OUTSIDE THE BOX

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Job training funds shouldn't be reduced now

Commentary: The jobless need more federal aid, not less

By Harry Holzer

WASHINGTON (MarketWatch) — The recovery of the U.S. job market from the Great Recession is finally beginning to pick up steam. For each of the past three months, the Bureau of Labor Statistics has reported the creation of more than 200,000 jobs in the U.S. labor market. Hopefully Friday's numbers for the month of May will show that trend continuing.

Our nation's job prospects are improving, as these numbers indicate. But it's premature to celebrate, as unemployment will likely remain high for many years to come. And some recent policy developments are clearly counterproductive, and could potentially reverse some of the progress that has painstakingly started to occur. Read more about Friday's report on job growth in May.

The nation's unemployment rate remains stuck at 9%, and millions who have left the labor market altogether are not even included in that measure. At the rate of job creation we've observed in the past three months, it would take roughly eight more years to reduce unemployment rates to what existed in 2007, before the Great Recession began.

Private sector adds few jobs in May

Private businesses barely added jobs in May as large companies cut workers, according to a report released Wednesday. Kathleen Madigan reports.

So many years of high unemployment, especially among the large fraction (over 40%) of the unemployed who have been out of work for six months or more, will permanently scar millions of workers, making it more difficult for them to be rehired. Their skills and their job networks will likely atrophy, reducing their ability to gain employment — especially in good-paying jobs that require specialized skills. Indeed, there is already some evidence of employers have difficulty filling such jobs, despite the enormous availability of unemployed workers to fill them.

Poverty rates among children will be elevated for many years to come, as will unemployment and underemployment among our youth, worsening all of their future opportunities.

Under these circumstances, what should be our top economic policy priorities? At a minimum, we should undertake no actions that will threaten the economic recovery and reduce the demand for goods and services

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Economist Harry Holzer says cuts in job training programs threaten the recovery.

in our economy. Generous assistance to the poor and unemployed should remain available while they are out of work.

Most importantly, we should be strengthening our investments in education, job training and employment services in order to improve the job prospects of the unemployed when good jobs do become available. In particular, states and localities should be getting more federal help in developing education and workforce systems that train workers for the good jobs in health care, advanced manufacturing, and professional services that are just starting to reappear in larger numbers.

But current policy is moving in a very different direction. Instead of helping to prepare workers for jobs, cutting government spending has become our top priority. While concerns over future long-term federal budget deficits are very legitimate, the national obsession with cutting spending right now is not. Sensible efforts to curb these deficits by raising future tax revenues (which are at a 60-year low) or to trim our bloated defense budgets are resisted, as are serious reforms in our very large federal health and retirement programs down the road.

Instead, we fall back on the political path of least resistance: cutting discretionary nondefense spending, which already constitutes a very small part of the federal budget. We do this even though major cuts today in federal spending, on top of those already occurring at the state and local levels, would almost certainly weaken the economic recovery and threaten our recent progress on jobs.

And large cuts in our federal employment and job training programs, which have already occurred as part of the budget deal for the current fiscal year, threaten our ability to prepare workers for the jobs that are being created. These cuts are particularly short-sighted, in light of the growing evidence on the cost-effectiveness of most such programs, and the ongoing need among both workers and employers for assistance in generating the skilled workers to fill skill-demanding jobs.

Our labor market recovery is both slow and precarious, and the unemployed will continue to suffer short-term pain and long-term scarring. Efforts to improve their prospects and those of job-creating employers should continue, while we start to address our long-term budget challenges in a more sensible and responsible fashion.

Harry J. Holzer, professor of public policy at Georgetown University and former chief economist at the Labor Department, is the author of "Where Are All the Good Jobs Going?" Read more about his book here.