

Jobless Claims, Unemployment and the Highest-Employing Industries in 2011

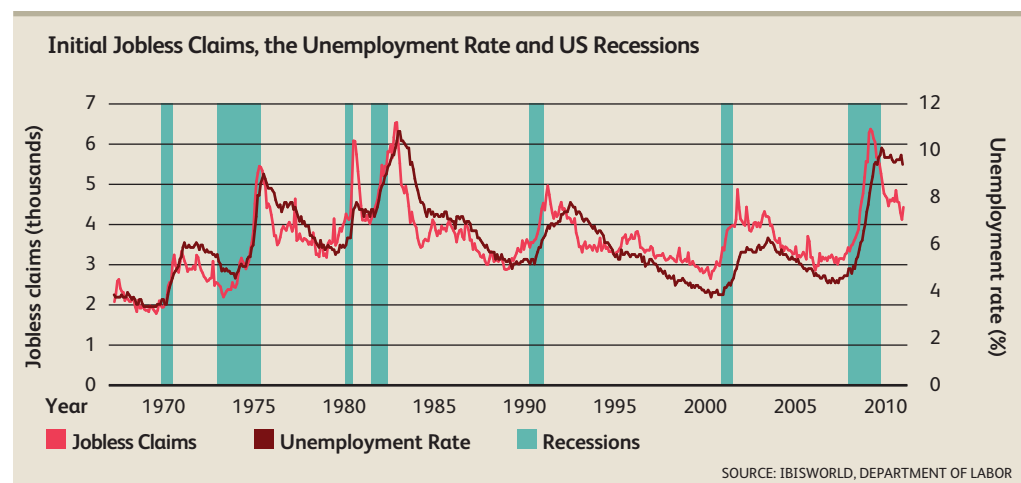
By Toon van Beeck

As jobless claims decline, IBISWorld narrows down the industries that are leading in the employment race.

While jobless claims have fallen, unemployment remains high

In April 2010, IBISWorld released a special report titled “Jobless Claims and Unemployment – What Goes Up Must Come Down.” In that piece, we said that a high rate of unemployment is expected to last for quite some time, and volatility in jobless claims data will continue. Furthermore, when we reviewed the long-term trend of initial jobless claims and the unemployment rate over the past four decades, there was a clear correlation between jobless claims and the unemployment rate. When jobless claims decline, the unemployment rate follows. However, for the most recent recession, this trend is taking a little more time to unfold than past recessions,

as you can see in figure 1. Here, jobless claims have clearly begun their decline, but unemployment has not started to fall significantly. The unemployment rate has hovered near 10% for quite some time and has only recently begun to fall. Don’t expect this trend to continue for too long. History has shown us that the unemployment rate will follow the jobless claims lead. The December rate dropped sharply to 9.4% from 9.8% in the previous month; then in January, the rate fell by another 0.4 percentage points to 9.0%. Furthermore, 1.1 million jobs were created in 2010. The 9.4% unemployment rate is a little misleading, since only 103,000 jobs were added



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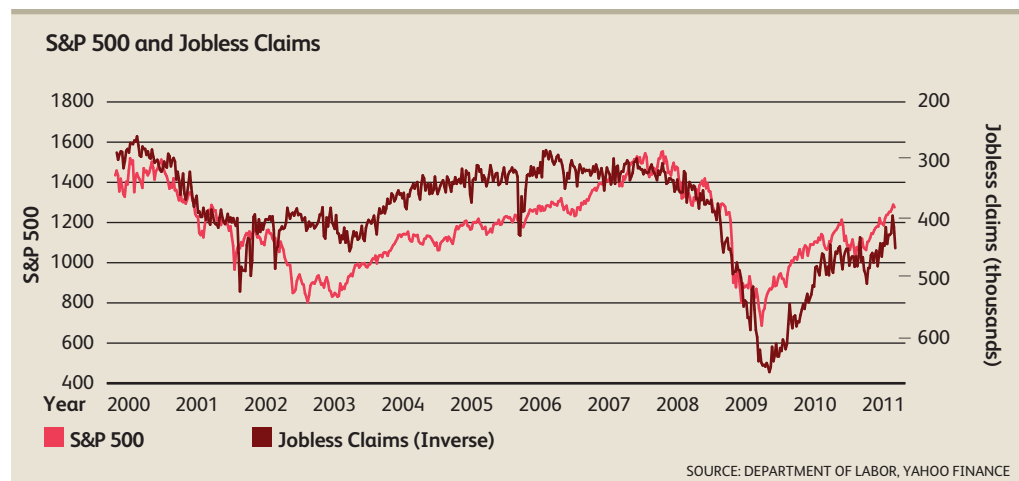
(which is far fewer than the 150,000 expected) and the workforce shrunk. Still, IBISWorld expects 2011 to be the beginning of a steady decline in the unemployment rate, averaging 8.9% for the full year. This factor means that the downtrend has begun, and the tough times are “behind us” (8.9% is still high, but it’s not growing, it’s declining). Furthermore, government policies are expected to shift from eliminating layoffs to creating jobs. This trend will help alleviate unemployment growth and finally get those millions of job searchers back into the work force.

It is very interesting to review how closely jobless claims track the S&P 500 on a weekly basis. As displayed in figure 2, since the beginning of the millennium, there has been a very strong correlation between the S&P 500 and jobless claims, when one is inversed. It is clear that declines occurred during the 2002 and 2008 recessions, and both indicators followed similar trends. If we project that 2011 unemployment will continue a downtrend and jobless claims also trend down, then the S&P 500 is expected to continue its current bull run.

Since May 2009, the unemployment rate has been above 9.0%. In other words, it has been above 9.0% for 21 consecutive months (and counting). To

put this into perspective, during the 1981 to 1982 recession, unemployment was above 9.0% for 19 consecutive months. Clearly, this recession has been more painful in that regard. However, once we begin to see a clear trend that the rate is declining, it will pick up steam (unless Europe goes belly-up and sends us back to square one) as confidence reemerges and business hiring improves. The average unemployment rate of 8.9% in 2011 will turn into 8.1% in 2012, 6.9% in 2013, 6.3% in 2014, and by 2015, we’ll likely be back in the 5.0% band. Yes, that is many years of high unemployment, but returning back to full employment is one of the most important goals and drivers for the US economy. It will help ensure that production levels return to full capacity, help achieve consistent and positive economic growth, dramatically help reduce the government deficit, and improve overall living standards and per capita disposable income. As noted, it will take time to reach full employment, but a downtrend in the unemployment rate is far better than an uptrend.

It is highly likely that 2011 is the year that we will see the unemployment rate finally start to show positive signs. Because of this vitally important economic measure, the economy will



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begin to accelerate across the board. However, what industries will drag this rate down? What are the top employing industries of 2011?

Top employing industries for 2011

IBISWorld expects that 2.2 million new jobs will be created in 2011, which is double that of 2010. A total of 57 industries are anticipated to employ more than 10,000 people, and only seven industries will likely lose more than 10,000 jobs this year. That sets the United States up for a much better year in terms of employment growth than what occurred in 2010.

Top percentage growth

Based on year-on-year growth from 2010 to 2011, IBISWorld has identified the five biggest growing employing industries. Ranking first on the list is the Iron Ore Mining industry, with an expected expansion in its staff base of 17.7%. While the overall change in employment is small, at only 556, this number represents significant growth for the actual industry. The industry's output is expected to recover; furthermore, along with firming prices and global demand for the mineral, some substantial growth is expected to occur. Overall production growth will flow into demand for employment, and the Iron Ore Mining industry

will experience large increases in its staffing base over 2011.

The Car and Automobile Manufacturing industry lies second on the list of more than 700 industries in regard to year-on-year employment growth as a percentage. This industry is expected to expand employment by 15.7%, and revenue growth of over 17% in 2011 will be a key factor in the need to employ more people. Domestic internationals and the Big Three will increase production of small, hybrid and electric cars, and double digit growth in overall car production is anticipated to occur in 2011. In fact, each establishment in the Car and Automobile Manufacturing industry is expected to experience an increase of about 57 new employees in their locations in 2011. That ranks first among all industries in IBISWorld's database.

The Mining, Oil and Gas Machinery Manufacturing industry is expected to benefit from rising mineral prices and growing demand. This industry is experiencing better conditions this year, with the global economic recovery and rising commodity prices underpinning stronger demand for new equipment. In fact, this trend is expected to hold throughout the five years to 2015, as another commodities super-cycle and heightened global efforts to discover new oil and gas reserves stimulate further industry product sales. This

Industries with highest percentage-based employment growth (2011)

Year	Revenue (\$ million)	Y-O-Y Employment Growth (%)
Iron Ore Mining	3,456	17.7%
Car & Automobile Manufacturing	88,961	15.7%
Mining, Oil & Gas Machinery Manufacturing	19,588	14.0%
Search Engines	24,485	11.6%
New Car Dealers	486,688	10.1%

SOURCE: IBISWORLD

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trend will push demand for labor in this industry, which is anticipated to expand by 14.0% in 2011.

While the rate of expansion within the Search Engines industry is not as phenomenal as it was in the early 2000's, near double-digit growth in 2011 and 2012 still presents a great opportunity for labor expansion. Consequently, IBISWorld estimates that employment will rise by 11.6% in 2011. However, search engine firms will look for revenue opportunities outside their core service of internet searches, since growth in this area will remain static over the coming years. In fact, search engines are expected to refocus their efforts on technology development and expansion into new markets, like bringing search engine-style advertising to television or other ad mediums. Therefore, industry operators will push for more hiring, particularly for highly paid computer engineers and programmers.

As automobile manufacturers step up, new car dealers are also expected to be beneficiaries. New vehicle introductions will help drive sales in the New Car Dealers industry, since all major vehicle manufacturers will introduce new fuel-efficient offerings, including electric and hybrid vehicles. Better sales rates in 2011 will help improve profit, and lower floor plan interest expenses and

increased parts and services revenue will drive better operating performance. Because of these factors, industry employment growth will be 10.1% in 2011, which is a great sign, considering how hard hit this industry was in 2009.

Top individual growth

The second area of employment growth identification involves those industries that are expected to experience the greatest growth based on individuals, as opposed to percentage growth. This method of analysis may be more relevant in understanding what will actually push unemployment down, since it's here that the sheer number of unemployed may find themselves working.

For 2011, the Office Staffing and Temp Agencies industry is expected to have an increase in employment of an astonishing 197,470. Representing growth of 8.1% in employment over the year, IBISWorld estimates that the industry will employ over 2.65 million people by the end of the year. After a recession, temporary employment work typically increases before general employment because companies want to ensure that performance improvements are sustainable. Therefore, temp agencies are expected to be among the first to benefit from a turnaround in the economy because

Industries with highest individual-based employment growth (2011)

Year	Revenue (\$ million)	Y-O-Y Employment Growth
Office Staffing & Temp Agencies	87,389	197,470
Tourism	1,375,054	190,730
New Car Dealers	486,688	90,511
Office Services	84,494	86,796
Fast Food Restaurants	190,245	82,107

SOURCE: IBISWORLD

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Contact:

Savannah Haspel
VP, Public Relations
IBISWorld

Phone: 1-310-866-5044
savannahh@ibisworld.com
www.ibisworld.com

companies will not hire permanent workers until growth is more certain. Because of this increase in demand for temporary workers, office staffing and temp agencies will need to expand their operations to cater for this increase. The industry will require a considerable number of employees to fulfill these demands, and it stands to be the biggest growth industry in terms of employment numbers over 2011.

The Tourism industry is another that that will experience employment growth nearing 200,000 during 2011. Covering many businesses, tourism is one of the largest industries in America, valued at about \$1.38 trillion. While total employment growth of 190,730 sounds large, it only represents year-on-year growth of about 2.4%, since more than eight million Americans are employed within this sector. Nonetheless, the Tourism industry is set to reap the rewards of improving global economic conditions as more consumers plan holidays and take time off, as better job security and financial status cause this industry to expand by 4.1% over 2011. As a result of greater demand across the board, various traveler accommodation places, food and beverage establishments, rental places, the airline industry and many other areas will require more staffing.

As noted in the above section, the New Car Dealers is expected to face significant growth in employment numbers. While in terms of percentage, growth for new car dealers stood at number five on the list, in terms of individual growth, the industry ranks number three. This industry is expected

to increase employment by about 90,511 in 2011, bringing total employment to more than 988,000 people. With over 17,400 establishments operating across the United States, each industry firm will look to employ an additional 5.2 people this year.

Demand for office services is expected to rebound in 2011. Revenue expansion of 5.6% will be in stark contrast to 2009 and 2010's year-on-year declines. This renewed interest in demand will result in a need to employ more personnel, and 2011 will only be the beginning. While it employed 1.86 million people in 2010, by the end of 2011, the Office Services industry is expected to have total employment at 1.95 million. By 2015, this number is expected to reach 2.43 million. An increase in corporate profit in 2011 will cause many businesses to start hiring again, and professional employer organizations (PEOs) will provide employee administration to many businesses across the United States.

Finally, the Fast Food Restaurant industry is expected to increase employment by more than 82,000 people in 2011. This industry is one of the top employing industries in the United States, at close to 4.0 million people. It is only surpassed by tourism, public schools, hospitals and agribusiness. Consequently, the 82,107 increase in employment only represents a 2.1% increase to the base. Despite this factor, the increase is still sizeable for the industry, and growth is expected to occur due to depressed levels resulting from the recession and the industry's subsequent recovery and expansion.

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