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Who Will Create the Jobs?

The Nation Needs Jobs But Where Will They Come From & When?

February 11, 2013 By William L. Pittenger, MAI, SRA

Employment has improved since the depths of the recession. Indeed, in January 2009, the nation's economy lost an astounding 820,000 jobs. After annual benchmark revisions and large upward monthly revisions to last November and December job numbers, the economy added 181,000 per month on average throughout 2012. That's good but by no means good enough. In January there were still 12.3 million Americans unemployed. That includes some 4.7 million Americans who have been unemployed long term or, by Bureau of Labor Statistics (BLS) definition, 27 weeks or longer. In fact, the average duration of unemployment is now a staggering 35 weeks.

In addition to the [personal tragedy](#) of job loss, unemployment does not bode well for the broader economy. While unemployment compensation may cover some of the consumable necessities, the unemployed can't spend significantly. Generally, they don't buy homes. They don't remodel or buy furniture and appliances and they don't buy cars and other big ticket items that drive the economy.

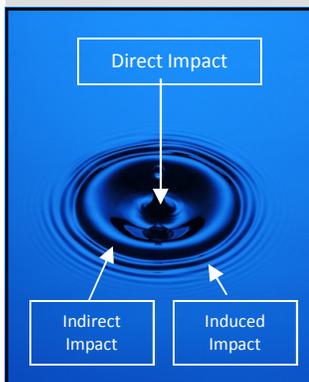
Despite improvement in employment, there is still a long list of factors frustrating employment recovery. Some, such as structural changes in employment dynamics, will take time to resolve. Others, such as sequestration and healthcare, are self-inflicted by government in the form of law, policy and regulation and it will take a united government to undo the actions ... or perhaps not. We have shared our thoughts about some of these factors in recent [commentaries](#). The big question for most of us today is "where will new jobs come from" in the short and mid-term future or is mediocre job growth accompanied by historically high unemployment just the new normal?

After six long years of housing distress, we think housing will ultimately return to being an important employment growth agent. The reason is not just housing but rather the huge multiplier effect the sector creates. A home purchase always has a ripple or "[multiplier effect](#)" in the economy. In other words, for each dollar that is spent, there are additional dollars spent over and above the initial investment that ripple through the economy. Multipliers take many forms but in housing, economists and policy analysts attempt to quantify three fundamental things: jobs, spending and tax revenues. These multiplier impacts tend to occur in two phases. The first is when the house is constructed. The second is throughout occupancy. An existing home sale produces a multiplier effect but certainly not as great as when a new home is constructed and sold. The first impacts in new home construction occur when the home is built. There is spending on the workers who build the home as well as in the firms that support them. There are usually office staff, cost estimators, buyers accountants and more. In addition to the direct impact of home construction, are the ripple effects; those that ripple through the local economy in some form. Generally two forms are measured. There is the "*indirect impact*," from jobs and spending created from businesses that are *suppliers* to the construction operation. This might include building supplies, architectural and engineering spending, cabinetry, flooring, decorating, sales, financing and more.

Induced impact is created when workers and others spend their wages. This might include restaurants, retail stores, healthcare and other establishments. The induced impact tends to create jobs for these consumer related businesses. Then, of course, are taxes which are paid throughout the process and continue to be paid long after construction is complete.

With the steadily improving housing market, we are already witnessing some indirect effects in home improvement stores, tools, transportation and more. According to auto and light truck analyst firm, Edmonds, builders are once again buying big trucks; something they haven't done in significant numbers for at least six years. Indeed, the biggest job creator will ultimately be the service sector.

The "Ripple" Effect



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