



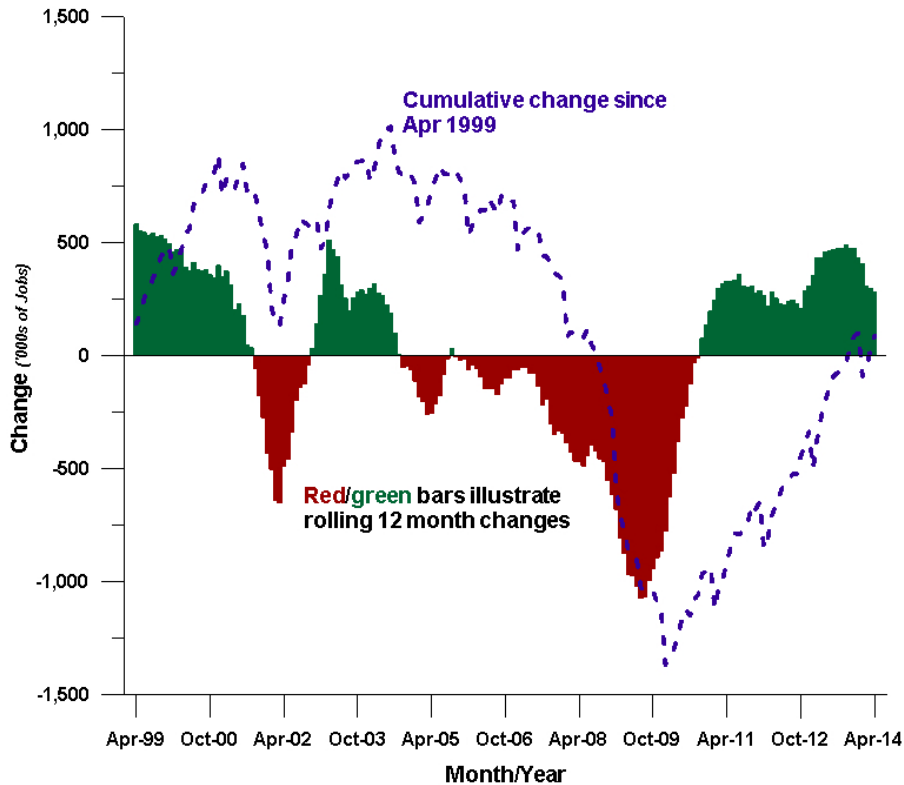
Straight from the Muse

Reflections of a Worldly Philosopher

Belabored Reporting

The Woes of the Managerial Class

Trends in Private Sector Supervisory and Managerial Positions
15 Years -- Apr 1999 to Apr 2014



Notes:

Statistics are based on non-seasonally adjusted levels for private sector and private sector production and non-supervisory positions as estimated by the Bureau of Labor Statistics (BLS) as part of its monthly Employment Situation report. The count of managerial and supervisory positions is computed as the difference between total private sector and production job estimates.

(Sources: BLS; Worldly Philosopher estimates.)

The real story is not the sluggish pace of employment growth, but rather the mix. This subject has received some attention by the media. When it has, the focus has generally been on the paltry number of new jobs created in manufacturing or construction. These are reckoned blue collar aristocracy jobs, offering a chance to the common man of a middle-class life style.

But there is another facet which receives scant attention in the news. It is the decline — absolutely and in relative proportion to

the total workforce — of private sector managerial and supervisory positions. The Great Recession did not spare such positions. Long before the housing crisis gripped the financial markets, companies had started shedding white collar, professional positions. Those jobs had never really recovered from the dot.com bust at the turn of the century. As a result, cumulative growth over the fifteen years from March 1999 has been negligible.

In contrast, private sector production

“What is bureaucracy? An arrangement of individual incompetences for the purpose of general responsibility.”

Anton Kuh (1890 to 1941), Austrian Journalist and Commentator

“By continuing a process of inflation, government can confiscate, secretly and unobserved, an important part of the wealth of their citizens.”

John Maynard Keynes (1883 to 1943), British Economist and Political Commentator

“Corporation, n. An ingenious device for obtaining individual profit without individual responsibility.”

From the *Devil’s Dictionary*

Ambrose Bierce (1842 to 1913?), American Journalist and Writer

Yeah, I am on Twitter too. Follow my sporadic tweets at [my-museclio](#).



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"A good politician is quite as unthinkable as an honest burglar."

H.L. Mencken (1880 to 1956),
American Man of Letters

"I am a firm believer in the people. If given the truth, they can be depended upon to meet any national crisis. The great point is to bring them the real facts."

Abraham Lincoln (1809 to 1865),
16th President of the United States

and non-supervisory positions have risen a cumulative 9.0 Million jobs over the same period. Yes, the mixed has change. Since the recovery temporary services, healthcare, retail and the hospitality industries have added a significant share of the positions created.

Now for the disclaimer, or, what I prefer to call the truth in analysis declaration. The economists at the Bureau of Labor Statistics (BLS) do not separately report private sector managerial positions. They only report total private sector payrolls and production and non-supervisory positions.

I have computed managerial and supervisory positions as the difference between total non-farm private payrolls (excluding the government sector) and private, non-farm production employees. It is, I admit, a rough estimate. But in the absence of data tabulated at a finer level, it must suffice. And, despite the limitations, it suggests an interesting pattern.

This segment peaked in absolute terms – measured using non-seasonally adjusted levels – in June 2004 at 21.0 Million positions, long before the onset of the mortgage-debt crisis. The latter simply accelerated a secular decline which was already underway. From peak to trough (reached in January 2010), almost 2.4 Million managerial and supervisory positions were eliminated. Since then, only 1.5 Million such positions have been created, leaving a deficit of almost 1.0 Million jobs.

Set against a total non-farm payrolls number that averaged 137.1 Million jobs over the twelve months ending April, this may seem like a drop in the proverbial bucket. Yes, but, remember these typically are higher paying positions with greater opportunity for advancement than frontline customer service or factory floor jobs. Their disappearance should be a cause for concern.

Certainly the anemic recovery has not

aided the rebound. But I suspect there is more to the story. Part of the problem is the aggregate number of firms in the United States remains roughly 300 Thousand below pre-crash levels. In 2007, the Census Bureau, as part of their business dynamics program, estimated almost 5.3 Million businesses operated in the U.S.. In 2011, the year of the last estimate, the count was down to 5.0 Million individual firms.

The total number matters because separate firms maintain their own accounting, sales, marketing, finance and technology functions. Even in small firms – with less than 25 employees – such division of labor generally exists. And, these positions are often white collar, professional and managerial, requiring a college or advanced degree.

Both the severity of the recession and the torpid recovery have hampered new business start-ups. But I suspect another factor has been the low interest rate environment. Although I do not have hard evidence to support the hypothesis, I sense a contributory factor has been the mergers and acquisition (M&A) boomlet low rates have facilitated.

Companies have been issuing debt to buy back their shares. This is evident. But I suspect firms have also been using the opportunity to go on a shopping spree. This is a contributory factor to the net decline in corporate equities reported in the Federal Reserve Board's Flow of Funds statistics. And, it is, a contributory factor to the decline in business numbers. How much? I honestly do not know. The statistics are patchy. At best, my hypothesis is anecdotal based on my daily involvement in the financial markets.

But if true, this is worrisome; even, more so, if the trend accelerates. In the current environment, a spate of M&A activity is hardly what a depressed job market needs.

Many of the deals rely on cost econo-



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mies. Since payrolls are the largest expense for most firms, this inevitably involves cutting jobs since often this is the only way to meet return targets. The jobs consolidated are more often than not home office or central service positions, such as accounting, payroll, finance and information technology. Very often these are well remunerated, white collar, professional jobs.

As a nation, we have encouraged our children to secure a college degree. This makes sense for the country as a whole only if we are able to employ these graduates in positions befitting their education. If not, we are asking students to wrack up massive debt burdens only to confront em-

ployment prospects in which their skills are underutilized and their wages insufficient to repay their student loans.

Perhaps we were lucky when America's manufacturing decline commenced. Our economy compensated by creating highly skilled, highly paid service jobs to absorb the ranks of the Baby Boomers and assure them a middle-class life style. Today, their offspring, the Millenials, are entering the job market without the prospective of a similar transition to provide the opportunities without which the American dream is a mirage.

"Nature abhors a moron."

H.L. Mencken (1880 to 1956),
American Man of Letters

"An unlimited power to tax involves, necessarily, the power to destroy."

Daniel Webster (1782 to 1852),
American Senator, Statesman and Jurist

"It will be to little avail to the people that the laws are made by men of their own choice if the laws are so voluminous that they cannot be read, or so incoherent that they cannot be understood."

James Madison (1751 to 1836),
American Political Theorist and 4th President of the United States

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