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## Where the Jobs Are: The Right Spots in the Recovery

By Bill Saporito

Kent Niederhofer can't find enough mechanical engineers to work for him — in southeastern Michigan. You know, where Detroit is, with its 13.3% unemployment rate. Niederhofer is president of the American branch of Ricardo, an engineering consultancy that designs the power trains of some of the coolest stuff around: Bugatti sports cars, huge wind turbines and unmanned aerial vehicles. "We are doing rocket science every day," says Niederhofer. "It's just not on rockets." So Ricardo got a little desperate, renting a billboard to place a help-wanted ad that featured a picture of a sexy-looking sports car, the tagline "Why you became an engineer" and a Web address for job seekers. He calls it engineer porn.

General Electric is also trying to poach some Motown engineers to staff its expansion at Appliance Park, in Louisville, Ky., and three other locations where it is establishing "centers of excellence" in refrigeration technologies. The company is in the middle of a \$1 billion investment in its appliance sector that will create 1,300 jobs at all levels over the next four years. GE has repatriated — insourced, if you will — a refrigerator-manufacturing line from South Korea (thanks in part to a new union deal and a weaker dollar that makes U.S. labor more competitive) even as it waits for the housing market to rebound enough to restore demand for fridges. "We think it's going to be a slow crawl back over the next several years, which, for us, is why we are investing now," says James Campbell, CEO of GE Appliances & Lighting. ([See "Is the Economy Past the 'Crisis Point'?"](#))

At the white collar end of town, the auditing and consulting firm Deloitte is on a hiring mission. It recently became the world's largest professional-services firm, boasting 170,000 employees, and it has been scouring college campuses for fresh brains. The firm needs tax specialists, lawyers, auditors and other bright minds who can be taught to solve the problems of the planet's businesses — problems that are changing in a world where Chinese, Brazilian and Indian companies are transforming markets. "The thing that I'm excited about and delighted with is that our hiring plans in the U.S. are now back to the precrisis levels," says CEO Jim Quigley. "We are hiring for all of our lines of business."

Why so bullish? By late last fall, Deloitte had discounted the likelihood of a double-dip recession, no small bet since a lack of confidence has been a big impediment to hiring for lots of companies. Deloitte sees the global economy accelerating, and like about a third of the *Fortune* 500, it now gets over half its revenue from fast-growing markets abroad, according to Capital IQ. Deloitte wants to be in a position to offer this growing client base the panoply of services it is going to need. It doesn't want to be caught short of talent. ([See "Can Washington Tackle Its Sacred Deficit Cows?"](#))

### **A Turning Point, Maybe**

Flexible, outwardly focused companies such as Ricardo, GE and Deloitte are the main force behind an optimistic and underplayed fact: last September, the U.S. economy finally stopped bleeding jobs. And now job creation may be at a crucial turning point. The ADP National Employment Report recorded a surprising 297,000-job jump in private-sector employment in December. Manufacturing activity is up, retail sales are strong, and overall GDP growth is on track to be a healthy 3% this year. Inflation is still muted, and stocks are on a roll. It all bodes well for the Obama Administration's efforts to mitigate the 9%-to-10% unemployment rate that has hung for 19 months like a deadweight around the neck of the economy, not to mention the national psyche.

The Great Recession didn't merely cause cyclical job losses. It created an unemployment chasm. More jobs were lost in the 2007-09 recession, which officially ended in June 2009, than in the previous four recessions combined, says Nariman Behraves, chief economist for IHS Global Insight. "It's a very deep hole that we are climbing out of. We lost something close to 8 million jobs. That's why it's going to take a long time — 2015 — to get to [an unemployment rate of] 6%." Indeed, the rate could even rise again, as people who left the labor pool — and thus don't count as unemployed — start to look for work again.

That 6% figure refers to what economists call full employment, meaning that people who want to work can find it (give or take time lost to layoffs or telling the boss to shove it). Knocking any kind of dent in the current jobless rate is going to require the net addition of at least 135,000 jobs month after month.

That's not happening — yet. But economists are revising their GDP growth projections upward, and if the conventional wisdom holds, that has to result in stronger job creation at some point quite soon. (Employment growth tends to follow GDP growth with a lag.) Companies are already sitting on mountains of cash because they increased productivity through layoffs and other efficiencies. They have the money to hire, but they need to see increasing sales to justify it. There's some evidence that consumers are finally opening their wallets. Christmas sales were strong. Given the stimulus coursing through the economy from the Federal Reserve's quantitative easing, the tax-cut extension and a 2-percentage-point reduction in the payroll tax, the retail therapy

should continue into the new year.

Already, those on the front lines of the job search — like college career officers — are noticing a difference. For college graduates, 2011 figures to be a much better year than the two that preceded it. How could it not? The University of North Carolina at Chapel Hill's career-services office reports that 7% more interviews were scheduled by companies on campus this past fall than the year before. Still, that's 19% below the figure for fall 2007, so students shouldn't expect a welcoming party. Says career-development director Ray Angle: "I cannot tell you how many times I'm sitting across from a recruiter and they say they want to make sure we're getting the best 10% to 20%." That on-campus tete-a-tete has gotten much more competitive. "People want the best and the brightest," says Angle. "It used to be they said they wanted qualified candidates. But now they say they want people to hit the ground running."

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Grownups with actual work experience may be seeing more daylight. Gautam Godhwani, CEO of Simply Hired, which aggregates job openings from employment websites like CareerBuilder.com, company sites and newspapers, says his site's leading indicator is flashing green. "Before the downturn happened, we had 5 million job openings. This dropped to 2.1 million job openings in the first months of 2009, and lo and behold, in the second half of 2009 the bottom fell out of the economy," he explains. The reverse is now happening. "In the last six months we're back to 5 million jobs in our database. So there are some reasons to be optimistic."

The \$64,000 question is, So where are those 5 million jobs? Some of the answer is obvious. Health care and education, the perennial job comets, are doing well. But professional and business services will do well too. That's a category that includes firms like Deloitte but also office-cleaning companies. According to an analysis by Moody's Analytics for TIME, professional and business services will create some 119,000 jobs this year for bachelor's-degree holders. That's more than health care and education will create in the same category. (Health care and education will generate more jobs for graduate-degree holders than will business services.) ([See TIME's video on new jobs in Austin.](#))

There also seems to be a virtuous circle beginning to take shape. CareerBuilder.com reports that 27% of the companies it surveyed across all sectors plan to add salespeople, an indication that firms of all stripes see rising revenue opportunities. At the same time, they will be advertising openings in like numbers for IT and call-center jobs. "In terms of sales jobs, we've seen everything listed from a basic entry-level representative to team leaders," says CareerBuilder spokeswoman Jennifer Grasz. "The company is going out with the sales force to get new business, being supported by the IT folk, and the call center is working to keep the customers they get happy,"

she says.

## Tech Leads the Way

Among the happiest people around will be those working in the technology sector; network-systems and data analysts are the second-fastest-growing occupations in the U.S. after biomedical engineers. No surprise, since companies have been ramping up their spending on software and computer services. For technology companies, it seems, the most recent recession did not exist. Activision Blizzard CEO Bobby Kotick says his company has doubled in size in the past four years and is hiring artists, animators, designers and programmers. One issue: how to keep them from being spirited away by even hotter companies like Groupon, which adapts social networking to offer discount shopping and is hiring 150 people a month in Chicago. ([See pictures of Austin's way: new jobs for a new economy.](#))

Even layoffs seem to lead to opportunities in the tech sector. Ricardo is getting more work from firms that downsized their engineering capability and now can't meet demand. And from venture-capital firms looking to exploit green technologies. "The companies that need help don't have the resources. There's a big look to the outside," says Niederhofer.

The boom in tech-related jobs isn't limited to the technology sector. GE's decision to expand its appliance operations in Kentucky, Indiana, Alabama and Tennessee reflects the way that global growth and the demand for green technology are altering what can be manufactured in the U.S. "We really wanted to create centers of excellence and determine our own destiny," says Campbell. "We've been on an outsourcing path for many years and used that strategy very effectively. [But] when we looked at what was coming up, we said, We have to make the investment."

What's coming up is a new generation of hybrid water heaters, washing machines, refrigerators and freezers. Not only are these devices more sophisticated in their own right, but they also can communicate with the evolving smart grid, thereby minimizing energy use, lowering operating costs and emitting smaller amounts of greenhouse gases. GE wasn't certain that it could outsource these higher-value products to other countries at a competitive price. But it is certain that these product lines have to be operational by 2014, when new energy regulations take effect.

The decision to keep lines in the U.S. is underpinned by a conversion to lean manufacturing, in which everyone involved in making a product — design and manufacturing engineers, suppliers, labor, even marketing and salespeople — works together on it from concept through production. And because the team is focused on one product, there is a cycle of continuous improvement, resulting in cost savings. (There are further savings in energy costs since goods don't have to be transported long distances.) "You get better and better," says Kevin Nolan, the head of technology for GE's appliance unit. "You increase the skill set of the combined workforce." ([Comment on this story.](#))

GE sees lean manufacturing, long popular in the car industry, as a way to lower manufacturing costs as much as 30%. In making refrigerators, for instance, GE hopes to knock off three to four hours of direct labor for each piece, saving more than \$60 per unit given wage and benefit costs of \$20 to \$22 an hour. Across the country, in fact, unit labor costs have fallen, setting a model for a more competitive U.S. workforce in high-end manufacturing.

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None of this means that we're going back to an old-fashioned economy. One of the less attractive features of this job recovery is that it will be cruelly uneven. It will favor, more than ever, the college educated over blue collar workers. It will favor cities that have developed industry clusters in which skills match demand. It will favor the Dakotas over states such as Florida, Nevada and California. It will favor those who work in the private sector over those who work in the public sector. Moody's Analytics' Mark Zandi predicts state and local governments will shed 150,000 jobs this year to try to plug the gaping holes in their budgets. And it will favor companies that sell abroad rather than those that depend solely on domestic demand. "Any industry that is very focused on exports will do well," says Behraves. "Agriculture, aircraft, high tech." He would include education in that segment, since so many foreign countries send their best and brightest here.

What's more, the "he-cession," as some have labeled it, will linger like a bad cold. Men represent 60% of the long-term unemployed, according to the Bureau of Labor Statistics. The construction industry shed 2 million jobs in the past three years and isn't poised to restore all that many in 2011. Likewise, the domestic auto industry, which pulled a Houdini in even getting to 2011, is still rationalizing its manufacturing capacity to match its market share. That means recovery will remain in low gear across the industrial Midwest. ([See TIME's report on intelligent cities, and what Torino can teach Cleveland.](#))

Because autos and construction are male-dominated industries, a lot of guys will stay on the sidelines. Nor can many of them move to more promising areas of the country where there might be jobs to suit them, since they are locked into homes they can't sell. (The housing crisis is the gift that keeps on misgiving.) One possible relief valve: energy and mining. Increasing demand for ores, coal, oil and gas, a by-product of growth in China and India, is one reason North Dakota's unemployment rate is 3.8%, the lowest in the nation.

Women have the edge over men because they are better educated and they dominate the parts of the employment universe that are expanding the most (namely, health and education). Women's share of these jobs will likely increase, given that more women are earning college degrees than men are, by a 3-to-2 margin. Women already hold 51.5% of high-paying management and professional positions.

The education premium — the payoff for earning a degree — will grow larger. According to Moody's, workers with a graduate, bachelor's or associate degree or even some college experience will get an increasing share of the jobs created. In 2011 the better educated will control 60.1% of all new jobs; by 2015, the projection rises to 66.4%, and that's even after construction bounces back.

It's more evidence that America is facing a bifurcated employment future. At the top end is a highly educated, technically competent workforce attuned to the demands of the global marketplace. At the other end is a willing but underskilled group that is seeing its prospects undermined by workers in countries like China in low-end manufacturing and by a skills mismatch in emerging industries. ([See pictures of the making of modern China.](#))

It's a picture that looks something like Baltimore. A port city once anchored by an enormous Bethlehem Steel plant, Baltimore has lost 313,000 of its 950,000 residents in the past 60 years. But the city can create jobs. Baltimore's biggest private employer is Johns Hopkins, with 53,532 employees at the university and its hospitals. Hopkins is a force in emerging fields like bioengineering. But university president Ronald Daniels says the institution is creating jobs for skilled professionals in a city lacking them. Its middle class — white and black — is mostly gone. "What we have is a real mismatch. The population that is left behind is truly left behind," he notes, emphasizing the university's role in trying to improve Baltimore's education system. Hopkins has set up training programs for positions like lab technician to allow Baltimore residents a shot at the jobs the institution continues to create. It's one path to lowering the staggering 16% national unemployment rate among blacks.

Indeed, the ability to match vital skill sets to needs is going to determine whether many jobs will stay or move in cities all over the country in the next couple of years. Industrial arts are still in demand. Smith & Wesson has been producing hardware in Springfield, Mass., since 1852, and it plans to stay. The company is set to expand its historic manufacturing site, thanks to up to \$6 million in tax credits from Massachusetts. And because business is getting better, director of marketing services Paul Pluff says, the company will be hiring 225 people over the next two years, in positions from factory worker to senior manager, at salaries from \$35,000 to north of \$150,000 annually. "These are good jobs at good wages, with full benefits," says Pluff.

Smith & Wesson shouldn't have much of a problem filling those vacancies with the right folks. It has been sending its used equipment to local vocational schools and community colleges to help develop the skilled workforce required to run the numerically controlled machining used to precision-cut metal. "The talent and the knowledge is here: we have been very adept at hiring and training," says Pluff. ([Comment on this story.](#))



There will be no shortage of applicants. It will be years before the unemployment rate gets below 5% again — if that ever happens — because so many jobs were destroyed or exported in the Great Recession. But the U.S. job machine has at least restarted, and this remains, by nature or necessity, a nation of workaholics. Americans have to work. Maybe that's why we've been so good at creating it.

— *With reporting by Deirdre van Dyk*

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