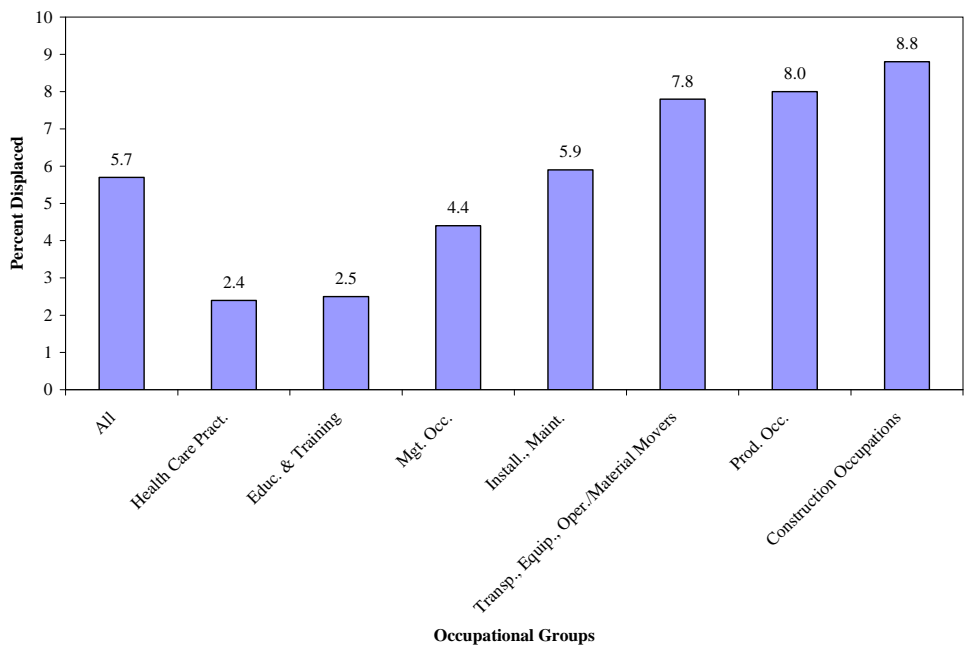
The above findings have clearly revealed that the nation's blue collar workers have borne a highly disproportionate share of the job losses over the past-two years, with a substantial majority of these job losers being permanently displaced from their jobs.¹¹ Even in better labor market times (2005-2007), these blue collar workers experienced above average rates of job dislocation. Over the 2005-2007 period, there were 8.2 million U.S. workers (20+) who lost their job as a result of a plant closing or relocation, lack of work in their firm, or the abolishment of their position or their work shift in the company. This group represented approximately 5.7% of all workers who were either employed in January 2008 or who had been displaced from their former jobs.¹²

¹¹ For a review of the key features of the BLS displaced worker survey in January 2008 and its main findings on dislocation problems over the 2003-2007 time period, See: U.S. Bureau of Labor Statistics, Worker Displacement, 2005-2007, Washington, D.C., August 20, 2008.

¹² In our analysis of worker displacement problems, we count all of those who met the BLS definition of a displaced worker regardless of their tenure with the firm. The BLS does a separate analysis of those who had been employed for 3 or more years.

The displacement rates of U.S. workers over the 2005-2007 time period varied quite substantially across major occupational groups, ranging from lows of 2.1% among health care practitioners (doctors, physicians, professional nurses) and 2.5% among educators and training professionals to highs of 8 to 9 percent among production workers and construction/extraction workers (Chart 8). Each of the four groups of blue collars workers were displaced at above average rates, with transport equipment operators, production workers, and construction craft workers being the most adversely affected. The displacement rates of the last three groups ranged from 7 to 8 percent.

Chart 8:
Percent of All U.S. Workers (20+), Selected Professional/Management Workers, and
Blue Collar Workers Who Were Displaced from their Jobs Between 2005 and 2007



Many displaced workers experience difficulties in obtaining re-employment. At the time of the January 2008 displacement survey, two-thirds of all those who had been dislocated from their jobs between 2005 and 2007 were re-employed.¹³ Blue collar workers in the aggregate had a re-employment rate of 65.2%, slightly below the average for all displaced workers (Table 8). The re-employment rates of these former dislocated, blue collar workers varied across gender

¹³ See: U.S. Bureau of Labor Statistics, Worker Displacement, 2005-2007, “Table 8”.

and race-ethnic groups. Dislocated male workers fared somewhat better than their female counterparts in finding new work (66% vs. 60%). Across the three major race-ethnic groups, re-employment rates varied more widely from a low a 52% among Black workers to a high of 72.4% among the Hispanic, displaced.

Table 8:
Re-employment Rates of Displaced Blue Collar Workers at the Time of the
2005-2007 Displaced Worker Surveys in January 2008 by Race-Ethnic and Gender Group
(in %)

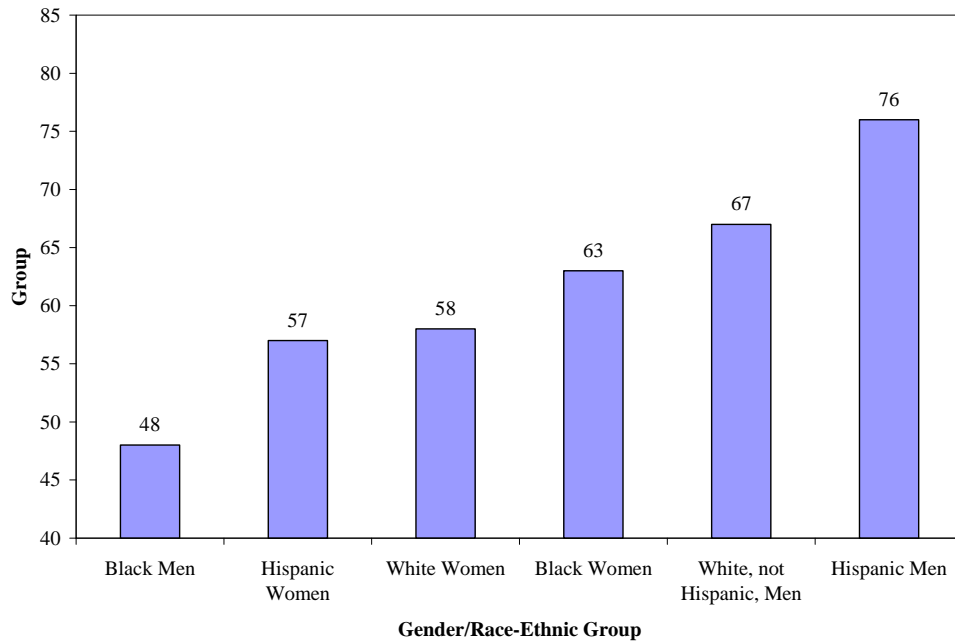
	(A)	(B)	(C)	(D)
Gender	Black	Hispanic	White, not Hispanic	All
Men	48.6	76.1	67.5	66.2
Women	62.8	57.6	58.5	60.2
All	52.0	72.4	66.3	65.2

Source: January 2008, BLS Displaced Worker Survey, public use files, tabulations by authors.

Taking both the gender and race-ethnic group of these displaced blue collar workers into account, we find even wider disparities in their re-employment rates at the time of the dislocated worker survey. Black males had the lowest re-employment rate (48%) followed by Hispanic and White, non-Hispanic women with employment rates of 57 to 58 percent. At the upper end of the distribution of re-employment rates were White, non-Hispanic males (67%) and Hispanic males (76%). A gap of 28 percentage points separated the re-employment rates of Hispanic and Black males. Both the high displacement rates of Black males and their above average re-employment problems likely contribute in an important way to their heavy employment losses in the current recession.¹⁴

¹⁴ A new dislocated worker survey will be undertaken by the U.S. Census Bureau for the Bureau of Labor Statistics in early 2010. It will cover the displacement experiences of U.S. workers from 2007 to 2009.

Chart 9:
Re-employment Rates of Selected Gender/Race-Ethnic Groups of
Displaced U.S. Workers, January 2008



How well do blue collar workers fare in matching their former weekly wages when they become re-employed? To answer this question, we compared the mean weekly earnings of re-employed blue collar workers in January 2008 with their real mean weekly earnings (in constant January 2008 dollars) on-the-job from which they had been displaced.¹⁵ For all dislocated, blue collar workers who gained re-employment by January 2008, mean weekly earnings on their new jobs were \$696, which were \$58 or 8% below the mean real weekly earnings on the jobs from which they were displaced (Table 9). Workers in three of the four blue collar occupations experienced average wage declines between 6 and 10 percent. Transportation equipment and material moving occupations were the only group to experience an estimated positive increase in their mean weekly earnings (up 2%).

¹⁵ We assumed that the average worker in an occupational group was displaced in mid 2006. The change in the Consumer Price Index for All Urban Consumers (CPI-U) between mid-2006 and January 2008 was 5.0%

Table 9:
Comparisons of the Mean Weekly Wage on Occupation of Job from
Which Displaced and Current Mean Weekly Wage of Re-Employed Displaced
Workers, All and Selected Blue Collar Groups, January 2008
(in January 2008 Dollars)

	(A)	(B)	(C)	(D)
Occupational Group	Mean Weekly Wage Last Job	Mean Weekly Wage Current Job	Change in Mean Weekly Wage	Percent Change
All	754	696	-58	-8%
Construction and Extraction	686	623	-63	-10%
Installation, Maintenance and Repair	740	686	-54	-7%
Production	620	584	-36	-6%
Transportation and Material Moving	588	600	+12	+2%

Source: U.S. Bureau of Labor Statistics, January 2008 BLS Displaced Worker, tabulations by authors.

On average, those dislocated blue collar workers who managed to obtain re-employment in the blue collar field fared considerably better in maintaining or improving their mean weekly earnings. Two of the four groups who obtained blue collar employment increased their mean weekly wage by 2 to 7 percent, and the other two groups (construction and installation/maintenance crafts) experienced small losses. In contrast, many of those who transferred out of the blue collar occupational field incurred considerably higher earnings losses. The relative size of these mean weekly earnings losses varied from -9% to -20% for those transferring into food preparation/serving, office, building and grounds workers, and sales clerks/cashiers to lows of -35 to -45 percent among those finding re-employment in health care support, protective service, and personal care occupations. The larger weekly earnings losses in the latter three groups of occupations was partly attributable to a greater frequency of part-time jobs as well as lower hourly wages.

Table 10:
Comparisons of the Last Mean Weekly Wage of the Jobs from Which Blue
Collar Workers Were Displaced and Their Current Weekly Wage by Major
Occupational Group of Current Job

Current Job	(A) Mean Wage of Displaced Job	(B) Mean Wage of Current Job	(C) Change in Mean Weekly Wages	(D) Percent Change
Management	900	593	-307	-34%
Healthcare Support	640	418	-222	-35%
Protective Service	748	432	-316	-42%
Food Prep	404	366	-38	-9%
Building and grounds	543	447	-96	-18%
Personal care	530	290	-240	-45%
Sales clerks/cashiers	638	514	-124	-20%
Office	524	435	-89	-17%
Construction and Extraction	780	696	-44	-6%
Installation and maintenance	721	691	-30	-4%
Production	615	630	+15	+2%
Transportation/Material Moving	642	688	+46	+7%

The downward earnings mobility of many blue collar workers who have to transfer into occupations outside of the blue collar field contributes to long term earnings losses from dislocation. The experiences of many re-training or re-employment efforts for dislocated workers under the Workforce Investment Act have not been very positive. A recent quasi-experimental evaluation of such efforts in 12 states showed no significant improvement in the earnings of WIA dislocated worker trainees relative to their comparison group counterparts. There is a clear and immediate need for a large scale national, regional, and state review of the state of retraining programs for dislocated workers and the need for new approaches to improve their effectiveness as strategies for boosting the long term employability and earnings of the nation's dislocated workers.

What Can Be Done? What Role for Macroeconomic Stimulus, Economic Development and Workforce Development Policies to Assist the Nation's Blue Collar Workers?

The deepening economic plight of the nation's blue collar workers should be of major concern to all of the nation's economic policymakers, to state and local officials in economies with above average shares of blue collar employment, and to the public at large. The situation facing the nation's blue collar workers is the equivalent of a Great Depression and we should not underestimate the dimensions of the problem. The existence of these large job losses, rising unemployment and underemployment, and labor surpluses, reduces the nation's real output, employment, earnings, and family incomes, and contributes to growing fiscal problems at the local, state, and national level. Jobless workers cannot support families, do not pay social security, federal income, or state income taxes. They pay substantially less in state and local sales taxes, and frequently require large transfer payments in the form of unemployment insurance benefits, disability payments, food stamps, and health care assistance. There are growing pressures on the disability system from the steep rise in long term joblessness.

A variety of short-term and long-term job creation and re-training strategies will be needed to reduce the size of these labor market problems and improve the future employability of these workers. With the exception of some ARRA monies, our nation's main strategy thus far has been to extend the length of their unemployment benefits with little to no efforts to create new job prospects for these blue collar workers. Long unemployment spells have adverse physical and mental health effects on these jobless workers that can lead to their exit from the labor force and to a rise in hidden unemployment and disability problem.

There are a variety of targeted macroeconomic stimulus policies and workforce development strategies, including job creation, wage subsidies, and retraining that can be pursued. First, the remaining ARRA substantial monies should be redirected at projects that would boost employment both directly and indirectly through the multiplier effect in the nation's construction and manufacturing industries. Each state receiving ARRA monies should actively monitor all jobs created by the ARRA stimulus, identifying the industries and occupations of the jobs being created, and require that all firms post jobs for which new hires will take place on the web sites of the WIA one stop career centers. This uniform information base should track the industries and occupations of all jobs created and the characteristics of the individuals receiving

them. There is an overwhelming need for more targeting of ARRA funds on projects employing blue collar workers and for greater transparency in the reporting process of who is getting these jobs.

Second, the national government should give serious consideration to a second round of stimulus that would be focused on directly creating jobs in construction and manufacturing industries via infrastructure/economic development/manufacturing and green technology investments. Displaced, blue collar workers and youth (under 25) should be key target groups for these job creation programs.

Third, additional national WIA monies should be made available to state and local WIA service delivery agents to recruit and retrain displaced blue collar workers. These new efforts should include on-the-job training subsidies to encourage firms to hire and train such displaced workers and to promote the hiring of new workers. The past record of WIA programs for dislocated workers is quite mixed, with a recent 12 state evaluation showing little to no earnings improvement. On-the-job training has seldom been used as a strategy to help re-employed dislocated workers under WIA even though past national evidence showed it was often effective. Training also should help support the competitiveness of the nation's manufacturing industries.