Stimulus, Jobs, and Data: Impact and Next Steps

Local Employment Dynamics in Action

Dr. Edward Montgomery, Executive Director
Office of Recovery for Auto Communities and Workers
LED Partnership Workshop
March 11, 2010
Since March a reversal from the hemorrhaging of jobs
2010 Update

- Financial Stability Plan
  - Restore confidence in the strength of U.S. financial institutions
  - Restart markets critical to financing American households and businesses
  - Address housing market problems and the foreclosure crisis

- American Recovery and Reinvestment Act of 2009 $787 billion investment
  - $288 Billion to give 95 percent of American workers an immediate tax cut
  - $275 Billion in contracts and grants
  - $224 Billion for State Aid and income supports

- Reports from CBO estimates up to 1.6 million jobs created or saved through Recovery Act
Economic Context in Auto Communities

- Motor vehicle sales dropped to a 9.5 million unit rate in January.
- Motor vehicle production was cut to the lowest level since at least 1967, and
- Chrysler and GM requested Federal government help to stay in business.
Motor Vehicle and Part Manufacturing faced a decade long decline before the collapse.
April 2009 Unemployment Rates

Unemployment rate
Response: White House Council on Auto Communities and Workers

- Created by Presidential Executive Order on June 23, 2009
  - Use resources of Recovery Act to help auto communities
  - Cut red tape
  - Coordinate multi-agency effort in partnership with state/local governments, foundations, and private sector
  - Bring support to businesses, workers, and communities
Support for Communities, Business and Workers

- Communities: EDA, EPA Brownfields, NSP, Treasury Recovery Zone Bonds
- Business: DOE, SBA, MEP, tax credits, Cash for Clunkers
- Workers: DOL NEG, TAA, Green Jobs grants, UI, and Dept of Education’s AGI
Key Insights

1. There is no silver bullet solution.
2. Transitions in the past have often taken decades.
3. Communities, companies, workers face a choices about how to respond in the current economic environment.
4. Lessons learned in auto communities and states will be relevant to other communities in transition.
Moraine, Ohio Visit

- In February, visited City of Moraine, OH
- Brought multiple federal agencies to discuss how each could advance a recently-completed CEDS plan.
- This is where data are critical, and LED could play a key role in informing strategic decisions.

Examples of how our office can utilize LED ahead of a regional visit
Preparing for the Visit: Quarterly Workforce Indicators
Preparing for the Visit: Transportation Equipment Dynamics
Preparing for the Visit: Commuting Patterns
What Else Can LED Do for Our Efforts?

- Current Public Use Data is helpful, it is not sufficient

- Consider these Questions:
  - Which industries are likely to employ dislocated auto workers?
  - Do dislocated Midwest auto workers relocate to the Southeast’s growing auto sector?
  - Is Southeast job creation higher than Midwest job creation?
Top 10 Destination NAICS for Motor Vehicle Manufacturing (NAICS 3361),
Four Quarters After Job Loss

Motor Vehicle Manufacturing, 21.6%
Employment Services, 7.6%
Architectural, Engineering, and Related Services, 4.5%
Management of Companies and Enterprises, 3.0%
Motor Vehicle Parts Manufacturing, 2.7%
Investigation and Security Services, 2.5%
Elementary and Secondary Schools, 2.2%
Agriculture, Construction, and Mining Machinery Manufacturing, 1.8%
Nondepository Credit Intermediation, 1.7%
Other, 52.3%

Source: Census Bureau
Presentation to Council of Economic Advisors, October 9, 2008
John Haltiwanger and Ron Jarmin
Tracking U.S. Auto Workers

- Employment probabilities within the same state (IL, KY, MI, WI)
  - After 1 quarter: 14.6 percent
  - After 2 quarters: 43.8 percent
  - After 4 quarters: 44.1 percent
  - The 56 percent not re-employed are either:
    - Unemployed, not in the labor force, or are employed in another state
    - Future plans (subject to project development and funding) to track workers nationally
Analysis of Job Creation and Destruction for Auto in Midwest and Southeast

Prepared for Ed Montgomery and LED Conference by John Haltiwanger, Emily Insenberg, Ron Jarmin
Net Job Flows by State in Midwest and Southeast Regions

Net Job Flows by State, Midwest

Net Job Flows by State, Southeast
Job Flows in MI and OH

Job Flows, Motor Vehicles, Michigan

Job Flows, Motor Vehicles, Ohio
Job Flows in KY and SC

Job Flows, Motor Vehicles, Kentucky

Job Flows, Motor Vehicles, South Carolina
Job Flows in AL and TN

Job Flows, Motor Vehicles, Alabama

Job Flows, Motor Vehicles, Tennessee

JC Rate  JD Rate  Beg of Qtr Emp (right axis)
Job Flows for Midwest and Southeast Regions

Job Flows, Motor Vehicles, Midwest

Job Flows, Motor Vehicles, Southeast
Net Jobs Flows for Midwest and Southeast Regions

Net Job Flows for Motor Vehicles by Region

Southeast  Midwest
What Does this Data Tell Us

- Differences between regions are not as pronounced as expected, particularly over the past few years.
- Job destruction increased substantially in many of the states in 2008 and into the first quarter of 2009.
- In Midwest there is a pattern of falling employment throughout the period with relatively high rates of job destruction relative to creation throughout the period.
- In contrast, in the Southeast, employment was reasonably stable through 2007. In the Southeast, employment also has fallen in the recession but not as dramatically as seen by the smaller rise in job destruction in the post 2007 period.
- The only state with a pronounced increase in employment over the entire time period is Alabama with especially large increases (and high rates) of job creation.
Closing Thoughts

- Excited about the current and potential uses of LED
  - Very important data not available elsewhere
- States around the country should be creating data like this to inform key industry strategies (including but not limited to auto)
- Wish List for Future of LED:
  - Can we differentiate between small business and new business (similar to research from J. Haltiwanger that shows new job creation from new businesses)?
  - Can we track dislocated workers across states?
  - Can we estimate through current quarter? (Moraine example of 2009–Q1, while helpful, isn’t current enough)
  - Can we see detailed industries within On-the-Map?
- We want to work with you as we seek data-driven approaches to re-energize auto communities