Economic Policy Institute

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LABOR SLUMP WORST SINCE GREAT DEPRESSION

New EPI Report Finds Jobs Deficit of Nearly 7 Million, Describes Toll on Wages

The sustained 31-month period of job losses we have experienced sets a record as the longest such period ever recorded in this nation. Even though the economy has gained 286,000 jobs since July, we remain 2.4 million jobs below the jobs level in March 2001, when the recession began. That fact, grim as it is, is only part of what makes this current jobs slump one for the record books.

The newly released data for October shows that last month's job growth, while very good news, is still significantly short of what is needed to stabilize the troubled labor market and stop the decline in real wages and salary income for American workers.

"The drawn-out nature of this job market slump has put our rate of job creation very far behind the pace of population growth," explained Lee Price, research director at the Economic Policy Institute. "With more people for fewer jobs, wages have continued to fall. It's encouraging to see jobs growing any amount again. But until we can reach and sustain job growth of at least 150,000 every month, there will be growing slack in the job market. And until that happens, we are unlikely to see the kind of healthy wage and income growth that can sustain a strong recovery."

A new analysis by Price, published today by EPI, examines the most recent recession and its 31-month aftermath, comparing it with previous recession-recovery cycles. "The Severity of the Current Labor Slump" also looks at the connections between population growth, employment, and unemployment rates to offer new insights on why the severity of this slump is so understated by many of the traditional measures.

"In many ways, the distress in the labor market is far worse than the standard indicators seem to show," says Price. "Unemployment has been higher in the past and job losses have been sharper, but we have never before spent so much time in such a long, deepening tunnel of job losses, with no clear light yet in view."

Among the key facts and findings in the report are these:

- Since the start of the recession in March 2001, we have fallen behind by about 6.9 million jobs that would have been created if jobs had kept pace with growth in the working age population.
- It would take about 1.8 million new jobs per year just to provide work for the young people entering the labor force, without adding to the current jobs gap.
- The lag time between the end of the recession and the beginning of sustained job growth has been much longer in this recession than before. In every previous recession since 1939, the number of jobs had returned to pre-recession levels by the 31-month mark. In October 2003, however, 31 months after the most recent recession started, jobs were still down by 1.8%.
- The official unemployment figure seriously understates the problem because it leaves out about about 2.1 million people who have been sidelined by the downturn and are therefore not counted as officially "unemployed" because they are not now actively seeking employment. If we counted them, the official unemployment rate would be around 7.3%.
- Factoring in the "missing" labor force described above, that means unemployment has risen 3.1 percentage points since the beginning of the recession, the largest rise at this point on record.

Finally, the report shows that the pain of this slump is being borne by working people and their families. The prolonged slump has taken a heavy toll on real wages and salaries which, at 30 months after the recession's start, had fallen 1.2%. Even though there has been an increase in hourly wages over the past two and a half years, those gains have been more than erased by the falling number of jobs and the decline in paid hours of work per job. And, as a result of the ongoing weak demand for labor, hourly pay has fallen during the past two months.