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Employment Trends And the Nation's Jobs Crisis

The nation's prolonged jobs recovery is being driven by a wide variety of factors. Some are structural. Others are "self inflicted" by fiscal policy, law, regulation and other actions of government. Clearly there is no easy answer to the worst jobs crisis in over 75 years.

This article is the second of a short series on the subject. It focuses on the anticipated effects of both sequestration and requirements of the Affordable Healthcare Act; both of which are almost certain to alter employment dynamics. The article is intentionally a short, simple, high level view of the issues without treading into the weeds of technical minutiae.



In our next article, we'll explore if, or how, entitlements such as extended unemployment compensation may be delaying recovery.

We are interested in your views too. Feel free to join this conversation by e-mailing me at:

bill.pittenger@focusvaluation.net

The author is Senior Director, Economic and Consulting Services at Focus Valuation Advisors in Orlando, Florida. Contact Mr. Pittenger at Bill.pittenger@focusvaluation.net

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More Employment Trends Worth Watching *Fiscal Policy & Regulation Weigh Heavily On Employment Recovery*

February 7, 2013 By William L. Pittenger, MAI, SRA

As we've written previously, The Great Recession as it has come to be known profoundly changed the nation's employment dynamics. Today, nearly four years after the recession was declared over, employment and the broader economy still struggle to recover. In addition to recession related employment difficulties, the sector faces what can only be described as self-inflicted wounds; in other words, those created directly by fiscal policy, law or regulation. The following is a brief look at two emerging trends — sequestration and healthcare — that may soon trigger adverse economic consequences.

Sequestration, an odd government term used to describe automatic [spending cuts](#) agreed to by law after the so-called super committee failed in 2011. It will likely have a profoundly negative effect on employment, especially in the defense sector where the automatic cuts could total some \$600 billion. Sequestration was originally scheduled to kick in on January 1st however Congress and the President, as part of the [fiscal cliff law](#) passed quickly over the New Year's holiday, booted implementation down the road until March 1st; a date that is now rapidly approaching. Unless, changed very significantly, sequestration may profoundly and adversely affect federal spending, employment, consumer spending and the broader economy. A recent study commissioned by USA Today, estimated that the steep defense cuts alone could eliminate one-million jobs. Those are direct cuts but the multiplier effect would be greater and would ripple through the broader economy.

Indeed, the anticipated effects may be showing up already. After a huge increase in federal spending in the third quarter of 2012 that contributed to unusually high GDP growth (+3.1%), defense spending declined 22% in the fourth quarter leading the GDP into negative territory (-0.1%).

The requirement to provide healthcare benefits or face fines under the **affordable care act** (also known as Obamacare) is weighing heavily on many small businesses and even large employers of modest wage workers. Historically, it was the employers' option to provide benefits to employees and the employees' option to accept or reject employment. Going forward, however, healthcare benefits will be mandatory for employers of 50 or more full time workers. Firms with fewer than 50 full time workers are exempt. New Treasury Department rules released in early January give employers until June 30th before their staffing levels begin to influence the fines they may incur beginning in 2014 for not providing legally required healthcare coverage. Those fines could be as much as \$3,000 per Obamacare subsidized worker. Since the law exempts part time workers, which is defined in the law as those working fewer than 30 hours per week, the obvious strategy for some employers is to make more employees part time.

The effect of that strategy showed up in the January Employment Situation Report. The report showed that the number of retail payroll employees rose by 32,000 while the total hours worked actually declined. Indeed, the retail work week declined in January to 30.1 hours. Looking back further, aggregate hours worked was lower than it was a year ago even though the number of workers has increased by some 200,000. At the same time, the number of involuntary part time workers, which had been slowly declining in recent years, recently increased again by 212,000. While these changes are barely enough to move the needle at the macro level, they are significant at the firm level and will almost certainly grow over time.

Looking forward, we expect the trend toward part time employment to continue, especially in the retail sector which is the most likely sector to employ large numbers of modestly paid workers. The cost of healthcare compliance; or fines for non-compliance, is significant and clearly enough to break many firms. This is another trend that will have a lengthy and profound effect on employment dynamics.