

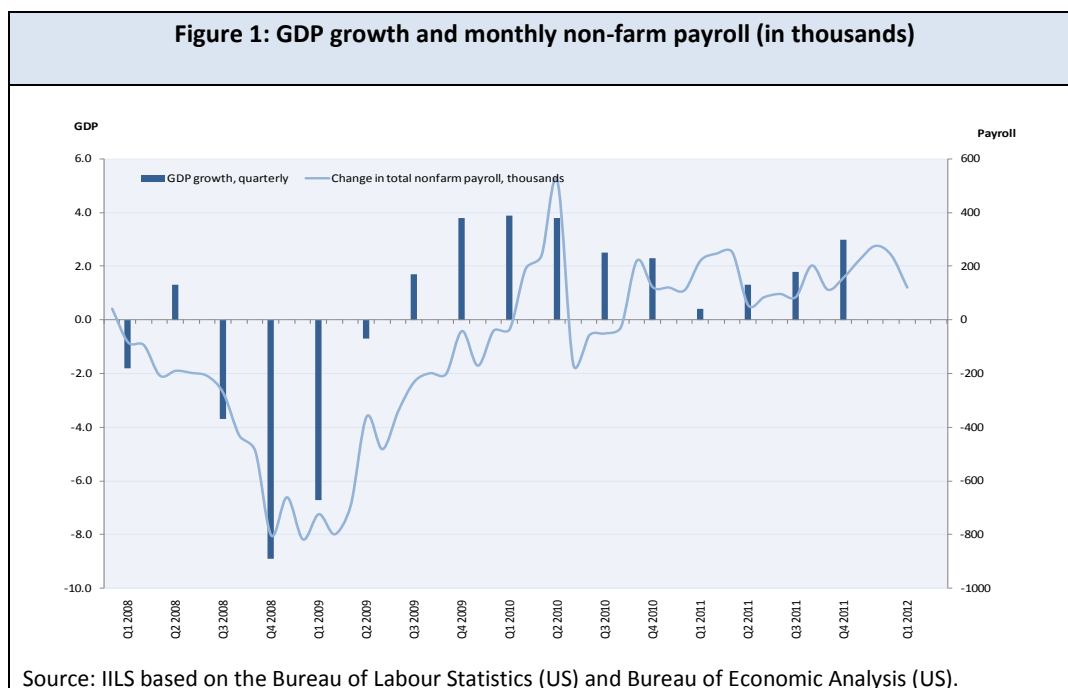


# World of Work 2012

## Snapshot of the United States

### *Employment growth has weakened and remains well below crisis levels...*

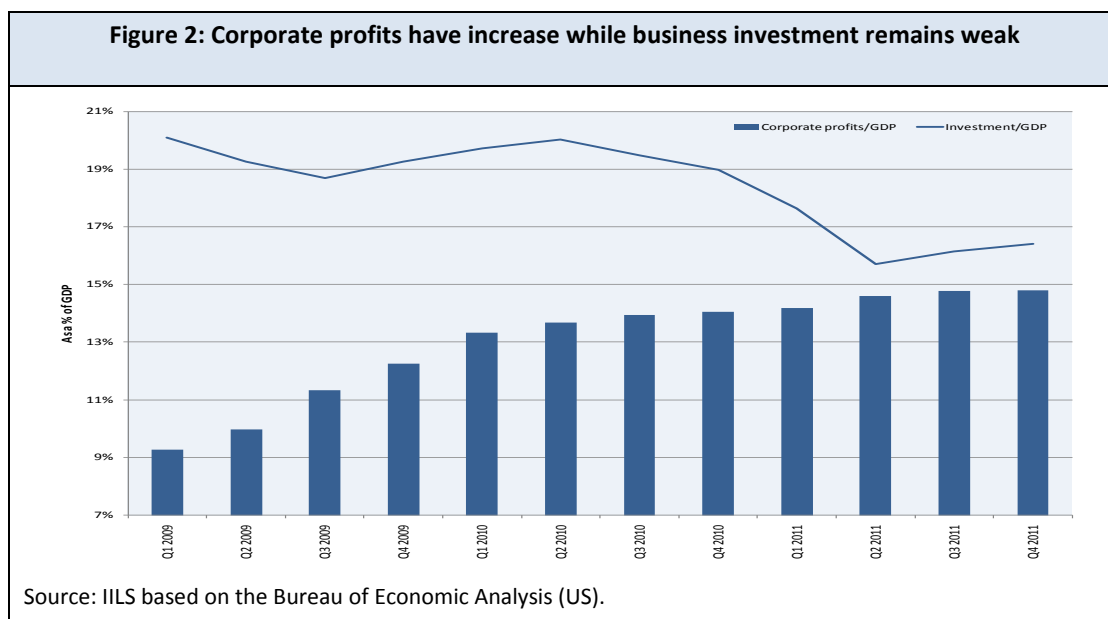
- In March 2012, the unemployment rate stood at 8.2 per cent, a 2 percentage point decline from March 2010. Robust job growth (over 200 thousand per month) was registered from December 2011 through February 2012 (figure 1). However, in March 2012, the economy added only 120 thousand jobs (which is the same as the average monthly new entrants to the labour force), thus employment growth remains a concern and is still below crisis levels.
- The United States economy still needs to create close to 4 million jobs to return to pre-crisis employment levels. This ignores the fact that the number of people looking for employment is growing by roughly 1.5 million per year over the next 5 years.
- Meanwhile, 42.5 per cent of the unemployed are long-term unemployed (jobless for 27 weeks and over).



### *...while corporate profits have gone back to pre-crisis levels while business investment remains low*

- Corporate profits have gone back to pre-crisis levels (figure 2). This is mainly due to the fact that US firms streamlined their production following the global crisis, reducing overall production costs, which allowed for profits to increase.

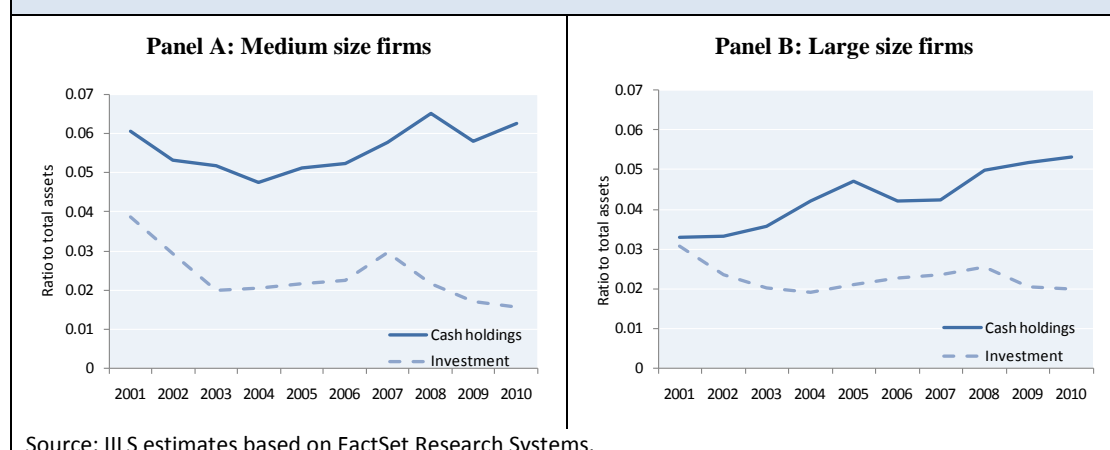
- However, investment has not responded much. Business investment as a per cent of GDP remains below its pre-crisis average of around 20 per cent. Since the second half of 2011, there are signs of weak recovery.



*...this is partly due to increased cash holdings among firms, which stems from economic uncertainty*

- Firms' reluctance to take on additional investment risk is evidenced by their sizeable liquid asset holdings, which have reached unprecedented global levels. This is mainly due to economic uncertainty and constrained access to external finance.
- The share of cash holdings in total assets in medium-sized firms in the US increased from around 5.2 per cent to around 6.2 per cent after the crisis; while in larger firms it rose from about 4.2 per cent in 2006 to 5.3 per cent in 2010 (Figure 3). This is evidence of the more aggravated situation for smaller firms and lends support to the argument that smaller firms, which finance more of their investment out of cash holdings and have more limited access to external financing tend to hold more cash as a share of total assets. Nevertheless, large firms, which tend to have better access to external finance, have also increased their cash holdings.
- Moreover, there is an inverse relationship between investment and cash holdings, with the increase in cash holdings impacting investment more severely in the case of smaller firms than in larger firms.

**Figure 3: Cash holdings and investment as percentage of total assets by firm size, 2001-2010**



### *The path to recovery lies in moving to a comprehensive job plan*

- There is a need to incentivize investment by reducing economic uncertainty facing businesses, chief among which is the financing condition for small and medium sized enterprises. Furthermore, well-designed public investment could “crowd-in” private investment and support more and better jobs. In this regard, the government could continue to improve investments in information and communication technology.
- More generally, a comprehensive job plan is needed. In that respect, the American Jobs Act announced by the government in Sept. 2011 is a welcome step forward as some elements of the Bill have passed the US Congress. However, there are several major elements that remain stalled in the US Congress and a concerted effort from all respective stake holders is important in tackling the high unemployment.
- Enhancing social protection is vital in supporting jobseekers and keeping people from falling into poverty, which has already become a growing problem in the United States. In a report released at the end of last year, the US Census Bureau indicated that close to 50 million Americans were poor and the ranks of those just above poverty are larger than previously believed. A weak economy and job-less recovery calls for a further strengthening of antipoverty programmes.

*World of Work 2012 is available at ([www.ilo.org/INST](http://www.ilo.org/INST)). For further comment, journalists are invited to contact Sameer Khatiwada (tel +41 22 799 6308; email: [khatiwada@ilo.org](mailto:khatiwada@ilo.org)) or Raymond Torres (tel: +41 22 799 7908; email: [torresr@ilo.org](mailto:torresr@ilo.org)), Director of the ILO's International Institute for Labour Studies.*