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In Wreckage of Lost Jobs, Lost Power

By DAVID LEONHARDT

Alone among the world's economic powers, the United States is suffering through a deep jobs slump that can't be explained by the rest of the economy's performance.

The gross domestic product here — the total value of all goods and services — has recovered from the recession better than in Britain, Germany, Japan or Russia. Yet a greatly shrunken group of American workers, working harder and more efficiently, is producing these goods and services.

The unemployment rate is higher in this country than in Britain or Russia and much higher than in Germany or Japan, according to a study of worldwide job markets that Gallup will release on Wednesday. The American jobless rate is also higher than China's, Gallup found. The European countries with worse unemployment than the United States tend to be those still mired in crisis, like Greece, Ireland and Spain.

Economists are now engaged in a spirited debate, much of it conducted on [popular blogs like Marginal Revolution](#), about the causes of the American jobs slump. Lawrence Katz, a Harvard labor economist, calls the full picture "genuinely puzzling."

That the financial crisis originated here, and was so severe here, surely plays some role. The United States had a bigger housing bubble than most other countries, leaving a large group of idle

construction workers who can't easily switch industries. Many businesses, meanwhile, are reluctant to commit to hiring workers out of a fear that heavily indebted households won't spend much in coming years.

But beyond these immediate causes, the basic structure of the American economy also seems to be an important factor. This jobless recovery, after all, is the third straight recovery since 1991 to begin with months and months of little job growth.

Why? One obvious possibility is the balance of power between employers and employees.

Relative to the situation in most other countries — or in this country for most of the last century — American employers operate with few restraints. Unions **have withered**, at least in the private sector, and courts have grown friendlier to business. Many companies can now come much closer to setting the terms of their relationship with employees, letting them go when they become a drag on profits and relying on remaining workers or temporary ones when business picks up.

Just consider the main measure of corporate health: profits. In Canada, Japan and most of Europe, corporate profits have still not recovered to precrisis levels. In the United States, profits have more than recovered, rising 12 percent since late 2007.

For corporate America, the Great Recession is over. For the American work force, it's not.

Unfortunately, fixing the job market will take years. Even if job growth accelerated to the rapid pace of the late 1990s and remained there, the unemployment rate **would not fall** below 6 percent (which some economists consider full employment) until 2016. We could now be in only the first half of the longest stretch of high unemployment since World War II.

The best way to put people back to work is to lift economic growth. For Washington, lifting growth will first mean avoiding the mistakes of 2010, when the Fed, the White House and some members of Congress prematurely assumed that a solid recovery was under way. The risk this year is that they will start reducing the budget deficit immediately by cutting federal programs, rather than having the cuts

take effect in future years.

Policy makers could also help the unemployed by spreading economic pain more broadly among the population. I realize this idea may not sound so good at first. Who wants pain to spread? But the fact is that this downturn has concentrated its effects on a relatively narrow group of Americans.

In Germany and Canada, some companies and workers have averted layoffs by agreeing to cut everyone's hours and, thus, pay. In this country, average wages for the employed have risen faster than inflation since 2007, which is highly unusual for a downturn. Yet unemployment remains terribly high, and almost half of the unemployed have been out of work for at least six months. These are the people bearing the brunt of the downturn.

Germany's job-sharing program — known as "Kurzarbeit," or short work — has won praise from both **conservative** and **liberal** economists. Senator Jack Reed, Democrat of Rhode Island, has offered a bill that would encourage similar programs. So far, though, the White House has not pursued it aggressively. Perhaps Gene Sperling, the new director of the National Economic Council, can put it back on the agenda.

Restoring some balance to the relationship between employers and employees will be more difficult. One problem is that too many labor unions, like the auto industry's, have been poorly run, hurting companies and, ultimately, workers. Of course, many other companies — AT&T, General Electric, Southwest Airlines — have thrived with unionized workers, and study after study has shown that unions usually do benefit workers. As one bumper sticker says, "Unions: The folks who brought you the weekend."

Today, unions are clearly playing on an uneven field. Companies pay minimal penalties for illegally **trying to bar unions** and have become expert at doing so, legally and otherwise. For all their shortcomings, unions remain many workers' best hope for some bargaining power.

The list of promising solutions to the jobs slump can go on and on. Reforming the disability insurance

system so it does not encourage long-term joblessness would help. “Once people enter the system,” as Mr. Katz of Harvard says, “they basically never come back.” Improving high schools and colleges — reclaiming the global lead in education — would help even more. Remember, the jobless rate for college graduates is only 4.8 percent, and some highly skilled jobs continue to go unfilled.

The jobs slump has become too severe to disappear anytime soon. It will be part of the American economy and American politics for years to come. But there is no reason to treat it as a problem that’s immune from solutions. For starters, it would be worth figuring out what other countries are doing right.

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