# Mort Zuckerman: 5 Sure-Fire Ways to Create More Jobs

*By Mortimer B. Zuckerman | US News – Fri, Dec 9, 2011 9:30 AM EST*

One does not like to rain on the parade of headlines that the unemployment rate has fallen 0.4 percentage points to 8.6 percent. It is better news than bad that 120,000 jobs were created in November, but we need a much bigger umbrella to feel comfortable; just to march in step with population growth we need a minimum of 150,000 a month.

For the American worker, these are by far the worst of times since the Great Depression. The unemployment rate, the highest and most sustained in seven decades, is even grimmer than suggested by the dismal overall statistics. It is calculated from a base of only 60,000 households. Experts have concluded that the combined unemployment and underemployment rate is slightly above a staggering 20 percent of the labor force. That's not far from the Depression's worst year of 24.9 percent and on a par with 1935, when President Franklin Roosevelt's measures had begun to have some effect.

Today fully 40 percent of the jobless have been out of work for six months or more, compared with 10 percent in 2007. The average period of unemployment now exceeds 26 weeks, substantially above the previous peak of 21.2 weeks in July 1983. This is a critical development. The longer that people of any age are out of work, the less likely they are to find another job; their skills and their contacts, particularly in dynamic industries like technology and marketing, quickly atrophy. The less skilled are hit hardest, as the impact of new technologies and globalization has left many people unable to respond to this dramatic and fundamental change in the labor market.

But wait. The real numbers are even more awful than the official figures. Many people are simply not counted as unemployed because they have stopped looking. Had it not been for the--wholly justified--extension of unemployment benefits to 99 weeks from the normal 26 weeks, many more would have stopped looking; they need to keep at it to qualify for those extended benefits. The catastrophe for the individuals and the country is that whereas 96 percent of American men between the ages of 25 and 54 worked during the mid-1950s, now only around 80 percent do. One fifth of all men in their prime working age do not have jobs. We have a generation of the economic walking dead.

The recovery, if it can be called that name, is surprisingly weak. For hiring to occur at a recovery-level pace, we would need at least a half million more hires per month than we are now seeing. Two years after the trough of the recession, we have recovered less than 20 percent of the jobs lost; typically, by now total non-farm payrolls would have recovered over 200 percent of the jobs lost. Instead of all-time high employment at this stage of the cycle, payrolls today are actually more than 7 million shy of where they were when the Great Recession began.

Most of the activity in the labor market today reflects "churn," the continual process of replacing workers, which is not the same as a net expansion. High labor churn generally means that workers are moving to better jobs in growing sectors that pay higher wages and away from the declining sectors that pay lower wages. That sounds good, but here is another dismaying trend: In previous recessions, something like 1 million more Americans moved on to better jobs. In a healthy labor market, such as 2006 or 2007, American firms were hiring about 5.5 million workers per month. That number is now down to around 4 million, substantially where it has been for the last two years. In effect, almost 35 million Americans are trapped in jobs they would have left in better times.

But what of the recent headlines suggesting an improvement in job growth? Again, there is no silver lining. The apparent improvements result primarily from the decline in the number of layoffs rather than increased hiring. Layoffs have gone from 2.5 million per month in February 2009 to 1.5 million per month now. When an economy hits bottom, it has already shed much of its labor, so layoffs slow. But this does not mean that the labor market is recovering. For that we would need more hiring.

The Great Recession has shown employers that they can make do with fewer workers. Technology helped them manage their labor needs, as have temporary help agencies, which enable companies to hire temps almost instantly and thus reduce the need to hire in anticipation of a pickup in business. In comparison to most previous recoveries, productivity has risen more this time, increasing 3.5 percent in 2009, 3.6 percent in 2010, and continuing into this year, as companies realized greater efficiencies. They include such things as cutting out unnecessary steps in production, scrapping marginal products, or simply squeezing more out of existing employees, all in the process of re-examining everything to come up with a newer business model under the pressure of a long-term downturn.

Predictably, a lot of jobs have also gone overseas. Typically in the 1990s, multinational companies based in the United States added nearly two jobs here for every new job overseas. But in the recent decade, these U.S. firms cut their domestic workforces by 2.9 million and increased them abroad by 2.4 million.

Workers have responded in many ways. One pattern is that many have sought out permanent disability benefits from the federal government. These rolls have dramatically increased from 5 million to 8.2 million in recent years, at an annual cost to taxpayers of some $120 billion, as the share of men of prime working age on disability has grown from 1.5 percent in 1970 to 4.9 percent today.

The outlook is bleak. Over 20 percent of companies say that employment in their firms will never return to pre-recession levels. Another 40-plus percent say it would take revenue growth in the vicinity of 40 percent to return to pre-recession employment levels. Plus, most of the new available jobs don't match the pay, the hours, or the benefits of the millions of positions that vanished during the recession.

There are some very troubling trends in our underlying economy. As the Nobel Prize-winning economist, Michael Spence, points out, of the roughly 27 million jobs created between 1990 and 2008, over 90 percent were in sectors that produce goods and services that must be consumed domestically, such as government and healthcare. But in those sectors of the U.S. economy that produce goods and services that can be consumed anywhere, such as manufactured products, employment grew by a negligible 600,000 from the more than 34 million jobs in 1990. This is evidence that many manufacturing activities have moved to emerging economies, with the possible exception of the high end of the value-added chain, such as computer design and engineering.

The effect of the jobless recovery is cruel. Most everyone is facing an erosion in real wages, as reflected in the decline in real median income of 6.7 percent from June 2009 to June 2011. That's a much sharper decline in the two-year, so-called rebound than in the 18-month recession before that, when real incomes fell by 3.2 percent.

Millions of Americans are facing a lost decade, living from paycheck to paycheck, struggling to pay their bills, having to borrow money and go deeper into debt. Many blue-collar workers and many in the middle class feel they are falling further and further behind, no matter how hard they work. They seem to do poorly in good times and bad, in boom periods and bust, and face a frightening future at a time when global competition has brought into play a vast new workforce ready and willing to do the jobs of American workers. Sadly, many families are just one layoff or one medical emergency away from going into bankruptcy, given the dramatic increase in healthcare costs.

Personal balance sheets have simultaneously collapsed because of the decline of home prices that has caused the evaporation of home equity. That in turn has prompted many to realize that they have dramatically under-saved during their working lives. The week-to-week pressures facing middle-class America are unprecedented, and the political and economic results are unpredictable. Even for the millions of Americans with jobs, there is a sense of deepening anxiety and even fear.

Who among the contenders for the White House has a policy to fix this catastrophe? There were good things in President Obama's belated American Jobs Act that the Republicans had themselves advocated. But they balked. Maybe with better leadership from the president there could have been action instead of deadlock. Clearly, there is no hope of getting anywhere in this dysfunctional Congress until after 2012, and a longer-term series of priorities is imperative. Here's one to-do list:

1. Arrest and reverse the decline in American education that has left a workforce less able to compete in the new world. Skills, not muscle, are the only reliable path to high-wage jobs in an era when technology and globalization allow companies to make new investments in regions where labor is cheap and the newly emerging middle classes are eager for their products.

We have let the education of our young people slide. America's university graduation rates have slipped from near the top of the world to the middle.

2. Visas. Approve many more H-1B visas to permit highly educated graduate students in the hard sciences to work in engineering and technology. Contrary to popular perception of immigrants, these are people who would create more jobs rather than cost jobs. And make it easier, too, for tourists to get visas, as these are people who increase consumer spending here in the United States. In theory, skilled workers in America should benefit from globalization, given their skills and what they produce. But as countries like China rapidly upgrade their workforces through education, we find workers competing with those who get much lower pay.

3. Rationalize the stumbling process of certifying patents, which could and would unleash thousands of start-ups, the single greatest source of new employment.

4. The elimination of a negative impact of policy uncertainty would also help the economy. A metric devised by economists at Stanford University and the University of Chicago shows that policy uncertainty accounts for about 2.5 million jobs lost. For example, they assert there is a widespread view in business that the healthcare bill makes it burdensome to hire and underscores how political uncertainty has made it much more difficult to plan ahead, a key need for every business. The National Federation of Independent Business asked small businesses their biggest problem. Sixteen percent of small businesses cited "government requirements and red tape."

5. Invest in a national infrastructure bank. Investing in overdue maintenance and repairs would create jobs in the short term and raise the efficiency of our private sector economy. Some infrastructure projects could be tolled so that the users would ultimately pay for them, and the projects should be chosen based on merit rather than on patronage. We ought to undertake new projects of the kind that built America. But we are not even keeping up with repairs, which means it will cost much more when our bridges, roads,

dams, schools, and sewage and water systems collapse.

The American Society of Civil Engineers has spelled out the need in convincing detail, but investment is now called that dirty word "spending." So while millions sit idle and interest rates are historically low, the air is filled not with the sound of men at work but with fatuous slogans. We look askance at the Europeans fiddling while Rome burns, and maybe Madrid and Paris next, but Washington is the graveyard of American dreams.

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