CPEG Commentary on the July 2011 BLS Jobs Report

The week leading up to the release of July employment data has been dominated by the debate over the federal budget deficit and national debt. This debate has overshadowed the much more urgent jobs crisis that is damaging communities around the country, hitting especially hard the long-term prospects a generation of young workers.

The Bureau of Labor Statistics released July employment data on August 5th that was better than many expected, with net job growth of 117,000. That includes 154,000 new private sector jobs and 37,000 fewer public sector jobs.

However, we came into July with a huge jobs debt—we have 6 million fewer people employed than we did before the start of the Great Recession in December 2007. What is still more alarming is that even with July's better-than-expected job growth, we have had no net gain of jobs since June of 2009, when the Great Recession technically ended.

This is not surprising if we look closer at the numbers, though. Note that about 115,000 *new* job seekers enter the labor market every month. That means that the impact on the 13.9 million unemployed workers in the U.S. from the July jobs creation was negligible. After accounting for new labor market entrants, only 2,000 jobs were available to fill the enormous jobs deficit caused by high, persistent unemployment. With net gains in employment of 2,000 a month—and this was a relatively good month, remember—we will never meet the need for jobs of the 14 million unemployed workers.

There are also some disturbing details behind the very small drop in the rate of unemployment. First of all, we have continued to see a decline in labor market participation—down to 63.9% of the civilian population. More and more workers are neither employed nor actively looking for work, and this accounts for much of the decline in the official unemployment rate as a percentage of the labor force.

Furthermore, while the overall unemployment rate is down from 9.2% to 9.1%, the youth unemployment rate actually increased by 0.5%. Fully 25% of teenagers (16-19 year-olds) are unemployed. After declining since February, the unemployment rate for 20-24 year-olds rose by 0.1% in July, and is now at 14.6%.
For African-Americans and Latinos the figures on youth unemployment are much worse. The unemployment rate for African-American teenagers is now 39.2%, and for Latinos it is 36.2%.

The historically unprecedented rates of youth unemployment will be devastating for the young people whose earnings level may never fully recover from early un- and underemployment, and whose sense of value and belonging in their communities may be damaged beyond any measure we can devise.

We also must highlight the stubbornly high level of long-term unemployment. The number of workers unemployed for more than 26 weeks remains at a shocking 44.4% of total unemployed. The latest Job Openings and Labor Turnover Survey from BLS showed an employer hiring rate of 3.1% in June, below the lowest rate during the last 'jobless recovery.' So it appears unlikely that long-term unemployed workers are turning down job opportunities, as opponents of extended unemployment compensation and public jobs programs sometimes suggest is the case.

Even in the high-unemployment period during the 1981-82 recession, this rate never reached these levels. We are witnessing a drastic erosion in employment conditions that demands action now.

The fiscal deficit and debt ceiling talks of the past weeks have not only distracted from the jobs deficit and youth unemployment crisis. The misguided solutions forced on the country this week will also concretely harm the economy and the employment situation. The cuts that politicians were willing to make and the ones they will implement in the coming months and years will drain much needed demand from the economy, stalling job creation even more. The Economic Policy Institute has estimated that the debt ceiling deal's cuts will decrease GDP by 1.5%, resulting in a 0.6% increase in the unemployment rate and 1.8 million fewer jobs in 2012. And the debt ceiling deal included a roll back of extended unemployment benefits that have been the last lifeline for many long-term unemployed workers.

The private sector is *not* creating jobs at a rate that will ever address the enormity of the jobs debt, and the only solution is a serious federal jobs program such as that proposed in HR870, the 21st Century Full Employment and Training Act.