

5.4 MILLION EMPLOYABLE YOUTH NOT INTERESTED IN SEEKING EMPLOYMENT



Millions of employable Americans have simply vanished from the US Labor Force. Over the last couple of years, job-worthy Americans older than 16 years, excluding those who are serving time or are in the military, has grown by 5.4 million. Yet this does not reflect in the number of people seeking work, for their numbers have remained static and not grown at all. The question that is benumbing Federal Reserve policy makers is, where have they disappeared, where have all these workers gone? Is it because the people belonging to the baby-boomer generation have now reached retirement ages? Is it a temporary exodus and they are awaiting better times to return? Or is it that they are lost forever, so disheartened by long, unproductive job searches, that they have given up all hope of landing a job, convinced that no employer wants them. Given the current scenario it does seem likely, that those lost to the labor force are not going to return and are going to join the ranks of the never-again-employed. It is for the Federal Reserve Policy makers to figure out how best to lure these workers back into the fold. Fed officials, in their April 24-25 meeting, accepted that it was essential to comprehend the reasons behind the decline in labor force participation. The minutes of the meeting cited that it is "important for understanding unemployment dynamics going forward." The labor force participation rate showed an increase from 1948 till the end of the 1990s. The number of working women increased. From 33 percent working women in 1948, their percentage increased to 60 percent in 1999. Labor force increase was also due to the fact that the baby-boomers born between 1946 and 1964, reached employable age. Moreover, better health increased longevity at work and people worked longer. This trend, that showed an upward tendency for well nigh, half a century, suddenly turned downward from around 2000. The baby-boomers were now retiring. The employable youth were either in school or just not interested in either studying or working. This led to fewer teenagers seeking work. The numbers in women seeking work became inert and showed no inclination of breaching the 60 percent mark. The recession and sluggish recovery, further added to the grim scenario. Jobs were hard to come by and more workers fell by the wayside, the participation rate falling more sharply than ever. Economists, both from within the government and outside the government, analyzing the data, have concluded that the decline in participation rate is because of the aging population, reaching retirement age and the pre-recession penchant of the youth to keep out of the job market. If the policy makers believe that the trend will be reversed, and people will return to the job market when the pace of the economy quickens, than two things follow. First is that the official unemployment rate may be conveying an erroneous rosy reading of the job market and that the country may be even further away from full employment than what the 8.1 percent jobless rate foretells and that the economy needs a financial push. Secondly, the politically relevant unemployment rate may stay on the higher side. Fed Chairman Ben Bernanke has said, "One reason why the unemployment rate may not fall as quickly going forward [as it has lately] is that as the economy strengthens...many of these folks are going to come back into the labor force looking for work, which I think would be a good thing." However, if they do not return to work when times are better, it could mean more jobless people turning to disability funds and leaving the workforce for ever. Not only is this a colossal waste of human potential. It stalls the progress of the economy. Government deficit will worsen, given that there will be fewer workers to pay taxes. It is important that the government initiate measures, like training, volunteering or even paying unemployment compensations, to keep their enthusiasm from waning. The longer they remain out of work, the more the danger of their falling out of the workforce forever.