



# The future for educated workers in the United States Economy

**SHEEO**

**McKinsey & Company**

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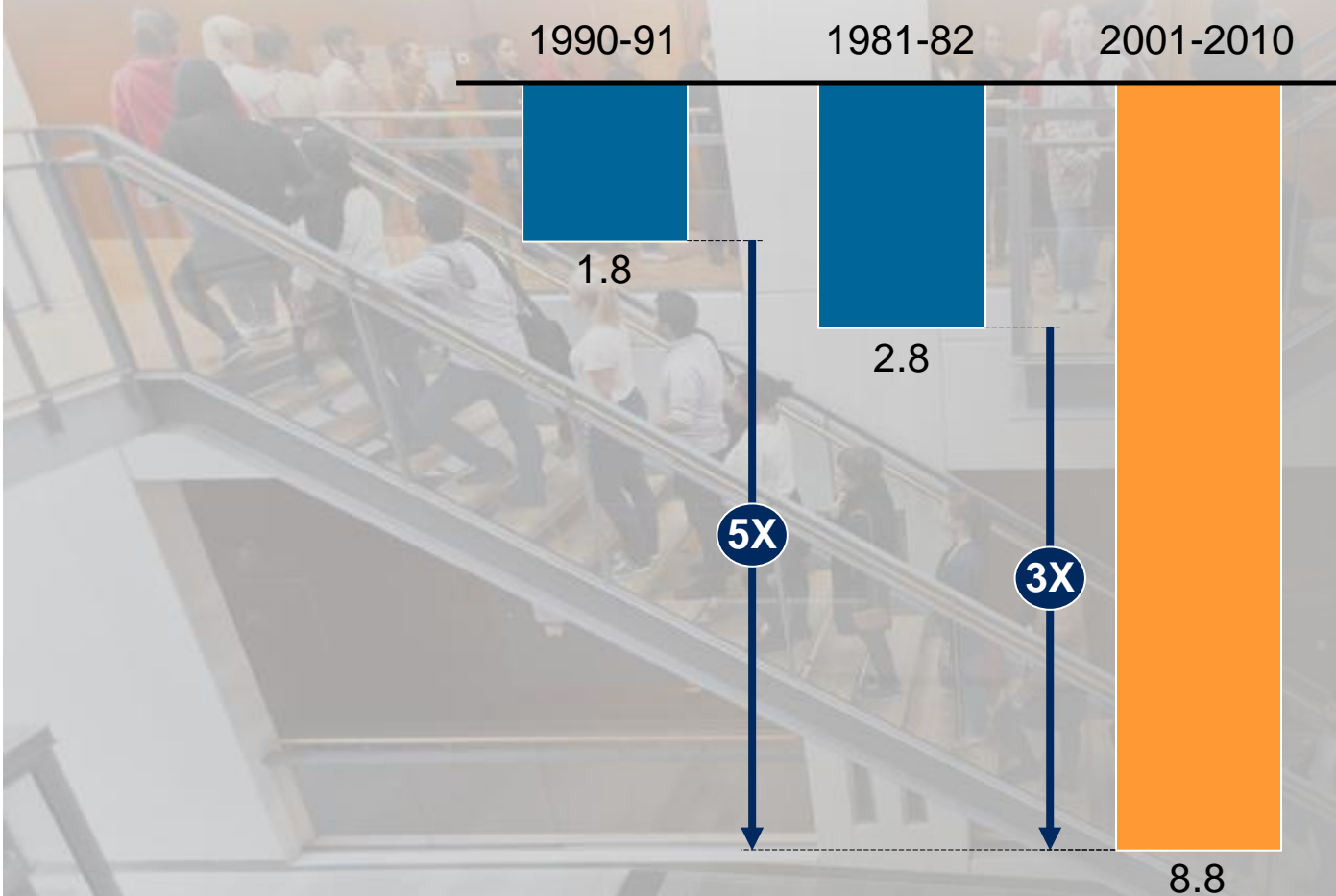


**The jobs challenge  
is bigger than people think**



# The US has lost 3 to 5 times as many jobs as those lost in any other post-war recession

Millions of jobs lost from peak prior to recession





# The US is a long way from recovering the lost jobs

Millions of jobs



# Unemployment rates vary by degree level

Percent

College graduates

4.2

Young college graduates

14.5

Young high school graduates

24.5

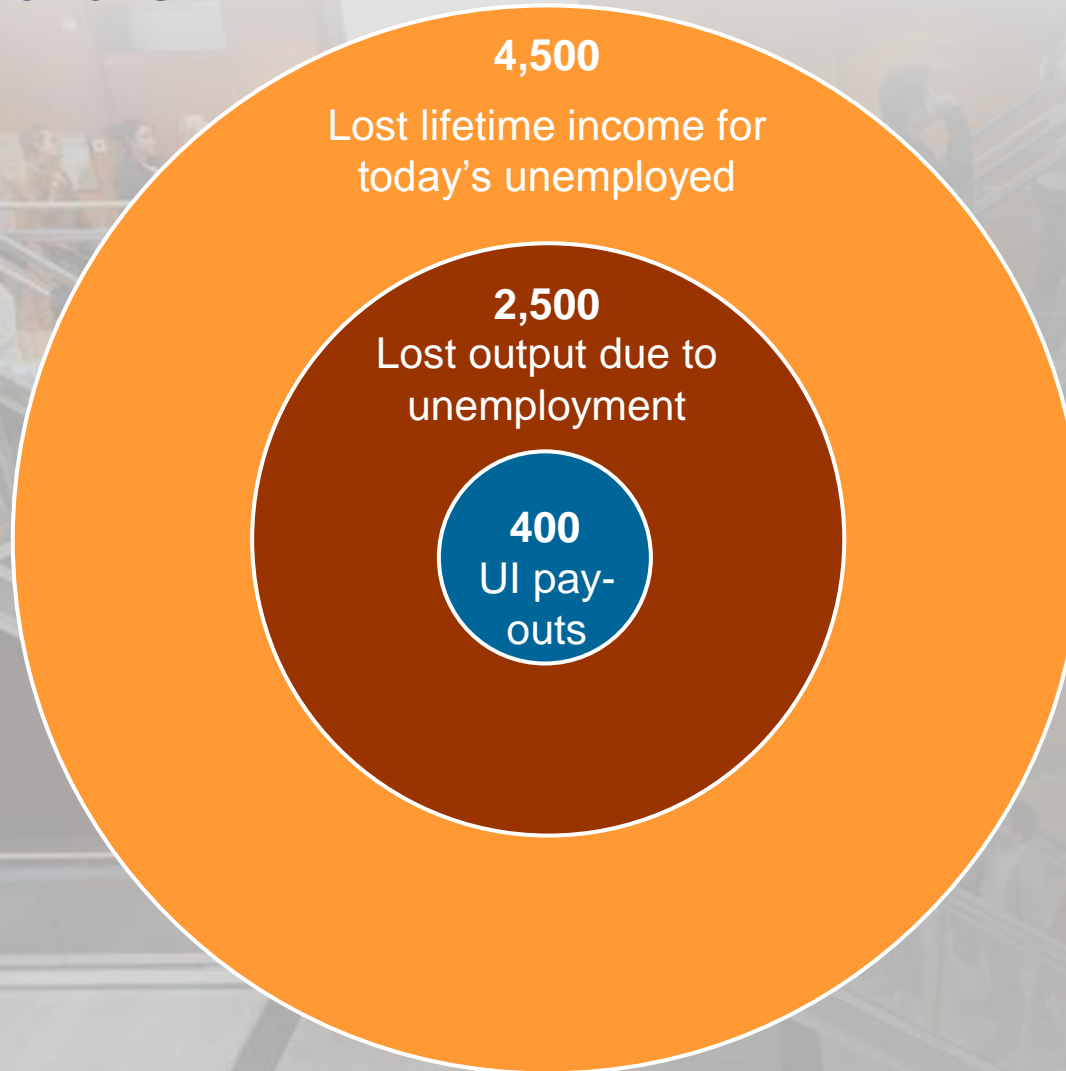
Young people without a high school diploma

34.6

1 Total employment equals the number all employed workers in the economy, including full-time, part-time, and self-employed  
2 Net employment change as a share of total employment in the base year (e.g., 1990 for 1990s)

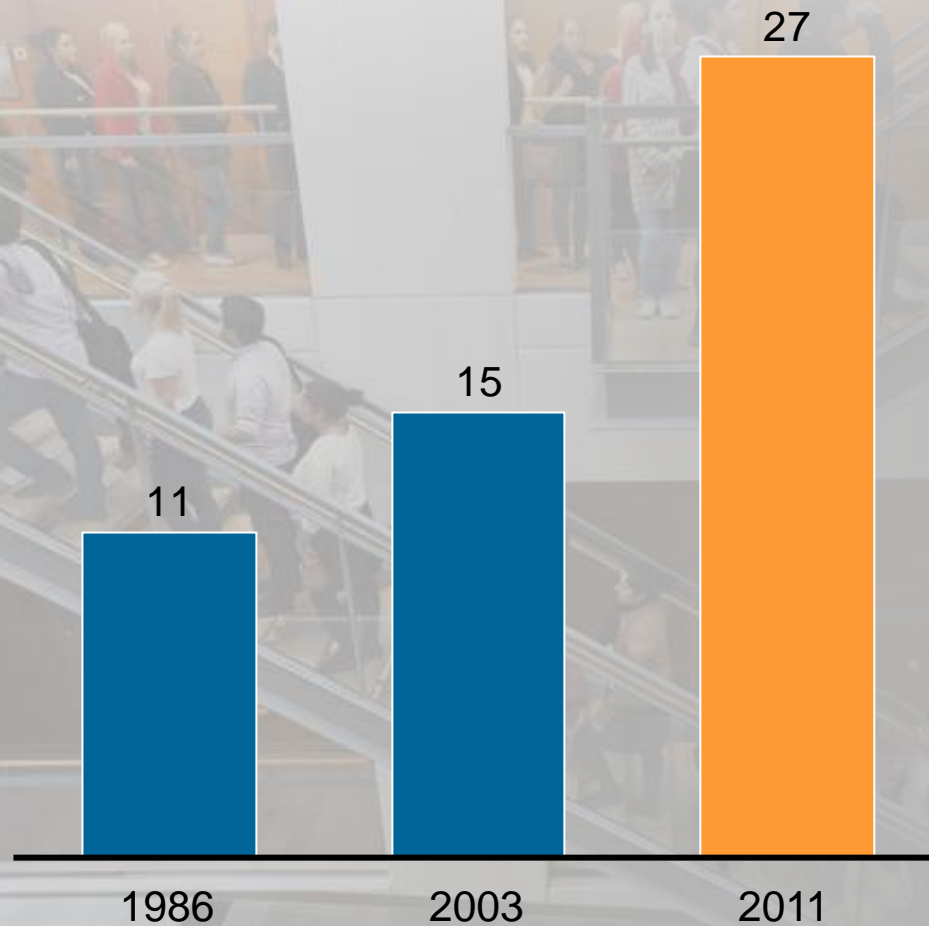
# In the long term, the cost of unemployment is in the trillions of dollars

USD billions



# A quarter of Americans surveyed “feel the American dream is not really alive today”

Percent of surveyed





# **A new job market?**

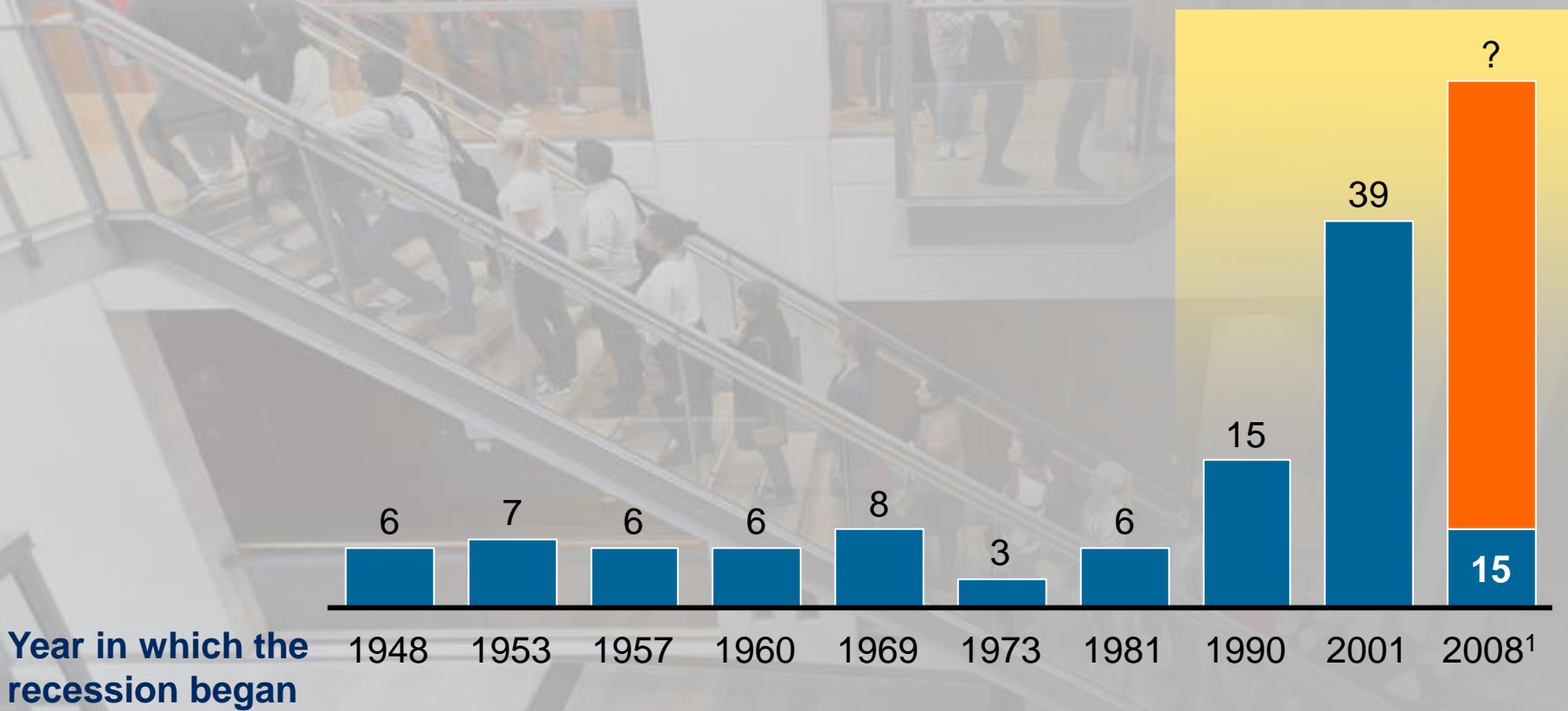




# The US is entering the third and likely longest “jobless recovery” of the last 20 years

Gap between GDP returning to pre-recession peak and  
employment returning to pre-recession peak  
Months

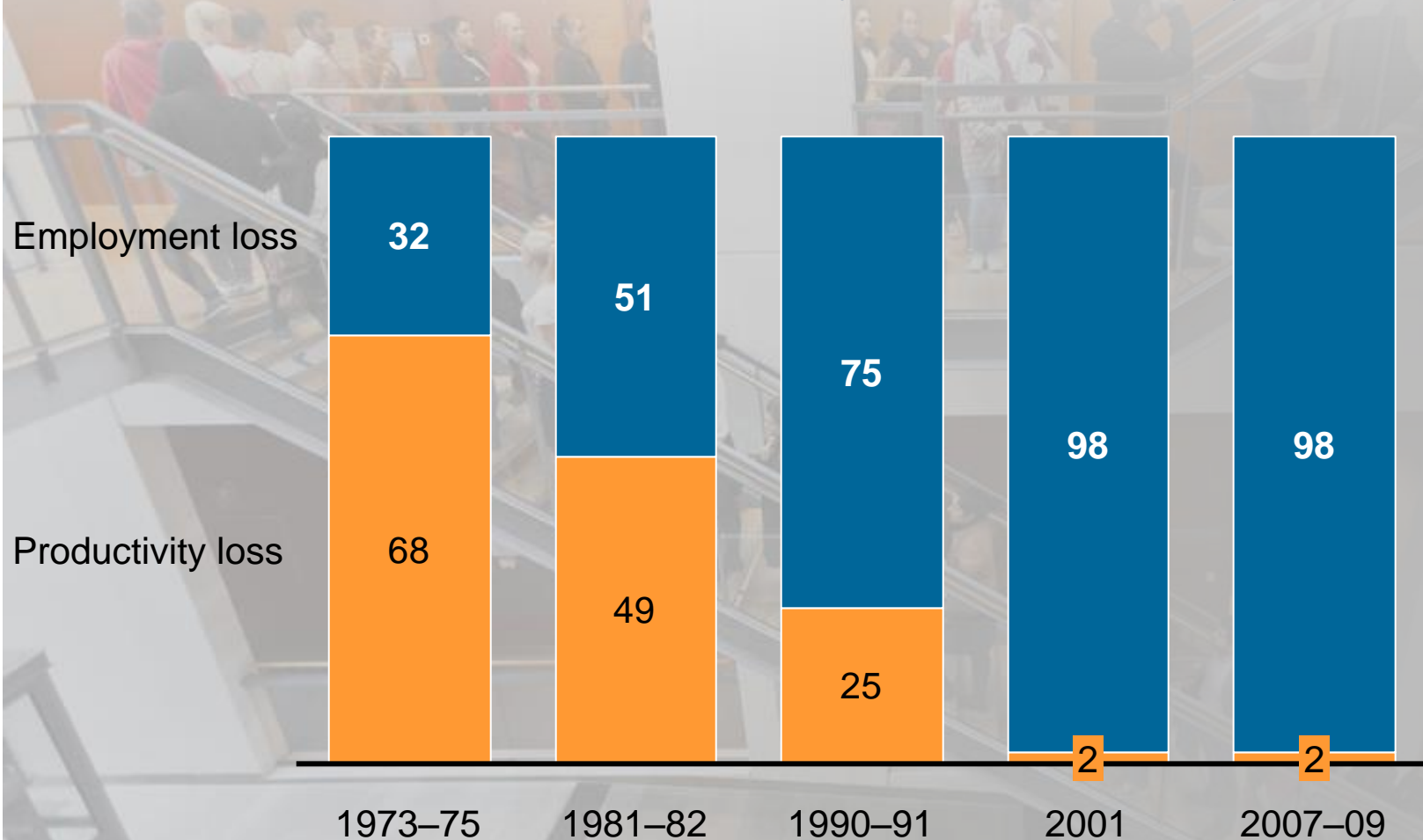
“Jobless recoveries”



<sup>1</sup> GDP returned to its pre-recession peak in December 2010

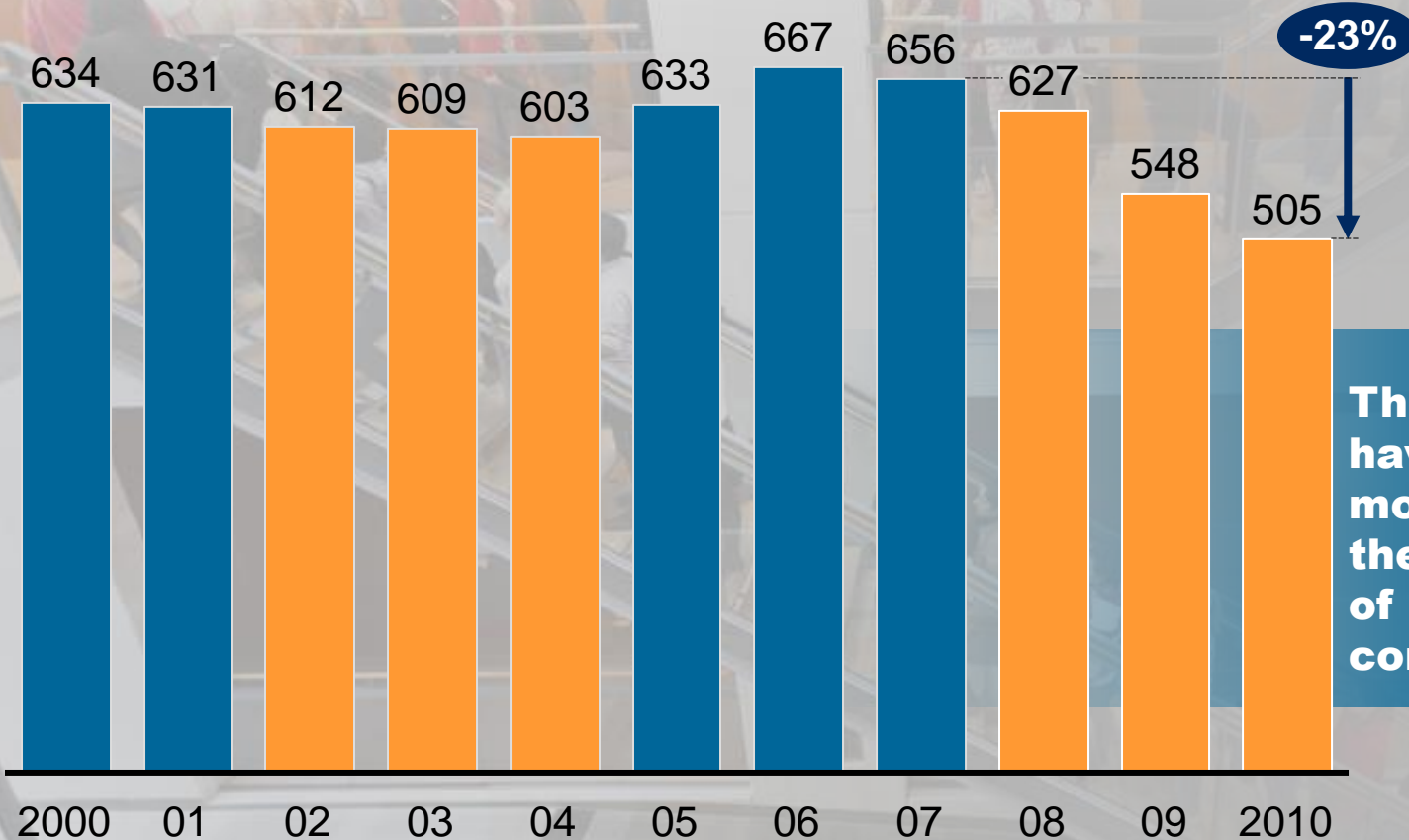
# 1 In recent recessions, employment has suffered disproportionately compared to productivity

How GDP decline is reflected in employment and productivity



## 2 The number of new businesses has declined dramatically in this recession

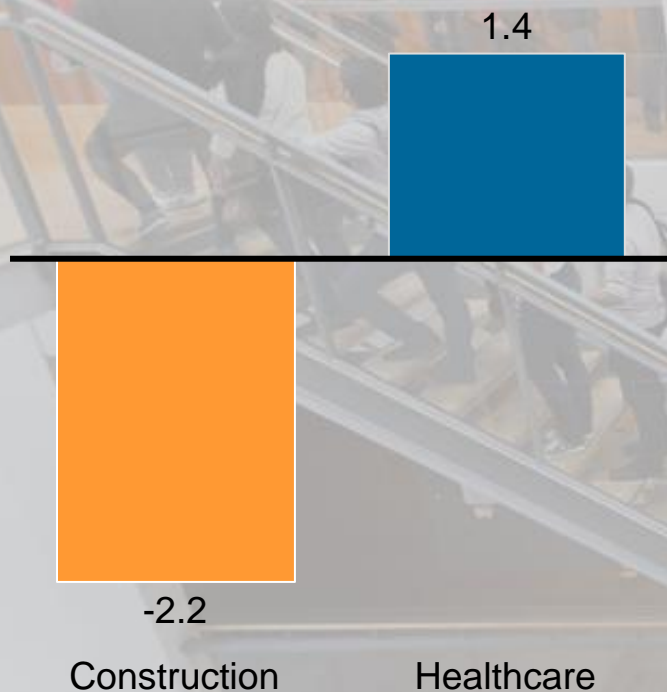
Change in number of private-sector establishments launched every year  
March 1993 to March 2010,<sup>1</sup> thousand



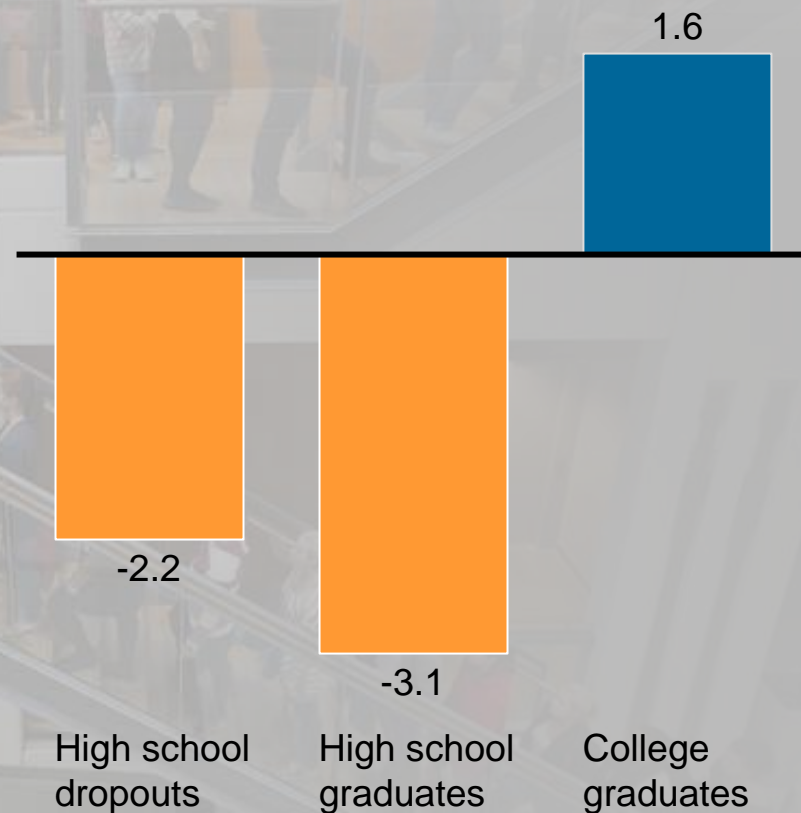
<sup>1</sup> Calculated using US Bureau of Labor Statistics Business Employment Dynamics data set; the annual number indicates the number of businesses less than 1 year old that were in existence in March of that year

### 3 Mismatch: Workers don't have the skills to transition from lost jobs to new jobs in growing sectors

Change in number of jobs by field  
Millions of jobs (2007 – 2011)



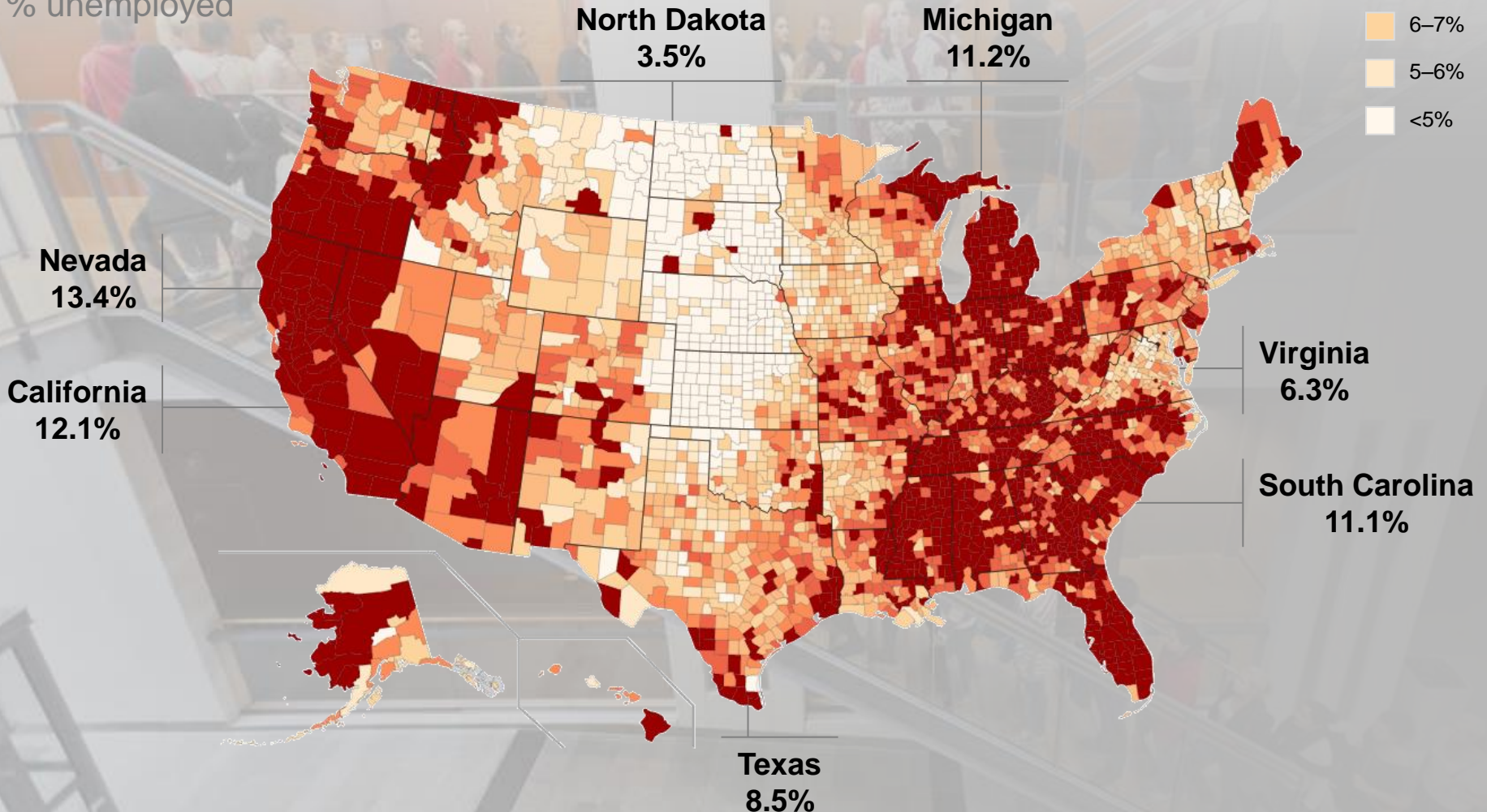
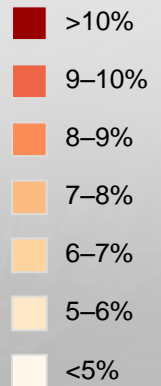
Change in number of jobs by education level  
Millions of jobs (2007 – 2011)





### 3 Mismatch: The unemployment rate today varies widely across the United States...

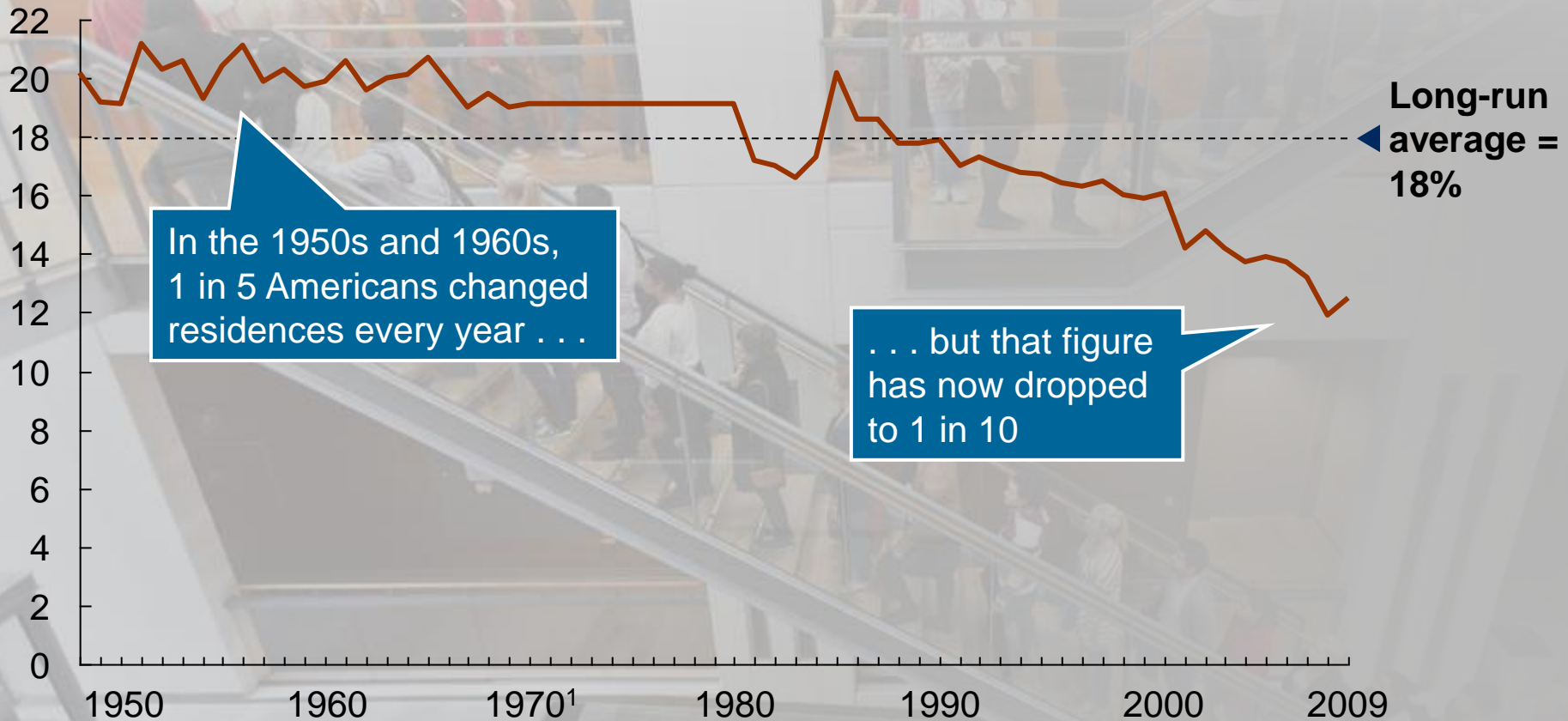
Unemployment rate  
% unemployed



### 3 ... but mobility in the United States has been declining since 1990 and is at a 50-year low

#### Annual domestic migration rate, 1948–2009

% of residents who have changed addresses during the past year

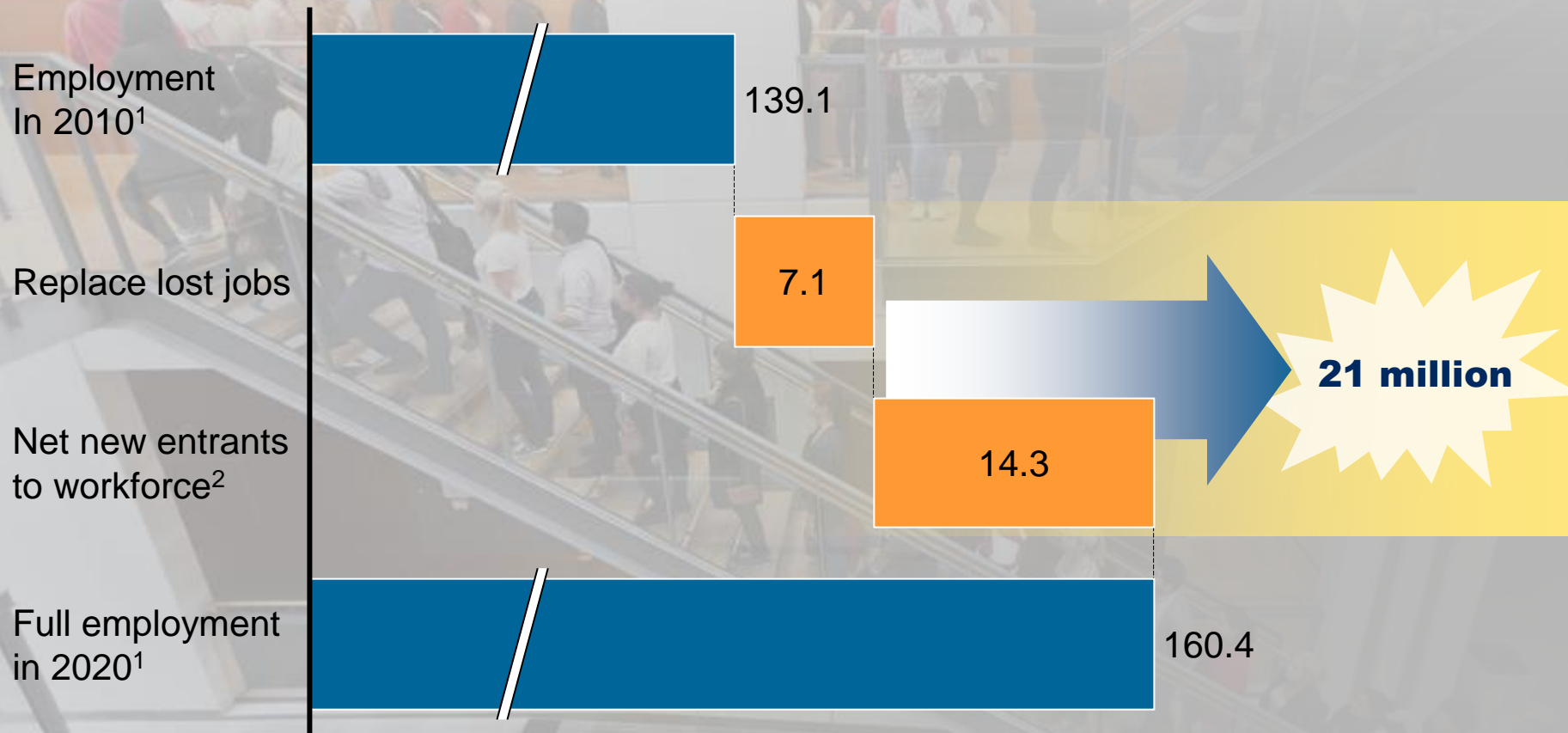


1 Data from 1970–1981 are interpolated due to data constraints.

# How many jobs does the US economy need to produce?

## Employment needed to achieve 5% unemployment rate by 2020

Millions



**21 million**

1 Total employment, including self-employed and part-time workers

2 New entrants include student inflows, net immigration inflows, return of discouraged workers, and exits of retirees



# Is it possible to produce 21 million jobs?

## Net employment change

### Total employment<sup>1</sup>

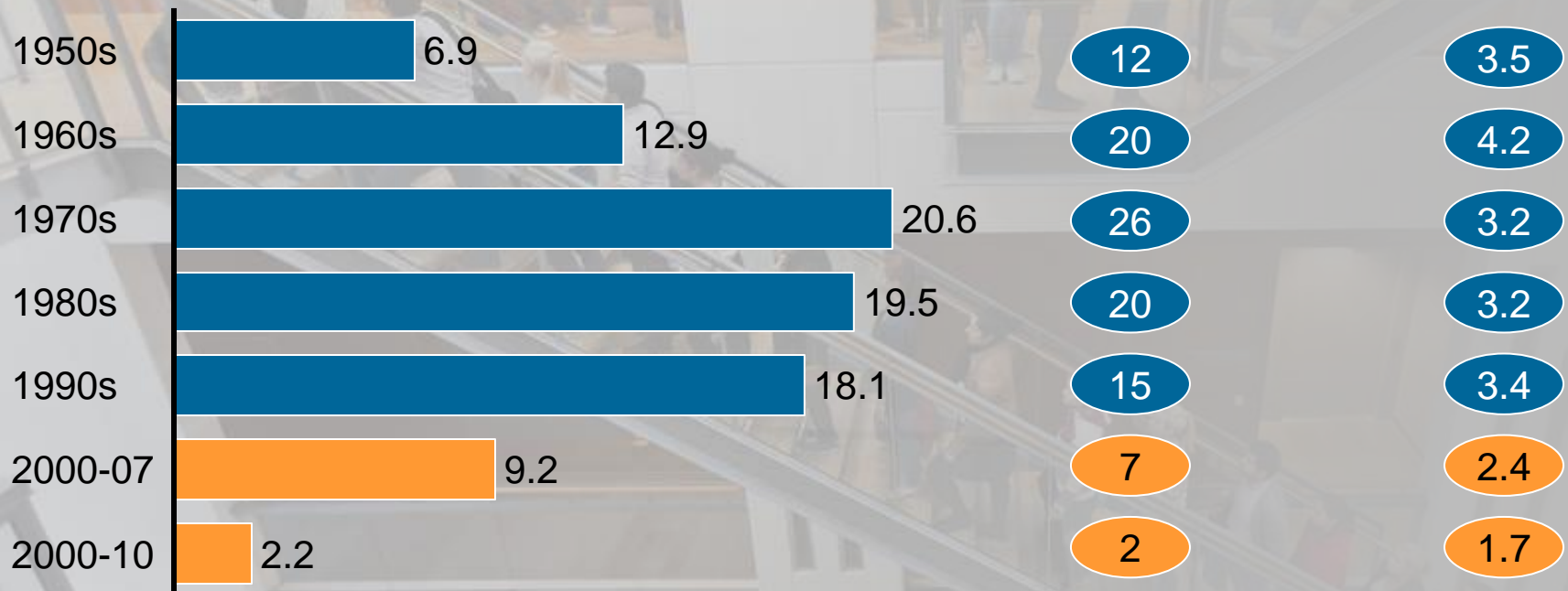
Millions

### Increase in total employment<sup>2</sup>

Percent

### Real GDP compound annual growth rate

Percent



<sup>1</sup> Total employment equals the number all employed workers in the economy, including full-time, part-time, and self-employed

<sup>2</sup> Net employment change as a share of total employment in the base year (e.g., 1990 for 1990s)



**Skill**



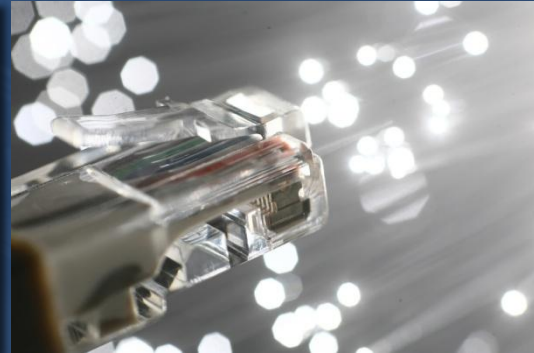
**Share**



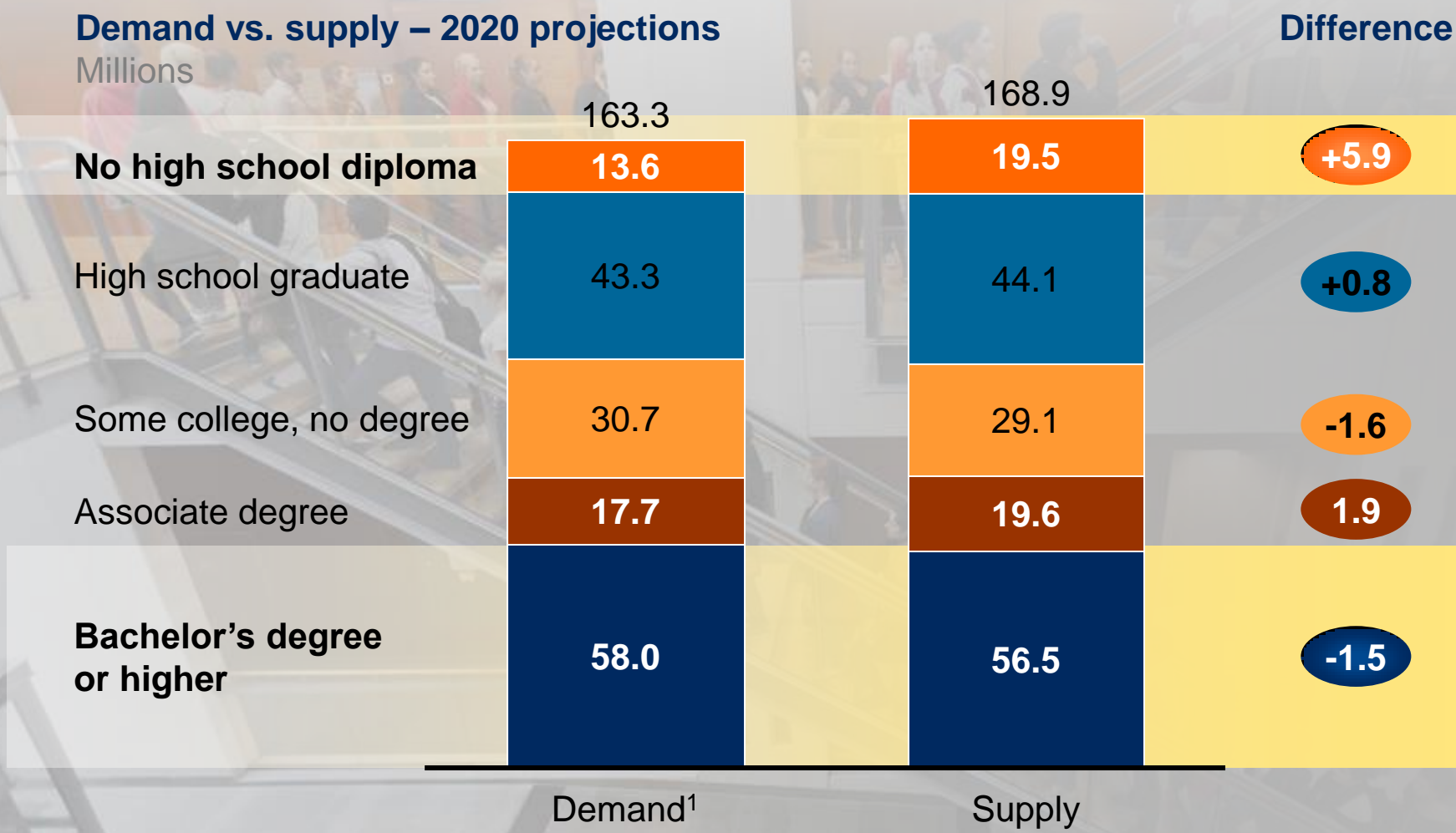
**Spark**



**Speed**



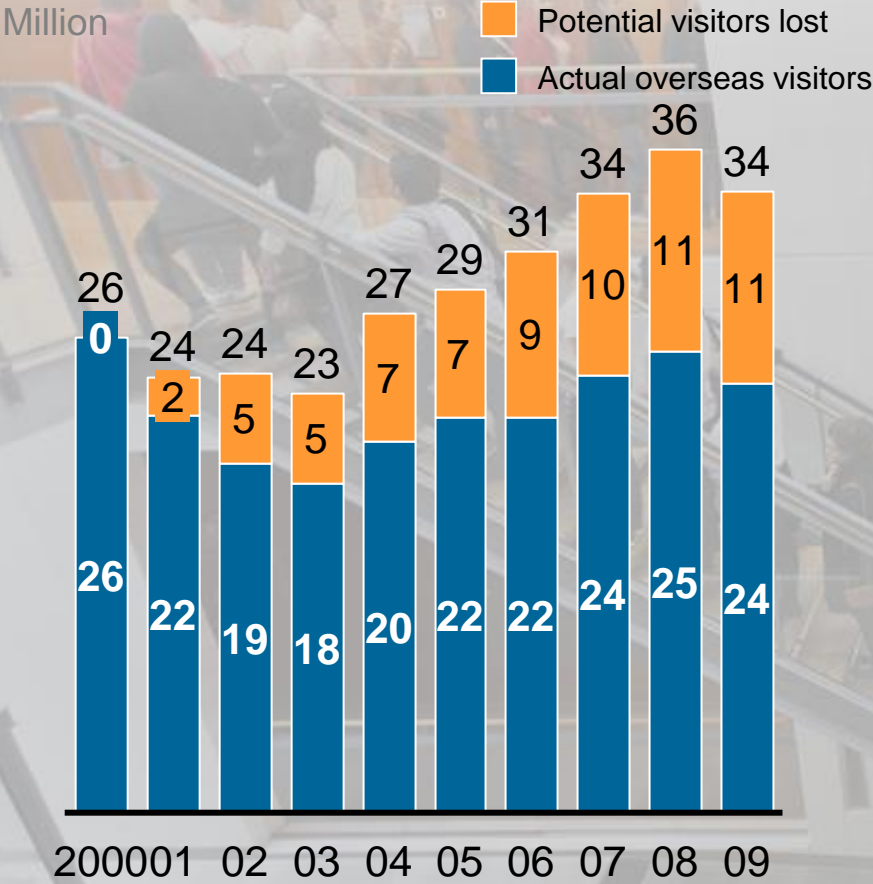
# Ensure more Americans acquire the skills that match employers needs



<sup>1</sup> Labor demand from MGI high job-growth scenario

# Help US workers to win market share

Number of overseas visitor arrivals in the United States, 2000-2009



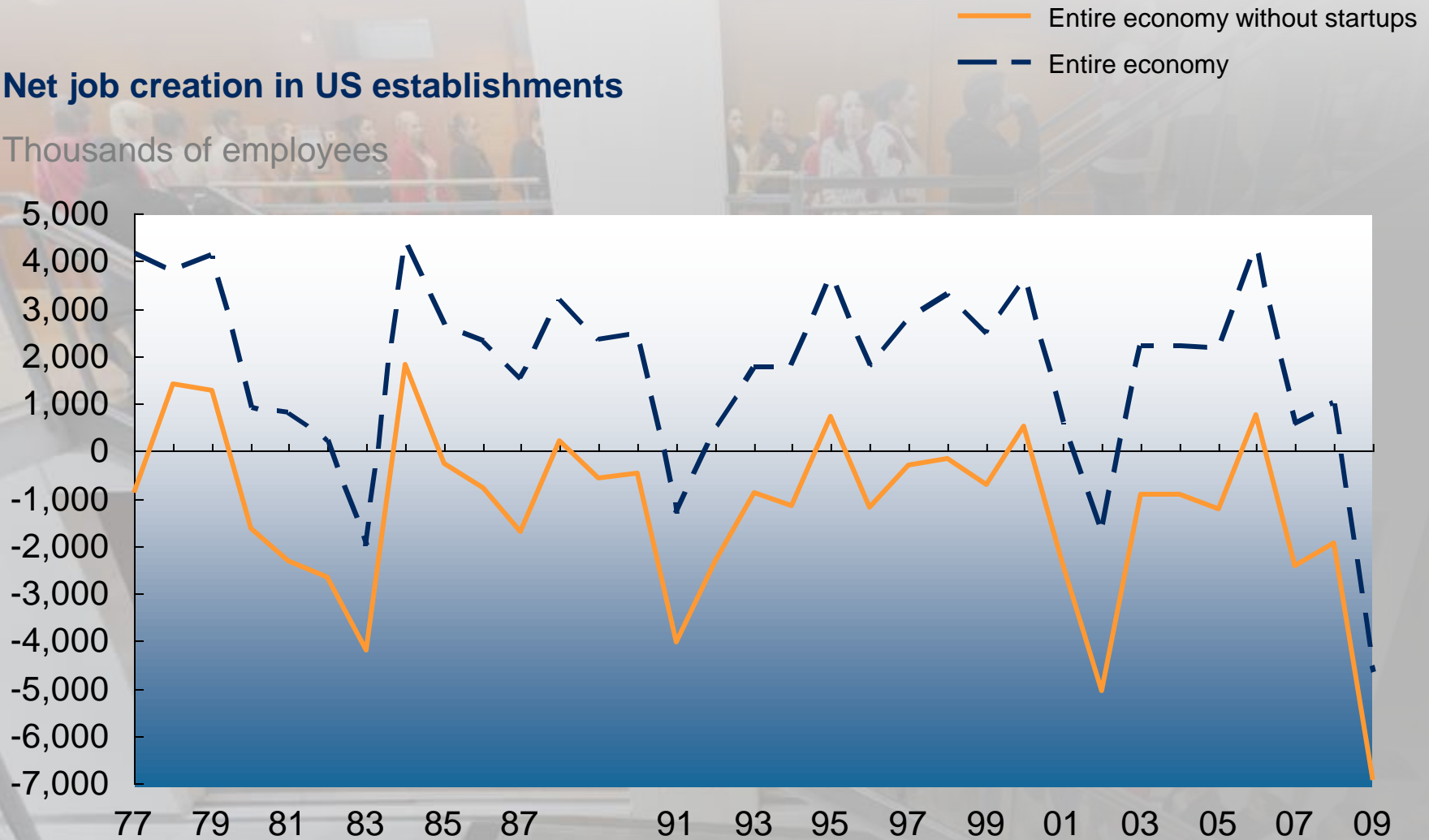
Estimated U.S. jobs lost due to shrinking market share in international travel



# Restore the new business growth engine

## Net job creation in US establishments

Thousands of employees



1 Startups refer to new businesses, i.e. firms less than 1 year old



# Speed up processes

US has a lengthy and complicated set of regulatory/permitting requirements

A power plant built in Wisconsin required 46 environment approvals



46 environmental reviews



EPA



US Army Corp of Engineers



FAA



FERC



Six state agencies



State historical society



City, country, and others

This lack of speed can act as a major competitive disadvantage

“It is much easier to site and build a factory in China than it is in the US. For a manufacturer, two year advantage in building a plant may be everything”

“The real threat to our industry is the slow, cumbersome, and out-of-date system that we use to manage our”

- Executive of Corporation

Thank you

