

UNEMPLOYMENT AND THE FUTURE OF JOBS IN AMERICA

UNEMPLOYMENT IN THE GREAT RECESSION HIT CERTAIN GROUPS OF AMERICAN WORKERS HARDER THAN OTHERS. THIS IS A WARNING THAT TROUBLING U.S. EMPLOYMENT AND EDUCATION TRENDS MAY THREATEN THE "AMERICAN DREAM."

In 2007, many Americans could not make their home mortgage payments. Foreclosures followed, which depressed housing values. By the following year, many banks and other financial firms, holding bundles of nearly worthless home mortgage products, were in danger of failing. The U.S. Treasury bailed them out to prevent a collapse of the financial system.

Consumers, many already maxed out on credit, stopped spending, and plunging sales caused companies to lay off workers in massive numbers. The resulting economic recession, the worst since the Great Depression of the 1930s, soon was called the Great Recession.

The U.S. economy lost nearly 9 million jobs. Some industries were especially hard hit. Jobs fell in construction and manufacturing by more than 2 million each. Job losses in service industries (such as health care, accounting, restaurants, and tourism), which make up 77 percent of the economy, fell by over 4 million, the steepest decline in that category ever recorded.

The unemployment rate, based on the number of jobless people seeking work, reached a high of 10 percent of the labor force in October 2009. Since then, the unemployment rate has



HUNDREDS STOOD IN LINE to fill out job applications at a hotel in Silicon Valley in 2009.

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declined, but by less than 2 percent by early 2012. (Unemployment figures used in this article are from the U.S. Bureau of Labor Statistics.)

The 10 percent unemployment rate high in the Great Recession has been exceeded only two times in the last 80 years: 10.8 percent in the recession of 1982–83 and 14–25 percent during the Great Depression.

Statistics show that unemployment in the Great Recession hit certain groups harder than others. Unemployment varied according to the sex, race, education, and age of the workers.

Men reached a peak unemployment rate of 10.5 percent in 2009. They were more likely to lose a job than women, whose peak jobless rate was 8.2 percent in 2010.

The highest unemployment rate for black workers (16.7 percent) and white workers (9 percent) occurred in 2010. Nearly half of black teens seeking a job in 2009 were unemployed. Hispanics, too, were hit hard by unemployment. In 2011, they suffered their highest unemployment rate of 13.1 percent.

The education level of workers made a difference. Those worst hit were those 25 or over who did not have a high school diploma. Their highest unemployment rate hit 15.9 percent. This contrasted sharply to those with a four-year college degree

or higher whose jobless rate peaked at just 5 percent.

The unemployment rate for young workers 16–19 peaked at 27 percent, and for those 20–24, it reached 17.1 percent. These rates were much higher than any of the older age groups. Those 55 and older had the lowest age-group unemployment rate. If these older workers became unemployed, however, they had a much more difficult time finding a new job.

Statistically, the individual most likely to become unemployed in the Great Recession was a male, black, young worker without a high school diploma who was working in construction or manufacturing. A worker fitting even one of these categories was at risk of losing a job.

How Is Unemployment Different This Time?

Since 1980, recovering the number of jobs lost during each recession has taken 6–39 months. A 2011 study by the McKinley Global Institute estimated that it will take 60 months for employment to recover after economic growth reached its pre-recession level in December 2010. Why is there such a slow job recovery this time?

The housing crash, consumer debt amounting to \$11.5 trillion, and the fear of becoming unemployed have all reduced consumer spending. This has resulted in slow hiring.

This recession differs from previous ones in the much larger numbers of “under-employed” workers. These people want a full-time job, but can only find part-time work. None of the millions of under-employed workers are included in the unemployment rate. Also not included are those who have given up looking for a job. If these groups had been included, the national unemployment rate in March 2012 would have been 14.5 percent rather than 8.2 percent.

In past recessions, most layoffs were temporary until employers called back workers when the economy revived. This time, however, more job layoffs were permanent, especially in manufacturing, due to automation and other labor-saving measures adopted by employers.

Another difference is that most job openings so far have been in low-wage areas. Many desperate for work have accepted less pay and benefits than at their previous employment.

The most striking difference, however, between the Great Recession and all others since 1945 is the length of unemployment. In February 2012, about 40 percent of those seeking work had been unemployed for more than six months. Most of these long-term unemployed have been jobless for a year or more.

The extreme length of joblessness for so many has led to a debate among economists. They argue over whether unemployment this time is “cyclical” or “structural.”

Cyclical unemployment occurs when consumer demand for goods and services drop, causing employers to lay off workers. When consumer demand returns, employers start hiring again. Cyclical unemployment can be countered by stimulating consumer demand, using measures such as tax cuts and more government spending.

Structural unemployment involves a “mismatch” between the skills workers possess and the skills employers require. Even if consumer demand comes back, employers may not be able to find the workers with the right skills or education. Counter-

ing structural unemployment takes longer since large numbers of workers may have to be retrained or go back to school.

Academic studies on this debate tend to conclude that both cyclical and structural factors are causing the high unemployment and slow job recovery in this recession. Right now, the cyclical lack of consumer demand is probably the dominant factor. But trends suggest increasing structural unemployment in the future.

Troubling Job Trends

On the factory floor, computerized machines do routine tasks 24/7 without taking breaks, going on vacations, or calling in sick. They are operated by a handful of highly skilled technicians, replacing the old assembly line of low-skilled workers who did routine tasks.

The study found that the lifetime earnings advantage of an average college grad was \$570,000 more than what one with just a high school diploma would earn.

In the business office, the same sort of thing occurs. Employees do their own scheduling on a smart phone or create their own documents with computer applications.

Global free trade has benefited American businesses, especially those that export goods. American multinational companies, however, have created many new jobs in foreign countries where labor is cheaper, workers are well-skilled, and growing markets are emerging. Thus, U.S. manufacturing has actually grown, but many of the jobs are overseas.

In 2010, MIT economist David Autor published a widely discussed study of U.S. jobs and workers. He found that high-skill, high-wage jobs and low-skill, low-wage jobs were growing.

Autor discovered, however, that middle-skill, middle-wage jobs were disappearing and hit hard in the Great Recession. These are the blue- and white-collar jobs like those in the manufacturing, office-work, and sales areas filled by those with a high school education. Autor concluded that automation of routine work and off-shoring of jobs to foreign countries were the key causes of the missing middle.

Another economist, Michael Spence of New York University, studied job creation in the U.S. between 1990 and 2008. He found that almost all the new jobs were low-wage ones, mainly in services that had to be consumed in the U.S. (like home health-care work).

Spence also found that high-skill jobs like those in management commanded top pay but were relatively few. Mid-skill, mid-wage jobs such as steelmaking were vanishing because companies were adopting automated machinery and off-shoring or creating jobs overseas.

Men are facing tougher job opportunities today. One reason is that opportunities are now open to women in fields that were traditionally the exclusive province of men. Also male workers have been concentrated in industries like mid-wage manufacturing that are shedding jobs. Women are more apt to be employed in growing service industries like health care. But most of these jobs tend to be low-wage.

In High School Enough?

For the first time ever, American workers today face tough world-wide job competition. Yet, U.S. workers are falling behind in the level of skills and education possessed by increasing numbers of foreign workers.

The U.S. once led the world in high school and college attendance and graduation rates. This produced the best educated and skilled labor force in the world. No more. ▶



WHAT WILL THE JOBS of the future look like? How can American workers be prepared?

Today, the high school graduation rate of most European countries exceeds 80 percent compared to 75.5 percent in the U.S. While 70 percent of high school grads go to college, only 40 percent get a two-year associate or a four-year bachelor's degree by their mid-20s. The U.S. now has the highest college dropout rate among industrialized nations.

Women are proving more successful than men in college. Women make up a majority of U.S. college students and earn 57 percent of all college degrees. White men with college degrees trail at 44 percent with black and Hispanic males far behind them.

The causes of this educational achievement slowdown in the U.S. are not entirely clear. They may be related to faltering K-12 schools and the cost of college going up over 500 percent in recent decades. Many students are graduating from college in debt from student loans. The average debt for new college grads is about \$27,000. Is it worth it?

A 2012 Census Bureau report found education made a great difference in average earnings. A high school dropout earns an average of \$18,000 a year compared to a high school graduate's \$27,000, a college graduate's \$48,000, and an advanced degree holder's \$62,000. (The figures are rounded off.)

A 2011 study for the Brookings Institution determined that the average cost of a four-year college degree is \$102,000. The study found that the

lifetime earnings advantage of an average college grad was \$570,000 more than what one with just a high school diploma would earn.

A college education provides a definite advantage for securing a good-paying job. But 50 to 60 percent of Americans never complete a college degree.

Occupations that typically need some type of post-secondary education for entry are projected to grow the fastest during the 2010-20 decade.

By 2009, the years of education required for the average U.S. job was 13.5 and increasing. This seems to indicate that a high school diploma, the gold standard for middle-class jobs for over a century, may no longer be enough. A 2011 Harvard Graduate School of Education study concluded, "The message is clear: in 21st century America, education beyond high school is the passport to the American Dream." Yet, this does not mean everyone seeking a well-paying job has to get a four-year college degree.

Male workers who do best in a factory setting or hands-on jobs like electrical work, and female workers

who seek jobs in services like health care can still achieve a middle-class income today. But to do the complex and higher paid jobs that more employers are now offering, workers will have to upgrade their skills.

They can get more more education and skills without going to a four-year college. One way is to get vocational training, job certification, and the Associate (A.A.) degree offered by two-year community colleges. Another way calls for companies and labor unions to combine to create apprenticeship programs that offer job training and work while a student is still in high school or right after graduation. Germany uses such apprenticeships to train youth for 350 occupations that are in demand.

Well-Paying Jobs

In February 2012, the U.S. Bureau of Labor Statistics (BLS) released its latest projections for the fastest growing occupations between 2010 and 2020. Economic predictions, of course, are not always accurate, but the BLS stated: "Occupations that typically need some type of post-secondary education for entry are projected to grow the fastest during the 2010-20 decade."

A question arises over what types of companies create the most American jobs. For many years, it was thought that small businesses created most jobs in America. A recent study of the past decade by the BLS, however, found that employment at large companies (those with at least 500 employees) rose by 29 percent, more than twice the increase in smaller companies.

Yet another recent study by the Kauffman Foundation (which calls itself the "world's largest foundation devoted to entrepreneurship") found the real American job-makers are "startups," new, often innovative, companies in their first year of operation. Using U.S. Census Bureau data, this study found that between 1977 and 2005, first-year startups averaged 3 million net job gains per year. Some startups go on to be very successful job creators over time such as Domino's Pizza and Oracle,

a software developer. Each has created more than 100,000 jobs since the 1980s.

The challenge for American businesses is to innovate and create well-paying jobs that remain in the U.S. An example might be jobs to manufacture, install, and maintain a nation-wide infrastructure for recharging electric cars.

The challenge for American workers, especially the younger generation, is to take steps to acquire the skills and education they will need if they want a middle-class standard of living. The American

Dream is within reach, but workers must prepare themselves more than ever to secure it.

For Discussion and Writing

1. How does unemployment in the Great Recession appear to be different than in other recessions? Why do you think this is?
2. What U.S. employment trend do you think is the most serious today? Why?
3. What kinds of workers do you think need the most help to secure a well-paying job? Why?

For Further Reading

Clifton, Jim. *The Coming Jobs War*. New York: The Gallup Press, 2011.

Peck, Don. *Pinched: How the Great Recession Has Narrowed Our Futures & What We Can Do About It*. New York: Crown Publishers, 2011.



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ACTIVITY

More Well-Paying Jobs

Along with businesses, labor unions, and workers themselves, the federal government has a role to play in the development of well-paying jobs.

1. Students will meet in small groups to discuss and evaluate the policy proposals listed below for more well-paying jobs.
2. The groups will each decide on three recommendations, selected from the policy proposals below, to make to the U.S. president. The groups may also want to include their own ideas for developing more well-paying jobs in the United States.
3. The groups will make an oral or PowerPoint presentation, backing up their recommendations with facts and other information from the article.

Policy Proposals

- Support startups by making it easier for them to get credit, easing government regulations, offering tax breaks, and reducing the time to secure patents.
- Keep more jobs at home by providing tax breaks to consumers who buy products made in the U.S.
- Fund federal infrastructure building or repair of roads, rail lines, bridges, broadband Internet, and other such projects along with skill training for unemployed workers.
- Retrain older workers by upgrading their education and skills to match the needs of today's employers.
- Organize with businesses and labor unions a nation-wide apprenticeship program for high school students and young adults.
- Fund two-year community college programs for job and skills certification tied to the needs of local employers.
- Expand federal college grants to enable more students to go to college without amassing huge loan debts.
- Fund more basic research, especially in the sciences, to prepare the way for innovation by businesses.
- Continue federal benefits for the long-term unemployed, but require them to enroll in job retraining programs or college.
- Provide tax breaks for businesses that hire unemployed workers in the U.S.
- Establish a national jobs database that lists job offerings and the education and skills required for them.

About Constitutional Rights Foundation

Constitutional Rights Foundation is a non-profit, non-partisan educational organization committed to helping our nation's young people to become active citizens and to understand the rule of law, the legal process, and their constitutional heritage. Established in 1962, CRF is guided by a dedicated board of directors drawn from the worlds of law, business, government, education, and the media. CRF's program areas include the California State Mock Trial, youth internship programs, youth leadership and civic participation programs, youth conferences, teacher professional development, and publications and curriculum materials.

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