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# Economic Policy Institute

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**DOWNLOAD REPORT:** <http://www.epinet.org/newsroom/releases/03/08/030822labordayreport-pr.pdf>

## **LABOR DAY 2003: ECONOMY STRUGGLES UPHILL Jobs still down, unemployment still up, wages stalling 20 months into “recovery”**

Economic recovery remains an elusive concept for most Americans this Labor Day, as the recovery that started in November 2001 fails to produce jobs and real wage growth.

Since the start of the recession, the nation has suffered a net loss of 2.7 million jobs – 1 million of them since November 2001, when the recession officially ended and recovery began. Since the start of this recovery unemployment has continued to trend upward, from 5.6% in November 2001 to 6.2% in July 2003. The combination of shrinking jobs and rising unemployment leaves more and more workers stuck in a game of musical chairs that seems hopelessly stacked against them, with three unemployed people for every job opening.

A new Economic Policy Institute report by senior economist Jared Bernstein and EPI’s president Lawrence Mishel gives a detailed picture of this worst hiring slump since the Great Depression. In **Labor Market Left Behind** Bernstein and Mishel analyze current data, track the trends, discuss some of the hidden problems behind the numbers, and offer their forecasts of what’s ahead.

“For too many working families, the current recovery is indistinguishable from the recession,” Bernstein said. “Recent signals suggest growth will improve in the second half of the year, but even optimistic forecasts for unemployment hover around 6%. In other words, we’re looking at little if any improvement in unemployment for at least the rest of this year.”

Among the findings Bernstein and Mishel discuss are these:

- In terms of employment growth, this is the worst recovery ever recorded by the Bureau of Labor Statistics, which began tracking monthly employment in 1939.
- Even if predictions of stronger growth in the second half of 2003 prove accurate, unemployment will stay near 6% through most of 2004.
- During this recovery, unemployment has risen 0.6 percentage points overall and 1.3 points among African Americans.

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*The Economic Policy Institute is a nonprofit, nonpartisan economic think tank founded in 1986.  
The Institute can found on the web at <http://www.epinet.org>.*

- Real wages of the typical (median-wage) worker, which grew about 2% more than inflation through 2001, stopped growing entirely in 2002.
- This is only the second recovery since World War II in which unemployment has not yet started to fall this many months into recovery.
- Employment opportunities have declined more for college graduates than for high school dropouts.
- Underemployed workers – those working fewer hours that they want to or in a job for which they are overqualified – reached double digits (10.2%) in July 2003.

The report notes that current unemployment rates are actually lower than they would be, except for the fact that some two million workers have stopped looking for work in this poor market. They estimate that if these two million missing workers were actively seek work today, the unemployment rate would be near 7%. When the economy starts to pick up, these workers are likely to start job-hunting again. As a result, unemployment could actually increase for a time, even if the pace of new job growth speeds up.

The gender gap has closed recently, with the ratio of female to male median wages reaching a historic high of 81.3%. The gap is closing, however, not because women's wages are moving up toward parity with men, but because men's wages have been dropping while women's wages remain stagnant.

Looking ahead, Bernstein and Mishel note that although the pace of recovery will pick up, it is unlikely that unemployment will drop very much before the end of next year. The more pessimistic Blue Chip forecast is for unemployment of 6.2% at the end of 2004. Even the administration's own forecast, the most optimistic of all, is for 5.8% unemployment at the end of this year and 5.5% at the end of 2004.

“This Labor Day finds more working Americans just treading water, trying to keep their heads above water and waiting for the life raft they've been told is on the way,” said Mishel. “The administration's promised jobs and growth has not arrived and doesn't seem to be anywhere on the horizon.”