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THE KANSAS CITY STAR

Economy showed only paltry employment gains in 2010

By Diane Stafford, January 7, 2011



It was the year of the discouraged worker and the long-term unemployed.

It was the year when the share of the population in the labor force dwindled to 64.3 percent, the lowest since 1984.

Friday's government report on December joblessness tied a ribbon around a 2010 employment package nobody wanted:

- The nation ended the year with about 130.7 million payroll jobs, a scant 1.1 million increase from 2009. That kept us far below the 137.9 million jobs the country had before the recession began three years ago.
- More than half a million discouraged workers — those who at least temporarily stopped searching for work — dropped out of the labor force. In December there were about 1.3 million people in that sector.
- The number of long-term unemployed — those who have been job hunting for 27 weeks or more — rose during the year to 6.44 million, or 44.3 percent of job hunters, up from 40.1 percent.

“I think everybody looking for work had a bad year last year,” said David Kreher, founder of ExecuPros, a Kansas City employment agency that specializes in the mature, professional workforce. “There are some incredibly talented people out there that can bring a lot to companies.”

The December 2010 jobs report from the Labor Department said the unemployment rate fell to 9.4 percent from 9.8 percent in November, the only significant decline reported for the year, with employers adding about 103,000 jobs.

But most economists discounted the drop in the jobless rate as a statistical fluke that reflected the shrunken labor force rather than hiring. About 434,000 people dropped out of the labor force last month, quitting work or stopping active job searches.

The year that began with three months of increasing job creation saw a reversal of fortune the rest of the year with job losses or tiny gains. In the end, 2010 produced about one-third of the average monthly jobs needed.

Still, “been down so long it looks like up to me,” said Richard Curtin, director of Thomson Reuter/University of Michigan Survey of Consumers, comparing 2010’s net gain of 1.1 million jobs to 8.4 million jobs lost in 2008 and 2009.

The nation needs to add about 300,000 jobs a month — or 11 million over five years — to re-absorb the nation’s 14.5 million unemployed workers.

Federal Reserve Chairman Ben Bernanke said Friday it might take four or five years for the labor market to return to prerecession strength.

The Fed is continuing with a plan to pump \$600 billion into the financial system to encourage bank lending and spending by employers.

In fact, many employers have found that they can extract productivity gains from smaller workforces and have no plans to return to prior payroll levels.

“If we continue at this pace, we’re not going to see sustained declines in the unemployment rate,” Bernanke warned members of the Senate Budget Committee.

Persistent unemployment was one impetus for the \$858 billion bill signed last month by President Barack Obama to extend all Bush-era tax cuts for two years and reduce the FICA payroll tax for a year.

The bill also renewed through this year extended unemployment benefits. Numbers show there’s little decline in the need for help.

“Weekly unemployment claims are still averaging more than 400,000,” said Dean Baker, co-director of the Center for Economic and Policy Research in Washington. “The economy did not start generating jobs at all following the last recession (2001) until weekly claims fell below 400,000 in 2003.”

The job market, especially for older, unemployed workers, remains “nonexistent,” said Marsha Hirsch, a Kansas City educator who has been searching for 1 1/2 years for anything in the education or nonprofit fields.

Wayne Wilder of Dallas, who has been applying for sales positions, said he’d found that instead of hiring from outside, employers were filling positions “by an internal candidate,

or they are so caught up with internal changes to deal with the economic headwinds that everything has been placed on hold.”

Even for workers who stayed employed — and that was somewhat easier in 2010 than 2009 because mass layoffs in most industries had eased — there was discouragement.

Raise pools generally stayed at or below the rate of inflation. The average work week stayed at or near a historic low (it was 34.3 hours in December), which meant less overtime. And over the year, average hourly earnings grew by a tiny 1.8 percent.

Economists warned that if more people decided to re-enter the workforce, the unemployment rate probably would rise again.

Steven Wood, economist with Insight Economics, noted that if the labor force had grown as quickly in the last 2 1/2 years as it had been growing before the recession began, “another 5.6 million would also be counted as unemployed, and the official unemployment rate would be over 13 percent.”

Furthermore, the “official” jobless rate of 9.4 percent is discounted by some job market analysts who say the broadest measure of unemployment — now at 16.7 percent — is a more accurate reflection of the employment situation.

That percentage includes workers who have temporarily stopped job hunting because they’re discouraged as well as workers forced to take part-time rather than full-time jobs because those were the only jobs they could get.

At year end, the only significant job growth was occurring in two sectors — health care (a net gain of 35,000 jobs) and leisure and hospitality (a net gain of 47,000).

Unfortunately, most jobs in the latter sector are relatively high-turnover, low-paying positions. Better-paying professional, financial and manufacturing sectors showed negligible gains, while the construction and government sectors lost jobs.

Government payrolls shrank, particularly at the state and local levels, where budget cuts were taking place.

Among some modest positives in the December jobs report, the Labor Department revised previous job-creation numbers. October’s net payroll gain moved up to 210,000 from 172,000, and November’s advanced to 71,000, up from 39,000.

That meant an average monthly gain of 128,000 jobs over the last three months — or about half what’s needed to reduce the unemployment rate.

“Without a bold and committed investment in job creation and infrastructure modernization, we will see paltry job growth indefinitely,” said AFL-CIO president Richard Trumka.

However, other forecasts for 2011 reflect some modest optimism. A survey of public accounting professionals, released Friday by Sageworks Inc., a financial analysis firm, found 89 percent saying businesses would hire more people this year than in 2010.