
THE JOBS DEFICIT

The Challenge of Putting America Back to Work

October 2009

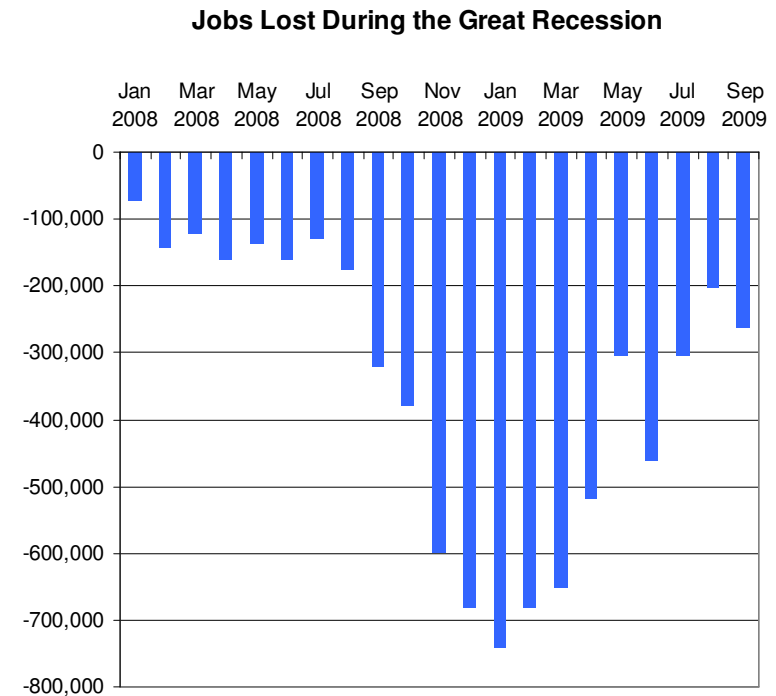
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Job Losses

The economy has lost 8 million jobs since the beginning of the recession.

Non-farm payrolls declined by 7.2 million since December 2007, and the BLS expects a downward revision of this estimate of 824,000.



Source: Bureau of Labor Statistics

Job Loss and Population Growth

But because the population is growing, we need to create over 9.6 million jobs.

In order to keep pace with population growth, the economy must create 920,000 jobs per year, or over 75,000 jobs per month.

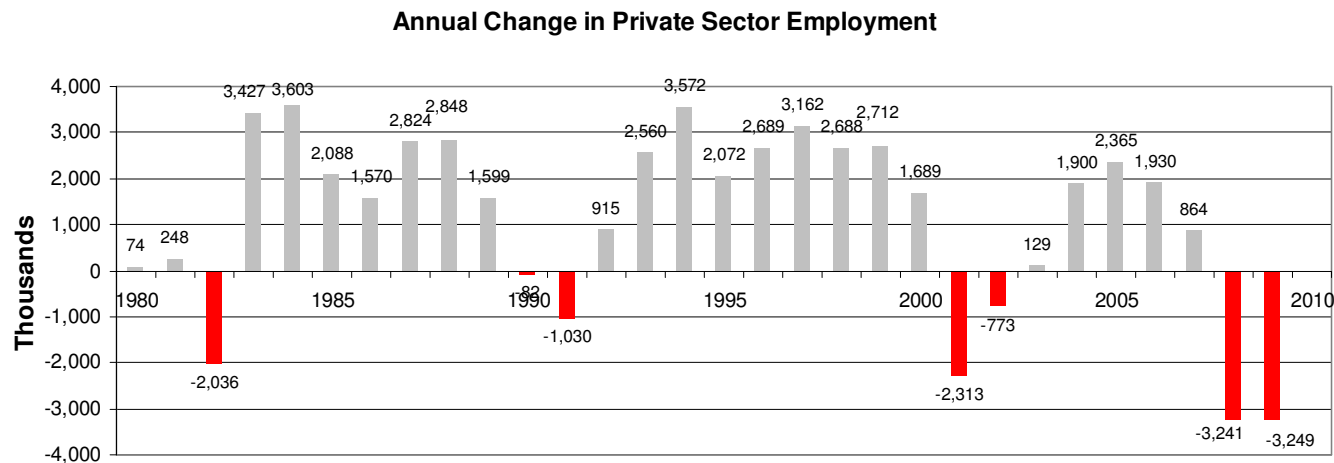
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| Job loss (Dec 2007 – Sept 2008) | 8.029 million | <i>7.205 payroll decline + .824 BLS revision = 8.029 million</i> |
| Jobs needed to keep pace with population growth (Dec 2007 – Sept 2008) | 1.61 million | <i>1.75 years * .92 million jobs per year = 1.61 million</i> |
| Total jobs needed (job loss + population growth) | 9.639 million | |

Slow Private Sector Job Growth

During the 2001-2007 expansion, the private sector did not create as many new jobs as in previous expansions.

During the 1982-1990 and 1991-2001 expansions, the private sector created

an average of 2.7 million and 2.4 million jobs per year, respectively. From 2001-2007 the private sector created an average of only 1.2 million new jobs annually.



Source: Bureau of Labor Statistics

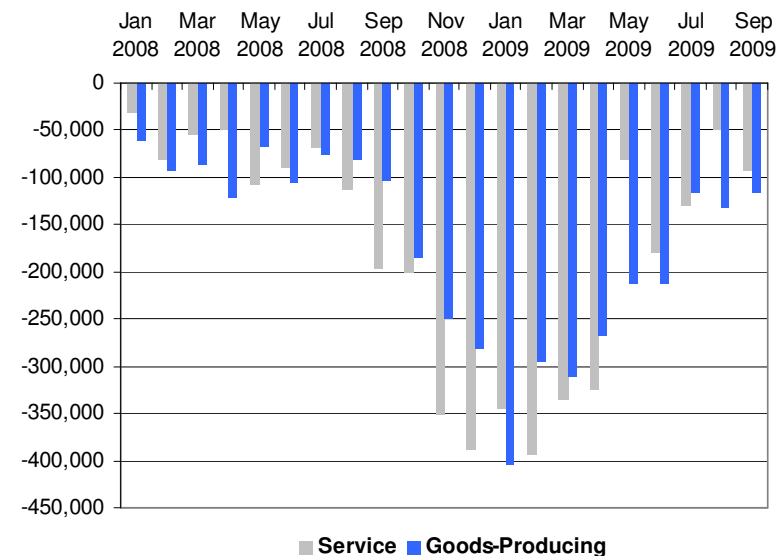
Decline Of The Service Sector

Unlike previous recessions, private sector job losses during the current downturn are roughly equal in the service and goods-producing sectors.

Since December 2007, private sector job losses in services have accounted for approximately 50.7% of total job losses, while the goods producing sector have accounted for 49.3%.

By contrast, service sector job losses in the 1990-1991 and 2001-2003 downturns accounted for only 17.4% and 17.8% of total job losses, while goods producing industries accounted for 82.6% and 82.2% of total job losses.

**Monthly Change in Private Sector Employment,
Service Sector and Goods-Producing Sector**



Source: Bureau of Labor Statistics

The Official Unemployment Rate

Because of severe job loss and steady population growth, the unemployment rate has soared to 9.8%, nearly as high as during the early 1980s.

Many forecast that unemployment will rise above 10%.

But the official unemployment rate only tells part of the story. Broader measures of unemployment show far greater weakness in the labor market.

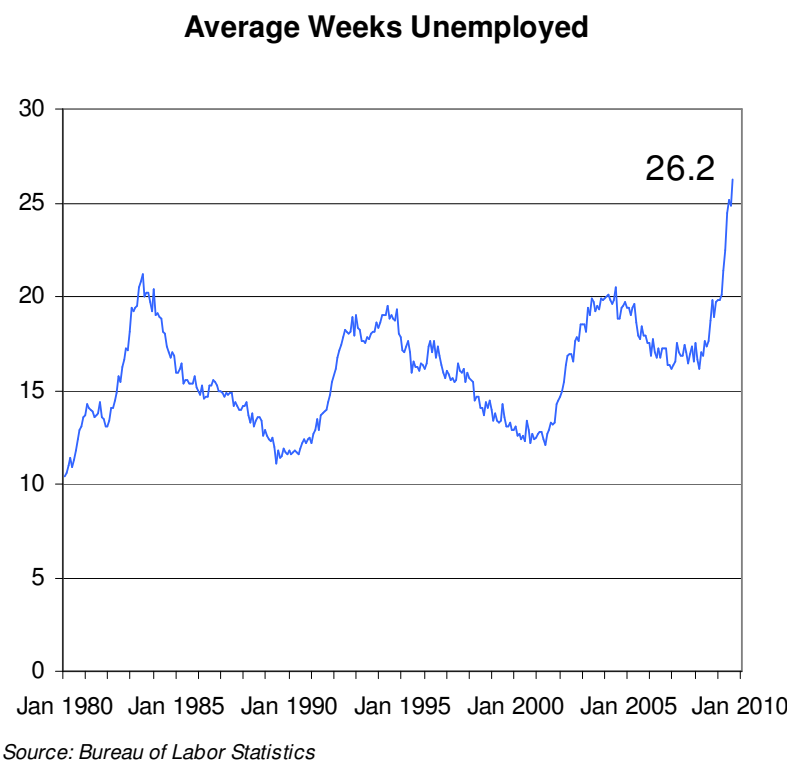


Source: Bureau of Labor Statistics

More Unemployed Workers, More Time Unemployed

Workers are spending an average of 26.2 weeks unemployed, a post-World War II high.

After prolonged periods of unsuccessfully searching for work, workers are more prone to give up their job search.



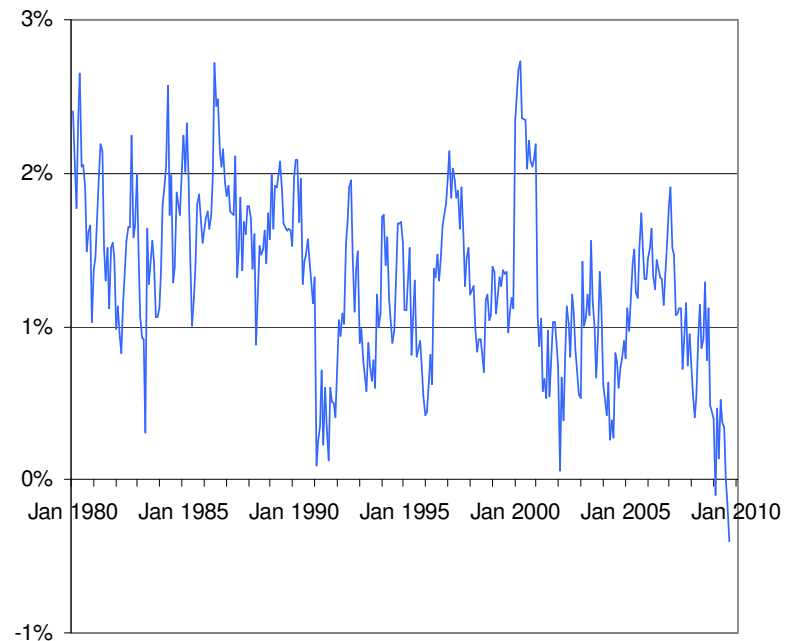
Discouraged Workers

Workers who give up their job search fall out of the official civilian labor force and are not counted as unemployed.

Since May 2009, the labor force has shrunk by 1.075 million.

The number of marginally attached workers – or persons who are not currently looking for work, but want a job – has increased by 875,000 since the beginning of the recession. They are not officially considered unemployed.

**Size of Civilian Labor Force
% Change Year Over Year**



Source: Bureau of Labor Statistics

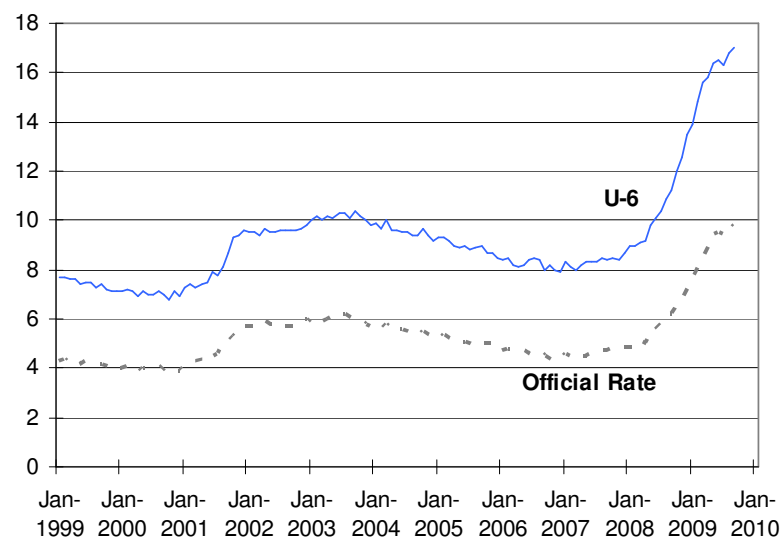
U-6: A Broader Measure of Unemployment

The broader measure of unemployment (U-6), which includes marginally attached workers and workers who are working part-time, has risen to 17%.

The official unemployment rate only includes workers that have actively sought work in the past four weeks.

U-6 includes workers who want a job but have not searched for one recently and workers that are working part-time, despite wanting a full-time job.

Unemployment Rate and Broader Measure of Unemployment (U-6*)



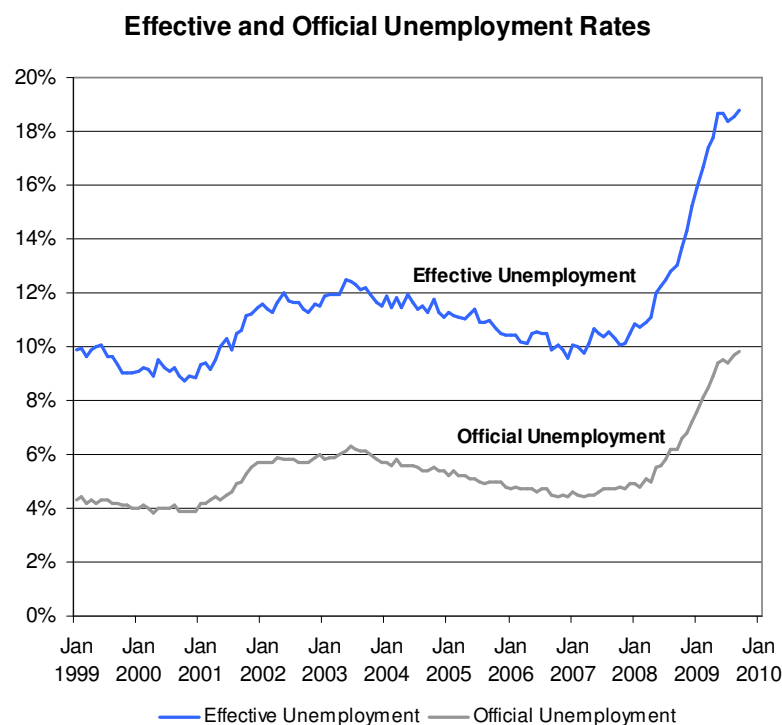
*Total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers.

Source: Bureau of Labor Statistics

“Effective Unemployment” Is Even Higher

According to Leo Hindery, Jr., the broader measure of unemployment (U-6) does not include 3.4 million people who report wanting a job, but have not looked for one in over a year.

If you include these potential workers, the effective unemployment rate is 18.8%, or roughly 30 million Americans.



Source: Bureau of Labor Statistics, Leo Hindery Jr.'s "Effective Unemployment"

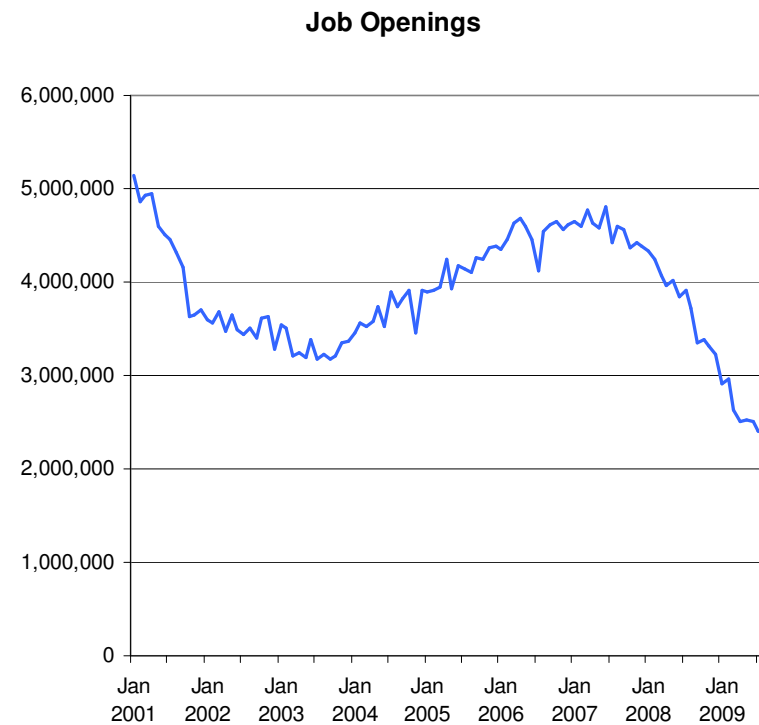
Economy Not Creating Enough Jobs

During the month of August, new hires dropped by 199,000, a sign that the economy is not creating enough new jobs.

Job openings fell to a recent low of 2.4 million.

The number of job openings falls far short of the number people who are seeking a job. Roughly 30 million potential workers are looking for 2.4 million full-time jobs, or thirteen potential workers for every one job that is available.

With these odds, the chance of an unemployed person finding a job is roughly the same as the chance of getting into Harvard.

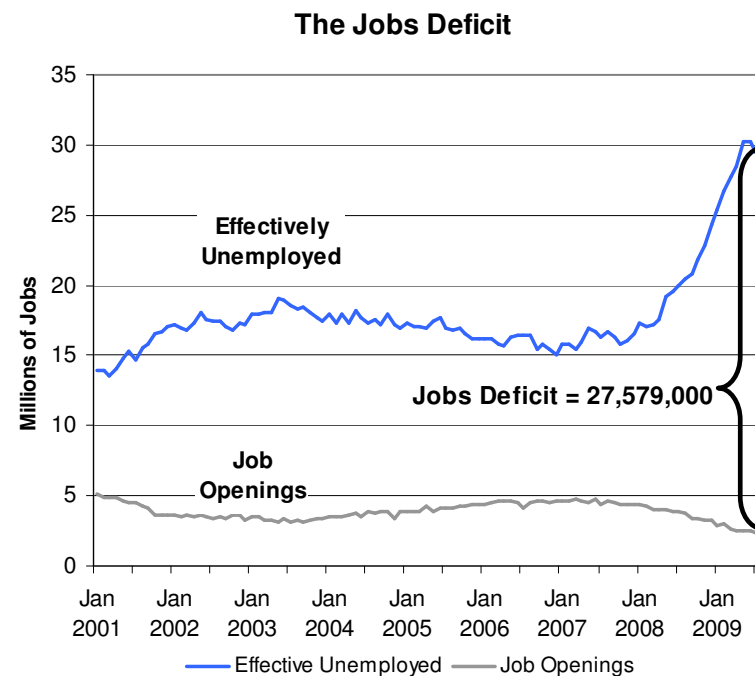


Source: Bureau of Labor Statistics

The Jobs Deficit = 27 Million

There are 29,971,000 effectively unemployed people in the U.S and 2,387,000 job openings.

The jobs deficit now stands at 27,579,000.



Source: Bureau of Labor Statistics, Leo Hindery Jr.'s "Effective Unemployment"

The Jobless Recovery

Although the economy may grow as early as the third quarter of 2009, the employment situation is expected to deteriorate well into 2010.

Recent recoveries have been slower to produce new jobs. After the 2001 and 1990 recessions officially ended, job losses continued for many months.

Because of the massive credit and housing bubbles that burst in 2007, we may be facing the worst “jobless recovery” yet.

Civilian Employment Relative to Employment at the Beginning of the Recession

