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CPEG Commentary on June 2011 BLS Jobs Report: The Jobs Deficit Grows

Two years after the official end of the Great Recession (June 2009), a huge debt and deficit continues to face the US economy. The **jobs debt** is more than 6 million – we have that many fewer people at work than immediately prior to the beginning of the Great Recession in Dec 2007. The **jobs deficit** is the continued inability of the economy to create new jobs. The 54,000 job creation number for May 2011 means that the jobs deficit grew by about 60,000 – that is the difference between the usual number of new labor force entrants (about 115,000) and the number of jobs that were created, 54,000, to employ these new entrants. And that does nothing to overcome the 6 million jobs debt. We are digging ourselves further into a jobs debt hole.

The official unemployment rate ticked up to 9.1%. To this terrible job news we have to add the renewed price declines in the hosing market. House prices are now down below their Great Recession low with little or no signs of recovery. S&P has now called the housing recession a double dip. Where housing goes it is quite likely that the economy as a whole will follow – and certainly no sustained recovery can occur with housing prices in free fall.

As has been the case for the past year, when we look at the numbers below the top line, the picture is even more somber.

(1) The labor force participation rate remains at 64.2%, a 30 year low as is the employment/population ratio at 58.4%;
(2) The number of people officially counted as unemployed is now 13.9 million. Another 6.5 million are discouraged workers. Perhaps it helps to visualize these numbers as follows: if these more than 20 million people were to stand shoulder to shoulder, starting on Interstate 8 in San Diego, they would stretch along the highways of our land up to Portland Maine and back to San Diego – and there would still be more than 1 million people waiting to get into that line.
(3) As noted above, we have over 6 million fewer people employed than at the beginning of the Great Recession in December 2007;
(4) There are almost 2.5 million more people “not in the labor force” than May 2010, indicating further discouragement on the past of many potential workers;
(5) At the rate of employment growth in the first 5 months of 2011 (91,500/month) we will continue to fall behind the growth of the potential labor force.
(6) After dropping a little over the past few months, the numbers of long term unemployed – more than 26 weeks – jumped by 360,000 and is again over 6 million, almost 45% of total unemployed.
(7) Finally, the experience of young workers entering the labor force as well as minority workers is the worst since the 1930s. Almost 1 in 4 teenage (16 – 19)

workers were unemployment in May, and 1 in 6 African-American and1 in 9 Hispanic were unemployed.

What Should be Done

First, it is time to stop the happy talk. Claims that the recovery is proceeding slowly but surely, or that economic growth is starting to pick up (the economy grew only 1.8% in 1Q11), are false. These fantasies do not reflect the reality on the ground.

Second, it is past time that elected leaders in Washington stop their hysterics about a non-existent fiscal crisis and get to work on creating jobs. And let us be clear: the way you create jobs is to stimulate demand – by putting people back to work. There is not a shortage of investable funds in the hands the of private sector, nor, despite the inflation vigilantes is there any sign of overheating and increased costs to borrow – the 10 year note is back below 3%.

Third, we must clearly recognize that, just as was the case in the 1930s, the private sector's failure to create jobs leaves us with one alternative: the federal government must institute a jobs program on the scale necessary to employ the almost 30 million un and underemployed workers. Failure to do so has terrible long term negative outcomes, not just for these workers but for the economy as a whole. That is, for **all** of us.

For young workers, their first job has a long term impact on their level of earnings throughout their careers. In part this is the result of being forced to take jobs that are below their skill levels because of financial need. Some of the potential output of these workers is lost as well as some of the investment that went into the training and education of these workers.

For the economy as a whole, sustained high levels of un and under employment means loss of potential output. Less output lowers the living standards of all, reduces the revenues that can be used to meet the social investment and social service needs of all and, over time, and embitters large portions of the electorate – the psychological harm done by these early experiences of un and under employment is lasting

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It is past time for our elected leaders in Washington to recognize the clear and present danger represented by these unacceptable levels of joblessness. We need a jobs program, a serious jobs program. One excellent proposal for such a program is contained in John Conyers HR 870, the 21st Century Full Employment and Training Act. Let's get our legislators to focus on this kind of bill.