

Why those working-age men who left the U.S. job market aren't coming back

Millions of workers who dropped out of the job market during the last economic slump were supposed to jump back in once things turned around. But more than six years after the Great Recession ended, the missing millions are increasingly looking like they're gone for good.

The nation's labor participation rate — defined as the share of the working-age population that is either working or looking for work — hasn't budged from a 38-year-low of 62.6% this summer. And most experts don't see an upswing on the way.

The reasons include the nation's aging population, swelling ranks of people on disability and changing nature of jobs. But one of the biggest factors has to do with men in the prime of their work lives, particularly those with less education.

Mitchell Johnson of Hawthorne has been unemployed since 2012, when he completed an 11-month construction training program. Married without children, the 26-year-old high school graduate blames it partly on the fact that he isn't a union member.

Johnson says he could probably find low-wage work at a restaurant or retail store, but he is holding out for something better.

"I'm going for a career job," he said. For now, he volunteers at a community work center and relies on sporadic side jobs, such as house painting, and his wife's income from her job at a department store. "I got people to help me out," Johnson said.

Labor participation for men age 25 to 54 has been declining for decades but sped up during the recession with large-scale layoffs in construction and manufacturing. Their growing withdrawal from the job market is especially worrisome because it carries significant social and economic costs.

Collectively, these trends indicate that the U.S.'s potential workforce — and thus productive capacity — may be considerably smaller than previously thought.

Some economists have long argued that the true unemployment figure is a few percentage points higher than the government-reported rate, currently 5.1%, because officials don't count people as unemployed if they're not actively looking for work.

But more and more experts are concluding that the great exodus of workers in recent years isn't going to reverse.

Meanwhile, many workers who have been able to land only part-time jobs are finding that a stronger economy doesn't necessarily lead to more work hours. The number of part-time workers wanting to work full time remains unusually high today, and there's some evidence that this increase since the recession is largely permanent.

"There isn't a lot of hidden slack," said Harry Holzer, a Georgetown University professor and former chief economist at the Labor Department, referring to the pool of jobless and underutilized people ready and able to fill jobs. What that suggests, he said, is that the official jobless rate is pretty close to the real level of unemployment.

That calculation will weigh on the Federal Reserve as it considers later this month whether to raise interest rates for the first time in nine years. The Fed's chief, Janet L. Yellen, had often spoken about a large slack in the economy, suggesting that it was a compelling factor in maintaining the central bank's easy-money policies.

If there are millions more jobless workers than the unemployment rate would indicate, the thinking went, the Fed could keep stimulating the economy with super-low interest rates to help absorb more of the unemployed without worrying about inflation shooting higher. The Fed's benchmark interest rate has been pinned near zero since the depths of the recession in December 2008.

But as more time has passed, it has become harder to make a case that the slack is very big. Though economic growth has been slow and uneven, employers have added new jobs at a fairly steady and solid pace in recent years — about 8 million since mid-2012.

The jobless rate has fallen from a high of 10% in October 2009 to 5.1% last month, very close to what many economists see as an optimum level before inflation pressures build.

Unemployment, to be sure, varies widely across the country, from 4% or lower in many towns in Iowa and Minnesota to double digits in some places in Central California. Still, the overall improvement has been impressive. This summer, there were about 63 job openings for every 100 officially unemployed persons. A few years ago, it was just 16 openings for every 100 jobless workers.

In the past, a recovering economy usually meant rising labor participation as more people gained confidence and got off the sidelines and into the job market.

But not this time. The share of the population 16 years and over in the workforce was 66% in December 2007 when the economy fell into recession, and it has ticked down every year since then to 62.6% the last three months.

If the U.S. had the same labor participation rate today as in late 2007, the nation's workforce would be roughly 8 million larger than the July figure of about 157 million.

Article continues at <http://bit.ly/1ULjbHg>

SEPTEMBER 2015

Region	August 2014	July 2015	August 2015	Percentage Point Change	
				1 month	12 months
San José MSA	5.4%	4.3%	4.1%	- 0.2	- 1.3
San Francisco MD	5.4%	4.3%	4.1%	- 0.2	- 1.3
California	7.6%	6.5%	6.1%	- 0.4	- 1.5
United States	6.3%	5.6%	5.2%	- 0.4	- 1.1

Sector	San Jose MSA	San Francisco MD	Combined Region	Percentage Change (Combined Region)	
				1 month	12 months
Total Nonfarm	1,062,800	1,063,800	2,126,600	+ 0.8 %	+ 5.1%
Construction	45,300	39,400	84,700	+ 1.6%	+ 9.1%
Manufacturing	166,600	36,900	203,500	+ 0.1%	+ 2.9%
Retail Trade	85,500	83,000	168,500	- 0.2%	+ 1.0%
Information	78,200	58,100	136,300	+ 0.4%	+ 10.0%
Professional & Business Services	227,500	272,500	500,000	+ 0.7%	+ 9.7%
Educational Services	43,400	26,100	69,500	- 1.1%	+ 6.3%
Health Care & Social Services	114,800	103,800	218,600	+ 0.3%	+ 3.1%
Leisure & Hospitality	96,800	140,200	237,000	+ 1.7%	+ 4.3%
Government	87,600	121,100	208,700	+ 3.9%	+ 2.5%

NOTE: San José MSA (San José-Sunnyvale-Santa Clara Metropolitan Statistical Area) = Santa Clara and San Benito Counties
San Francisco MD (San Francisco-Redwood City-South San Francisco Metropolitan Division) = San Mateo and San Francisco Counties

Source: California Employment Development Department, LMID

	Labor Force			Unemployment			Unemployment Rate		
	August 2014	August 2015	Change	August 2014	August 2015	Change	August 2014	August 2015	Change
San Mateo County	433,700	449,300	+ 4.0%	18,800	14,900	- 20.7%	4.3%	3.3%	- 1.0
Santa Clara County	999,000	1,039,500	+ 4.1%	53,300	42,000	- 21.2%	5.3%	4.0%	- 1.3
Cupertino	29,400	30,600	+ 4.1%	1,300	1,000	- 23.1%	4.3%	3.3%	- 1.0
Los Altos	14,200	14,900	+ 4.9%	500	400	- 20.0%	3.5%	2.6%	- 0.9
Milpitas	36,700	38,200	+ 4.1%	1,800	1,400	- 22.2%	5.0%	3.8%	- 1.2
Mountain View	48,300	50,400	+ 4.3%	2,000	1,600	- 20.0%	4.1%	3.1%	- 1.0
Palo Alto	35,100	36,700	+ 4.6%	1,300	1,000	- 23.1%	3.7%	2.8%	- 0.9
Santa Clara	66,000	68,800	+ 4.2%	3,200	2,500	- 21.9%	4.8%	3.6%	- 1.2
Sunnyvale	83,400	86,900	+ 4.2%	4,000	3,100	- 22.5%	4.8%	3.6%	- 1.2
Full NOVA Region	313,100	326,500	+ 4.3%	14,100	11,000	- 22.0%	4.5%	3.4%	- 1.1

NOTE: Full region consists of San Mateo County and seven cities in northern Santa Clara County

Source: California Employment Development Department, LMID

August 2015 Events			WARN SUMMARY	
Company	Location	# Affected	Events YTD [†] :	15
Intuit, Inc.	Menlo Park	27	Individuals Affected YTD:	878
Symantec Corp.	Mountain View	60	Individuals Previous YTD [‡] :	674
<i>Company confidential</i>	Milpitas	4		
Total		91		

* **WARN: Worker Adjustment and Retraining Notification** (notice of mass layoff or closure)
[†] **YTD: Year to Date** (Program year: July 1-June 30)
[‡] **Previous YTD:** No data available for San Mateo County, FY2014/15; avoid direct comparisons with YTD numbers

NOTE: Layoff data are preliminary and should be considered an estimate of monthly regional activity

Source: NOVA's internal Rapid Response database