



ISSUE BRIEF

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Still No Job Recovery “Jobs Gap” Shows Economic News Still Not Good Enough

By Jeff Thompson

State-level data for October released today show that unemployment rates declined in 36 states and employment grew in 35, including Oregon. This news, along with other recent economic news, does not mean there has been a recovery in the labor market. The low levels of job growth in recent months have failed to absorb growth in the working-age population, let alone replace the jobs lost due to the recession. Nationally and in Oregon there is still a large “gap” between jobs and the number of people needing jobs. The recent improvements in the job market are still not enough to declare a labor market recovery.

The National Scene

After falling into recession in early 2001, the US economy, including almost every state, lost jobs. During the official recession, 42 states experienced decreasing employment, while the other 8 states saw unemployment rise, for a total of 1.5 million jobs lost nationally.¹

Even after the recovery "officially" commenced in November 2001, employment losses continued. Most states saw further job losses between November 2001 and October 2003, with national job losses totaling nearly 770,000, despite the recession having ended.

Recent economic reports have hinted at good news. The US economy has produced jobs in each of the last three months, averaging 95,000 jobs per month. The gains, however, remain too small to absorb growth in the working-age population (age 20-64). Just to keep up with this growing population, employment would have had to increase by nearly 150,000 jobs each month.²

Employment remains 2.4 million jobs below the level at the start of the recession, while the working-age population has increased 4.5 million over the same period, resulting in a 6.9 million “jobs gap.” Despite the job growth in recent months, this jobs gap continues to grow.

The jobs gap continues growing despite promises from the Bush administration that its 2003 “Jobs and Growth” tax cuts would generate jobs. Employment growth through October fell nearly 1 million short of the 1.2 million jobs predicted by supporters of the federal tax cuts.³

Until employment rises enough to absorb growth in the working-age population, job prospects will remain bleak for the unemployed. Unless job growth can keep up with population growth it cannot hope to replace jobs for the millions thrown out of work in recent years.

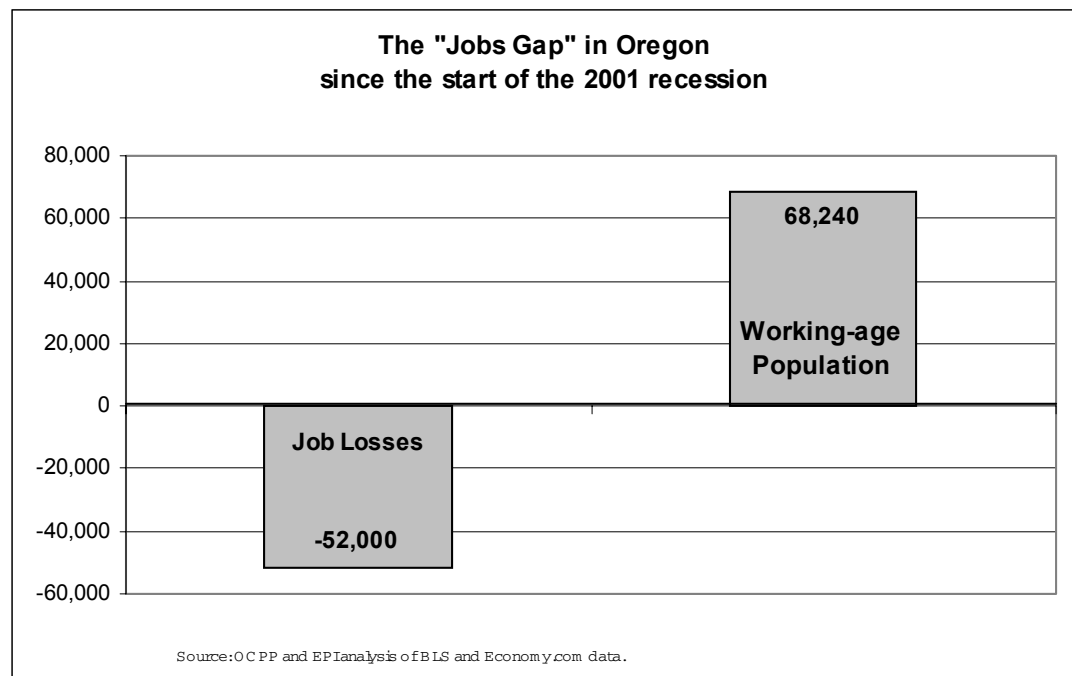
Oregon's Failed Recovery

Since early 2001, Oregon's economy has generally followed the national script, including job losses and rising unemployment. Oregon has experienced greater unemployment and job losses than most other states because Oregon has a higher concentration of employment in the industries hit hardest during the recession, and the state has continued to see higher than average population growth despite a lack of jobs.

Like the rest of the country, Oregon's economy has received some good news in recent months. Oregon's unemployment rate fell to 7.6 percent in October, down from 8.1 percent in September. Employment also increased in each of the three most recent months. Employment in Oregon, however, remains 16,000 lower than in the same month last year, and it is still down 50,000 jobs from prior to the 2001 recession.

The recent job growth barely makes a dent in the considerable gap that has built up as a result of both the job losses and growth in the working-age population since early 2001. Employment in Oregon remains 52,000 lower than when the recession started, while the working-age population grew by approximately 68,000 since that time, leaving a gap of roughly 120,000 jobs that need to be created.

Job losses and growth in working-age population leave a gap of roughly 120,000 jobs that need to be created.



In October, Oregon's employment was 13,000 jobs lower than when the recession officially ended in November 2001. The working-age population, however, rose 47,000 over the same period. Job growth since November 2001 has not only failed to provide work for those losing jobs during the recession, but it has not been enough to keep up with the growing population.

Simply replacing jobs lost due to the recession won't be enough to declare a labor market recovery. To put Oregonians back to work, the economy must also produce enough jobs to absorb the growth in the working-age population.

Federal tax cuts have also done little to spur job growth in Oregon. Following claims of the supporters of the 2003 Jobs and Growth tax cuts, Oregon would have expected more than 17,000 new jobs by October. Instead, employment in Oregon has declined by 1,600 since passage of the federal tax cut.⁴

Summary

The cold economic winds that have braced workers in Oregon and other states since early 2001 continue to blow. The recession was officially declared over as of November 2001, but the “jobs gap” shows that the job market has yet to recover.

Endnotes

¹ See National Bureau of Economic Research Business Cycle Dating Committee for US recession dates. Available at <http://www.nber.org>.

² “Working-age” population here refers to the 20 to 64 year old population. These data are from Economy.com, and are made available through the Economic Policy Institute. Since many unemployed workers have left the labor market due to poor job prospects, and many young workers or immigrants have failed to enter the job market for the same reason, changes in the “labor force” as measured by the Bureau of Labor Statistics do not adequately capture the size of the population needing jobs. The working-age population continues to grow and need work despite the health of the labor market.

³ Economic Policy Institute, JobWatch.org (<http://jobwatch.org>).

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