

WORKFORCE DROPOUTS ARTIFICIALLY DECREASE UNEMPLOYMENT RATE: IF THEY ARE IN THE MIX, THE RATE WOULD BE NEARER 10 PERCENT



Times are different, as many qualified graduates are finding out to their chagrin and disappointment. Realization has finally dawned that merely having good grades was not enough to earn them a job. Daniel McCune graduated from college three years ago and was certain that it would suffice to get him a federal job as an intelligence analyst. He had majored in Government Service and History and hence, his optimism was perhaps justified. But when his job hunt proved futile, his frustrations lead him to joining the millions of Americans who have stopped looking for a job. McCune said that he has college debts of \$20,000 which has forced him to move in with his parents. "I don't like it, it's embarrassing. I don't want to be a burden to my parents." Latest Government data has shown that the US unemployment rate is now 8.1 percent. Analysts however, say that the fall in unemployment rates is not because of the new jobs created but because more and more people were dropping out of the job markets, discouraged at their futile attempts to land a job. Had they not dropped out and still been in the labor force and in the labor department's unemployment calculations, August's jobless rate of 8.1 percent would probably have been nearer 10.5 percent. The 8.1 percent figure greatly camouflages the severity and genuineness of the jobs crisis. There are 2.5 percent less Americans looking for a job today than there were in 2009. Never has the labor participation rate fallen below its current 63.5 percent in the last three decades. Keith Hall, senior research fellow at the Mercatus Center at George Mason University in Arlington, Virginia said, "We never had a drop like that before in other recessions. The economy is worse off than people realize when people just look at the unemployment rate." Why is the share of able-bodied Americans in the labor force at an all time low? Who are the people who have contributed to it? It's mainly those youth who do not have the experience or expertise and the elderly who have called it quits owing to their age. But also a great contributing factor are those people who have dropped out of the job-hunt race as jobs for them are just not available. So they have opted out, hoping to rejoin when times are better. Federal Chairman Ben S. Bernanke explaining why more and more people are dropping out of the workforce said that there were more people retiring and the American youth were less inclined towards work between periods of schooling than before. He also expressed deep concern at the millions of able-bodied workers who were sitting idle. Not only was it a personal tragedy for them as they were drifting into homelessness and poverty, they were also unable to contribute to the country's growth. Moreover, they become dependent on the state and an encumbrance for those who work and pay their taxes. The job crisis prompted Bernanke to enter into a new bond buying program, a program that he has promised to continue with until the labor market improves. However, the job market is showing signs of improving. But it is highly improbable that the missing workers will be emboldened to re-enter unless they are absolutely certain that the second time round they will not be disappointed again.