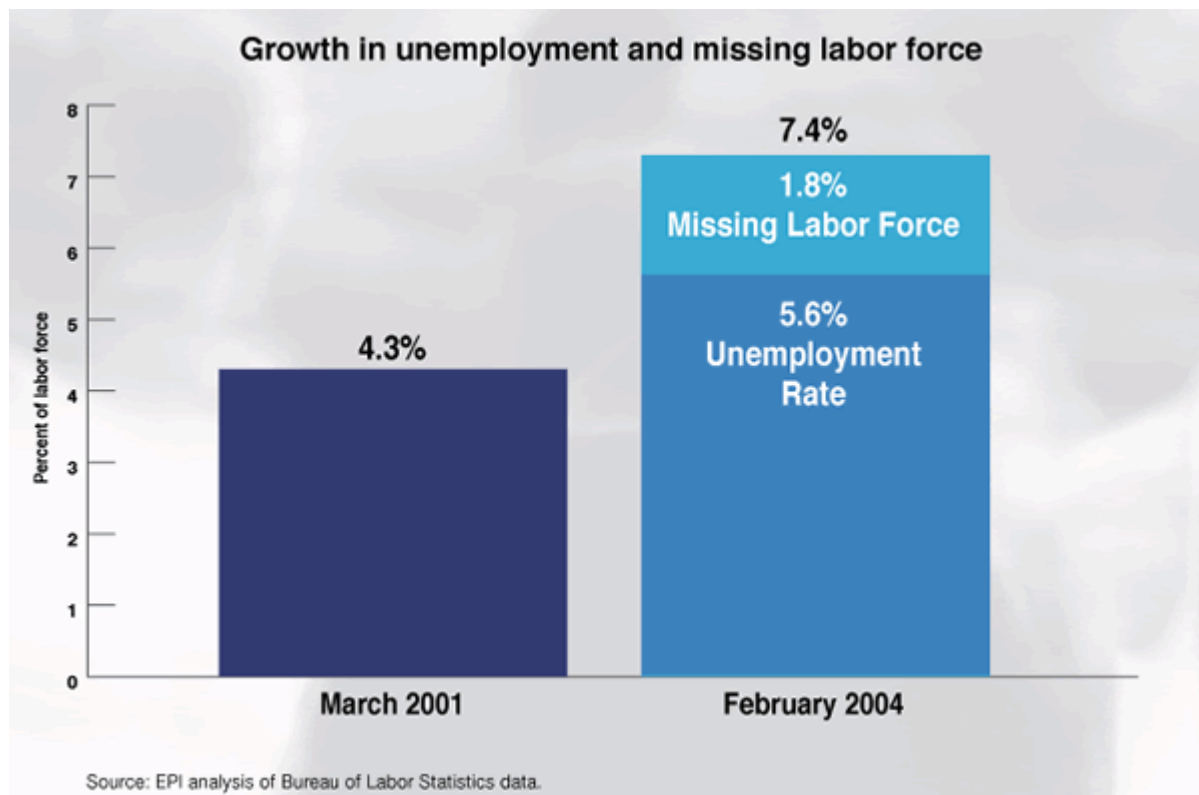




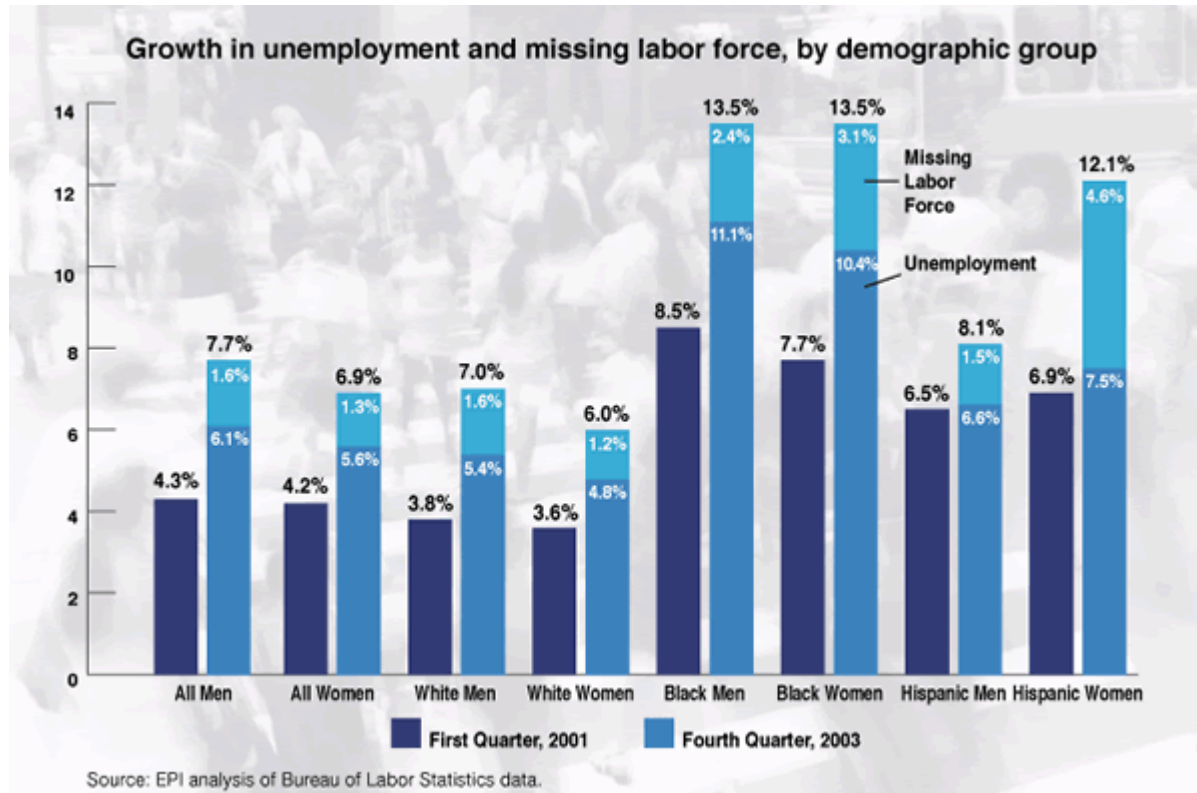
Unemployment measures understate job slack

The number of unemployed workers (currently 8.2 million) and the national unemployment rate of 5.6% in February 2004 do not adequately convey the true labor slack in the economy for several reasons. One major understatement is that the unemployment rate does not reflect the uniquely large 1.2% decline in labor force participation that has occurred since the current recession began in early 2001. This decline represents a stark contrast to the past three business cycles, when labor force participation actually grew by an average of 0.4% of the working-age population over similar lengths of time. Consequently, there is what can be called a "missing labor force" of 2,808,000 workers who might otherwise be in the actual labor force but have either dropped out entirely or failed to enter the labor market because of the lack of jobs. If the unemployment rate in February 2004 took into account this missing labor force, the unemployment rate would have been 7.4%, or 1.8% greater than the official rate of 5.6% (see chart below).



The missing labor force includes workers from all demographic groups but disproportionately consists of black men and women and Hispanic women. The following chart and table analyze the breakdown by race for the last full quarter of data, the fourth quarter of 2003. The missing labor force included 1.4 million men (1.6% of the total male labor force) and roughly 1.0 million women (1.3% of the total female labor

force). Incorporating the missing labor force into the unemployment rate would have resulted in a rate of 7.7% and 6.9%, respectively, for men and women in the fourth quarter of 2003. The missing labor force among blacks consisted of 2.4% and 3.1%, respectively, of the black male and female labor force, and, if incorporated into the unemployment rate, would have resulted in a rate of about 13.5% for both.



Growth in unemployment and missing labor force since recession began in first quarter 2001

Labor force measure	All		White		Black		Hispanic		
	Total	Men	Women	Men	Women	Men	Women	Men	Women
Unemployment rate, first quarter 2001	4.2%	4.3%	4.2%	3.8%	3.6%	8.5%	7.7%	6.5%	6.9%
Labor slack, fourth quarter 2003									
Unemployment rate	5.9%	6.1%	5.6%	5.4%	4.8%	11.1%	10.4%	6.6%	7.5%
Missing labor force as share of total labor force	1.4%	1.6%	1.3%	1.6%	1.2%	2.4%	3.1%	1.5%	4.6%
Implied unemployment rate*	7.3%	7.7%	6.9%	7.0%	6.0%	13.4%	13.5%	8.1%	12.1%
Levels (in thousands)									
Missing labor force **	2,275	1,367	957	1,164	711	212	314	184	398
Unemployed	8,616	4,782	3,834	3,550	2,627	857	906	761	563

*Computed as sum of missing labor force and unemployment divided by sum of labor force and missing labor force.
 **Computed as the change of the labor force participation rate times the working-age population in fourth quarter 2003.

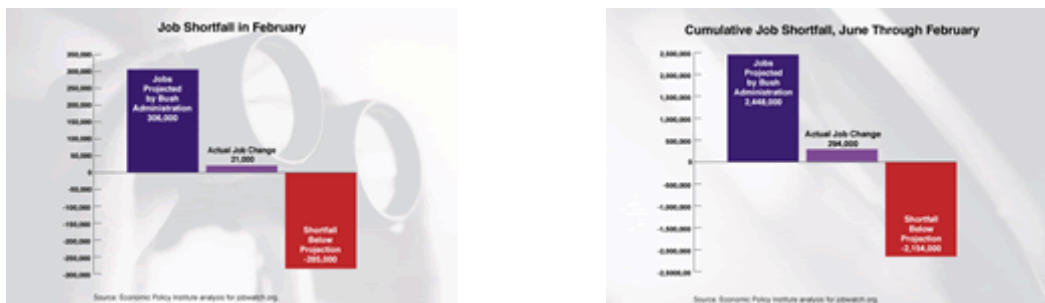
Source: EPI analysis of Bureau of Labor Statistics data.

Another dimension of underemployment not reflected in the official measure of unemployment is the rate of involuntary part-time workers, that is, those who want a

full-time job but are working part time. There were 4.8 million involuntary part timers in the fourth quarter of 2003, equivalent to 3.3% of the labor force.

Bush Administration's tax cuts falling short in job creation

The Bush Administration called the tax cut package, which was passed in May 2003 and took effect in July 2003, its "Jobs and Growth Plan." The president's economics staff, the Council of Economic Advisers (see [background documents](#)), projected that the plan would result in the creation of 5.5 million jobs by the end of 2004—306,000 new jobs each month, starting in July 2003. Although jobs increased by 21,000 in the month of February 2004, the "Jobs and Growth Plan" still fell 285,000 jobs short of the administration's projection. The administration projected that a total of 2,448,000 jobs would be created in the first seven months after the tax cuts took effect. In fact, only 294,000 jobs were created over that period for a cumulative shortfall of 2,154,000 jobs.

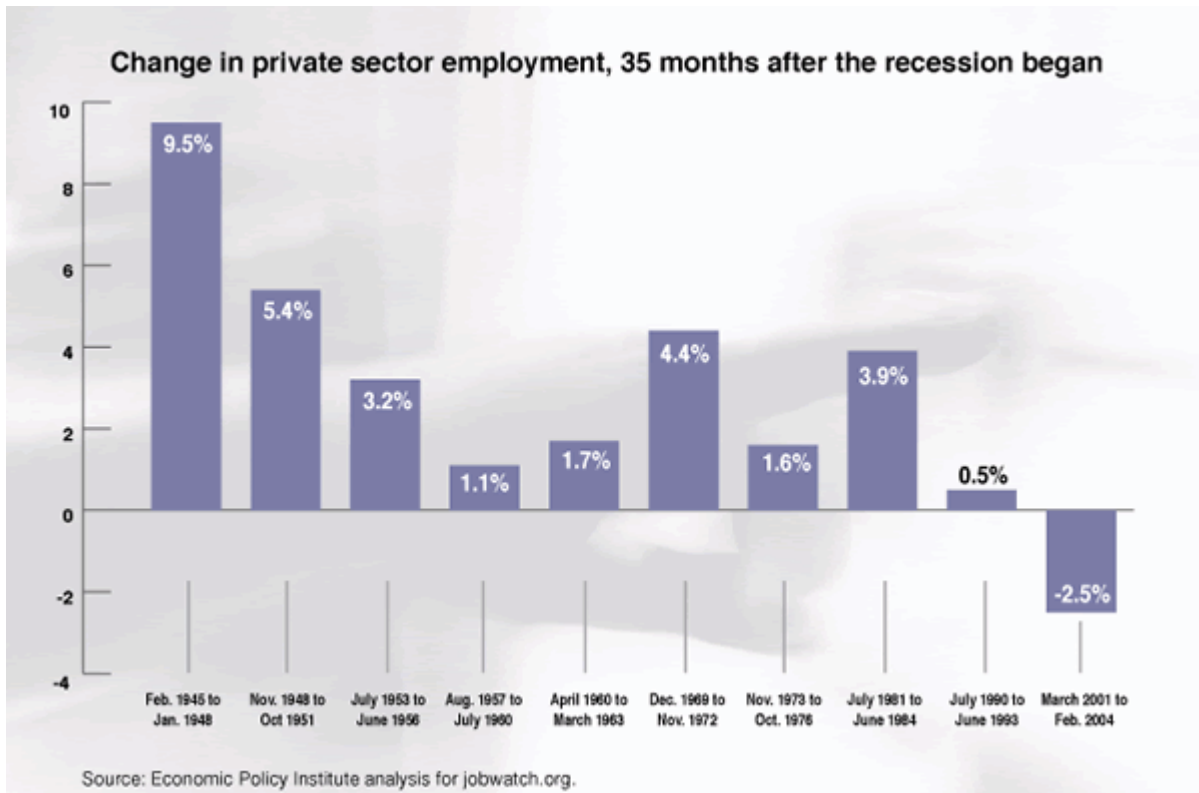
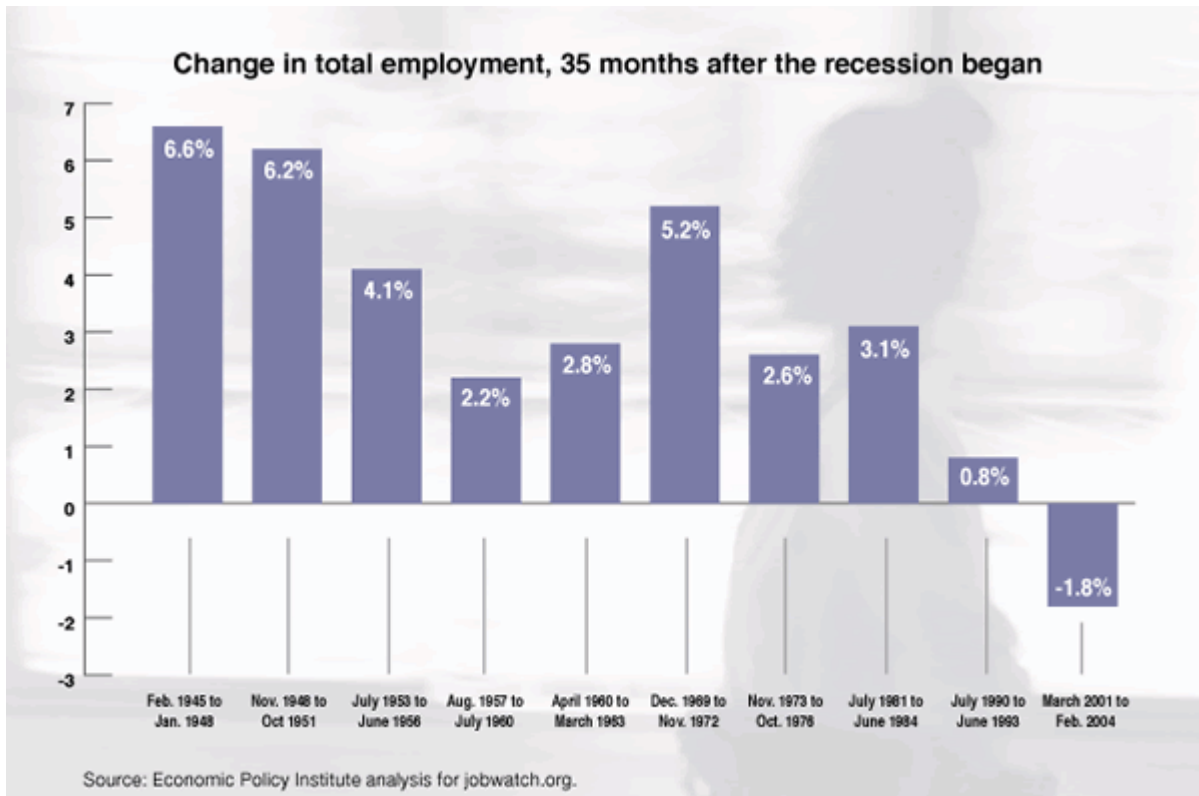


[Click an image above to enlarge]

Greatest sustained job loss since the Great Depression

Since the recession began 35 months ago in March 2001, 2.4 million jobs have disappeared, a 1.8% contraction. The Bureau of Labor Statistics began collecting monthly jobs data in 1939 (at the end of the Great Depression). In every previous episode of recession and job decline since 1939, the number of jobs had fully recovered to above the pre-recession peak within 31 months of the start of the recession. Today's labor market would have 3.3 million more jobs if jobs had grown by the 0.8% rate that occurred in the early 1990s recession and so-called "jobless recovery," the worst record prior to this current period. The picture is bleaker for private-sector jobs, which have dropped by 3.0 million since March 2001, a 2.5% contraction. (See [state data and organizations](#) for more information on your state.)

Since the official end of the recession in November 2001, total jobs have shrunk by 0.7 million (an 0.6% contraction) and private-sector jobs have dropped by 0.9 million (or 0.9%).



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