

The Jobs Picture Still Looks Bleak

Many outsourced jobs will never return, and median income will likely continue to fall just like it did during the last so-called recovery.

By [ROBERT REICH](#)

The U.S. economy added 162,000 jobs in March. That sounds impressive until you look more closely. At least a third of them were temporary government hires to take the census—better than no job but hardly worth writing home about. The 112,000 real new jobs were fewer than the 150,000 needed to keep up with the growth of the U.S. population. It's far better than it was—we're not hemorrhaging jobs as we did in 2008 and 2009—but the bleeding hasn't stopped.

Since the start of the Great Recession in December 2007, the economy has shed 8.4 million jobs and failed to create another 2.7 million required by an ever-larger pool of potential workers. That leaves us more than 11 million jobs behind. (The number is worse if you include everyone working part-time who'd rather it be full-time, those working full-time at fewer hours, and people who are overqualified for the jobs they're in.) This means even if we enjoy a vigorous recovery that produces, say, 300,000 net new jobs a month, we could be looking at five to eight years before catching up to where we were before the recession began.

Given how many Americans are unemployed or underemployed, it's hard to see where we get sufficient demand to support a vigorous recovery. Outlays from the federal stimulus have already passed their peak, and the Federal Reserve won't keep interest rates near zero for very long. Although consumers are beginning to come out of their holes, it will be many years before they can return to their pre-recession levels of spending. Most households rely on two wage earners, of whom at least one is now likely to be unemployed, underemployed or in danger of losing a job. And even households whose incomes have returned are likely to be residing in houses whose values haven't—which means they can't turn their homes into cash machines as they did before the recession.

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Martin Kozlowski

While consumers have been shedding their debts like mad—often simply by defaulting on loans—their remaining burdens are still heavy. At the end of last year, debt averaged \$43,874 per American, or about 122% of annual disposable income. Most analysts believe a sustainable debt load is around 100% of disposable income, assuming a normal level of employment and normal access to credit—neither of which we are likely to have for some time.

Some economic cheerleaders say rising stock prices are making consumers feel wealthier and therefore readier to spend. But most Americans' biggest asset is their homes. The "wealth effect" is felt mainly by the richest 10%, whose net worth is largely stocks and bonds. The top 10% accounted for about half of total national income in 2007. But they were only about 40% of total spending. A vigorous jobs recovery can't be based on 40% of what was spent before the economy collapsed.

What's likely to slow the jobs recovery most, however, is the indubitable reality that many of the jobs that have been lost will never return.

The Great Recession has accelerated a structural shift in the economy that had been slowly building for years. Companies have used the downturn to aggressively trim payrolls, making cuts they've been reluctant to make before. Outsourcing abroad has increased dramatically. Companies have discovered that new software and computer technologies have made many workers in Asia and Latin America almost as productive as Americans, and that the Internet allows far more work to be efficiently moved to another country without loss of control.

Companies have also cut costs by substituting more computerized equipment for labor. They've made greater use of numerically controlled machine tools, robotics and a wide range of office software.

These cost-cutting moves have allowed many companies to show profits notwithstanding relatively poor sales. Alcoa, for example, had \$1.5 billion in cash at the end of last year, double what it had on hand at the end of 2008. It managed this largely by cutting 28,000 jobs, 32% of its work force. But for workers, there's no return. Those who have lost their jobs to foreign outsourcing or labor-replacing technologies are unlikely ever to get them back. And they have little hope of finding new jobs that pay as well. More than 40% of today's unemployed have been without work for over six months, a higher proportion than at any time in 60 years.

The only way many of today's jobless are likely to retain their jobs or get new ones is by settling for much lower wages and benefits. The official unemployment numbers hide the extent to which American workers are already on this downward path. But if you look at income data you'll see the drop.

Among those with jobs, more and more have accepted lower pay and benefits as a condition for keeping them. Or they have lost higher-paying jobs and are now in new ones that pay less. Or new hires are paid far lower wages than the old. (In January, Ford Motor Co. announced that it would add 1,200 jobs at its Chicago assembly plant but didn't trumpet that the new workers will be paid half of what current workers were paid when they began.) Or they have become consultants or temporary workers whose pay is unsteady and benefits nonexistent.

This shift also helps explain why the unemployment rate for Americans with college degrees is now only 5%, while it is 10.5% for those with only a high-school degree, and 15.6% for Americans with less than a high-school diploma. The jobs of well-educated Americans, although hardly immune to foreign outsourcing and technological displacement, have been less vulnerable to these trends than the jobs of Americans with fewer years of education.

The likelihood, therefore, is that as the economy struggles to recover and today's jobless begin to find work, the median wage will continue to fall—as it did between 2001 and 2007, during the last so-called recovery.

More Americans will be working, but for pay they consider inadequate. The approaching

recovery will be tepid because so many people will lack the money needed to buy all the goods and services the economy can produce.

Americans will once again be employed, but they will also be back on the downward escalator of declining pay they rode before the Great Recession.

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