

ADA

AMERICANS FOR DEMOCRATIC ACTION

1625 K Street, N.W. * Suite 210 * Washington, DC 20006 * (202) 785-5980 * 785-5969

info@adaction.org * <http://www.adaction.org>

First Friday Report on Unemployment

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GENERAL UNEMPLOYMENT

This week's Bureau of Labor Statistics (BLS) report lists the official unemployment rate as 9.7% for May 2010, showing a modest improvement in the job market in the last month. BLS says that the economy is improving with 431,000 jobs added in May, making this the fifth consecutive month of positive job growth. Despite these encouraging numbers, the job market has yet to fully recover and many people still are still struggling.

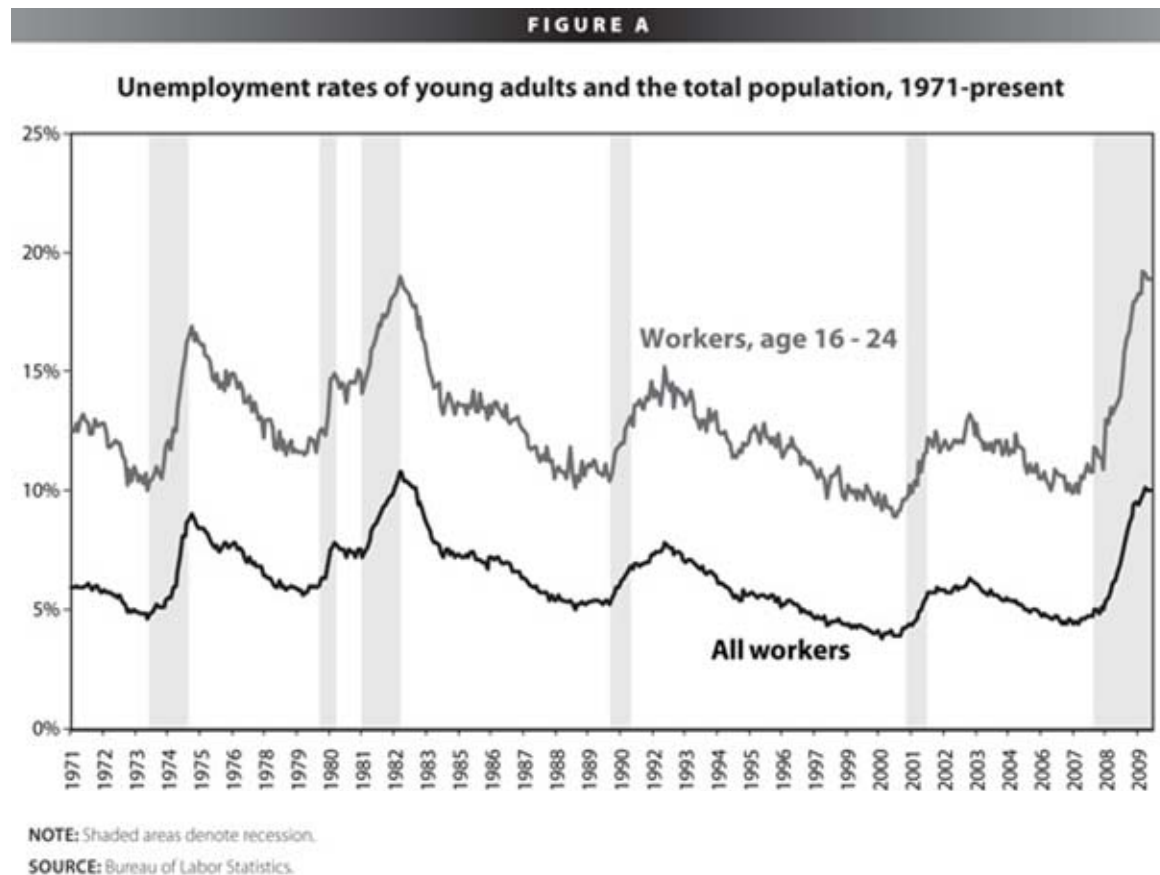
If underemployed and discouraged workers are included to the official unemployment rate, the number jumps to 16.6%, which portrays a more accurate view of the labor market. In addition, 5.2% of our employed workforce is working more than one job out of economic necessity. This statistic alone illustrates the desperation in the labor market.

"The economy is still at a tenuous position." said Michael J. Wilson, National Director of Americans for Democratic Action. "So far we've avoided a double dip, and a jobless recovery. We are making progress. It's just not clear how long it will be before we have anything approaching regular employment."

As the economic recovery continues, it's important to look at the duration of unemployment. At the moment, 6.6 million people have been unemployed for 27 weeks or longer and another 2.7 million have been unemployed for less than five weeks. On a seasonally adjusted basis, this is an increase in short-term unemployment and a decrease in long-term unemployment. While this is encouraging, one should not ignore the 6.6 million people who have been out of work for 27 weeks or more. It is moving in the right direction, but slowly.

YOUTH UNEMPLOYMENT

Young adults continue to be especially hard-hit as the Great Recession begins to abate. Last month the unemployment rate for those aged 16-24 was 18.0%, a full 8.3% higher than the general unemployment rate. While this has improved in recent months, it still presents a daunting challenge. Young workers lack of experience hampers them as they compete with experienced workers for scarce job opportunities. In addition, the recent recession has the potential to damage their long-term employment prospects. Beginning your career as an unemployed worker does not help your resume or your morale.



As shown in the above graph, the unemployment rate for younger workers has consistently been significantly above that for the general population, and the discrepancy has only gotten worse.

One solution to fight the challenge is to provide additional funding to proven programs that help younger Americans transition into the workforce. Three well established and “shovel-ready” programs that help young people build indispensable experience are the Peace Corps, AmeriCorps and the Job Corps. Representative Jim McDermott recently introduced H.Res. 1396

in the House; this bill would double the funding and would provide essential opportunities to first time workers.

If the “Corps” programs are expanded, they will provide young people with valuable experience as they enter the workforce. Along with other jobs legislation, the “Corps” programs can help to increase employment among young people while fostering a commitment to community service.

ECONOMIC IMPACT OF UNEMPLOYMENT

The Manchester Index is the measurement that takes into account the number of unemployed workers plus the amount of time they have been out of work to produce a total amount of labor lost due to unemployment. Right now the index is at 515.1 meaning 515,100,000 weeks of work have been lost. Assuming a weekly salary is \$636.17, this means a total of \$334.2 billion worth of goods and services have not been produced due to unemployment. This number affects everyone who participates in the American economy, not only those without jobs. A comprehensive jobs bill will not only be a huge assistance for those currently out of work, but it will also allow the economy to improve the standard of living for the nation. While the House of Representatives recently passed a scaled-down package of unemployment insurance and tax credits, comprehensive jobs legislation is still needed. Infrastructure spending and targeted tax incentives are two ways of reducing unemployment that could be used with a number of others in a comprehensive jobs package.