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# Looming Black Hole Consumes U.S. Jobs

An ominous decline in an arcane economic statistic — the labor force participation rate — may be the **No. 1 factor fueling populist frustration** and support for Donald Trump.

BY KENNETH HANNER

**P**UNDITS SAY THE ECONOMY'S ability to generate new jobs will have a direct effect on political outcomes in November. But voters trying to follow recent job reports could suffer whiplash. That's because the jobs numbers have been widely oscillating.

The Bureau of Labor Statistics (BLS) reported the economy only gen-

erated 38,000 jobs in May, a number it later revised down to just 11,000 jobs.

The economy, in other words, barely registered a pulse. Yet the unemployment rate dropped sharply that month, from 5.0 to 4.7 percent. As a result, a lot of economic gurus were left scratching their heads.

Then came the June jobs numbers. The economy generated a robust

287,000 jobs, the best monthly total since last fall. But even with more jobs, unemployment ticked back up, jumping from 4.7 to 4.9 percent.

Suddenly job creation and unemployment, two statistical measures that seemingly should march in tandem, appeared to become unhinged.

The reason, it turns out, is a pesky metric that has been the bête noire of the Obama administration almost from the get-go: The labor-force participation rate.

The labor-force participation rate is about as simple and straightforward as economic measurements can get. It's the ratio of everyone who either has a job or wants a job, divided by the total number of working-age people in the country. "Working age" is generally defined as between the ages of 16 and 64.

So in June, the workforce numbered 253.4 million people. Those actually working numbered 158.9 million.

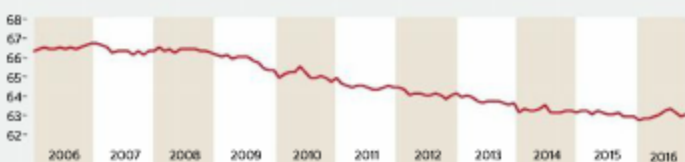
Do the math, and the labor-force participation rate that month was 62.7 percent. In other words, well over a third of potential U.S. workers were sitting on the sidelines rather than competing in the job market.

## The Incredible Shrinking Workforce

**T**he labor-force participation rate measures how much America's total working capacity is actually being used. Historically, between 66 and 67 percent of working-age Americans are either employed or looking for work.

When the "Great Recession" hit in the fall of 2008, more and more Americans gave up finding work — after four weeks of inactivity, they were no longer counted as unemployed. Even today, critics say the real level of unemployment is several times the number officially cited. The decline of labor-force participation accelerated during the Obama presidency. Due to demographics and an aging population, experts say the trend will likely continue.

### BABY BOOMERS AS A PERCENTAGE OF TOTAL U.S. POPULATION



You would have to go back four decades to Jimmy Carter to find an era marked by such lackluster interest in participating in the labor force.

The U.S. labor-force participation rate has acted like a skier racing down a slope ever since the Great Recession struck at the end of George W. Bush's second term. The trend accelerated under President Obama, and it seems there's no end in sight.

For a country that prides itself on its work ethic, that's a notable cultural shift. While the economy has improved overall, with a big election looming in November, the lack of a robust economic recovery is a serious issue.

## Working for Votes

The workforce participation rate has already reared its ugly head on the campaign trail, and could take center stage in November. Trump told *The Washington Post* earlier this year that the actual unemployment rate is "probably into the 20s if you look at the real number." In June, he tweeted out a graph depicting the drop in labor participation.

Indeed, the *Financial Times* recently called labor-force participation the "one economic fact [that] could explain Donald Trump's success."

Douglas Holtz-Eakin, the former director of the Congressional Budget Office, tells Newsmax that in part the decline in workforce participation has nothing to do with economic policy. He

points instead to demographic factors, such as baby boomers reaching retirement age and a decline in the percentage of working women.

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It's not just the lower income brackets being affected, either. Affluent households are being hit as well.

"Some of it is: It's a bad economy," he says. "Someone who is pretty affluent to begin with says, 'Why go out and bang your head against the wall?' They are just staying home."

The question then becomes: Why are millions of working-age people, who in past years would have hit the hustings looking for a job, staying home instead?

## Job-Killing Policies

Demographic issues do not explain the entire shift. Economists note that President Obama's healthcare reforms encouraged a shift to more part-time workers, as businesses sought to avoid the insurance mandate for full-time workers.

The administration's effort to qualify more workers for overtime pay has added to labor costs as well.

That may help some workers' pocket books, but it could backfire as well, experts say.

"Employers may find it less expensive to lay off workers rather than pay the overtime," Michael Silvio, director of Tax Services at Hall & Company CPAs in Irvine, Calif., tells Newsmax.

Silvio says the "new rules could have negative consequences to the

## Pro-family Policies Could Restore Workforce Participation, Experts Say

**O**ne innovative approach to improving labor-force participation is to make it easier for parents to go back to work after they have children.

Since 1990, the labor-force participation rate for U.S. women slipped from sixth place to 17th place, compared to that of 22 economically developed nations. In large part, that's due to the expansion of family-friendly policies in other countries, which encourage women to get back into the workforce.

Douglas Holtz-Eakin, the former CBO chief who currently serves as president of the conservative think tank American Action Forum, remarks: "Up to about 2007, the female labor-force participation first rose dramatically then plateaued. Now it is declining, as men's has been declining for decades."

Aparna Mathur, economist for the American Enterprise Institute, writes on *Forbes.com* that "conservatives have largely overlooked family-friendly policies as a tool to counteract declining workforce participation rates and increase options for American workers. This could be a significant omission."

To be able to return to the workforce, families must have child care for their children. Mathur says child care is "the greatest single household expense in most regions of the country, and has a significant effect on mothers' employment."

Proposals for short-term, family friendly policies to boost workforce participation include:

- ▶ Wider availability of paid family leave, currently available to only about 12 percent of U.S. workers.
- ▶ Increased subsidies for child care.
- ▶ Allowing earlier access to earned income tax credit and child tax credit funds to be used during family leave.

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- ▶ Relaxing health savings account rules to allow saving for maternity leave.
- ▶ A modest, minimum family leave benefit for workers without coverage from their employers.
- ▶ Making family benefits more flexible, advocates say, would make child care more affordable. That could open the door for parents to get back into the workplace sooner, before their skills begin to deteriorate.

"Increasingly workforce participation is an important component of having a vibrant 21st century economy," writes Mathur. "Conservative policymakers interested in solving this issue should consider all of the options available to them, including family friendly policies." — K.H.

work force if companies begin to lay off employees, cut back their hours or hire temporary workers." Whenever labor costs rise, businesses explore au-

tomation as an alternative. The recent, union-led push for a higher minimum wage is a prime example.

Former McDonald's president and CEO Ed Renzi has called the campaign for a higher wage floor "very destructive and inflationary."

He indicates mandating higher wages will simply force companies like his to invest more in robots.

"I can assure you that a \$15 minimum wage won't spell the end of the brand," Renzi remarked on Forbes.com. "However, it will mean wiping out thousands of entry level opportunities for people without many other options."

### Paid to Not Work?

The nation's increasingly generous social-welfare safety net is also receiving newfound scrutiny.

Holtz-Eakin says social programs should be considered incentives to encourage people to return to the work-

force. "You should make sure that all of your public policies, in particular your social safety-net, is pro-work," Holtz-Eakin says.

In that regard, he sees both the Patient Protection and Affordable Care Act and current food-stamp programs as "impediments" to greater participation in the workforce. He notes those benefits are provided "whether you work or not."

"We should rethink all of these things where public assistance is actually a more attractive option than is work" he says.

Most economists agree that a robust economy would be the biggest step to reversing the adverse labor-force trends. "If we are growing at 2.5 or 3 percent on a regular basis, that helps to solve this problem," Holtz-Eakin remarks.

But it's difficult to see what will prevent Washington lobbyists, legislators, and bureaucrats from baking job-killing measures into the economy.

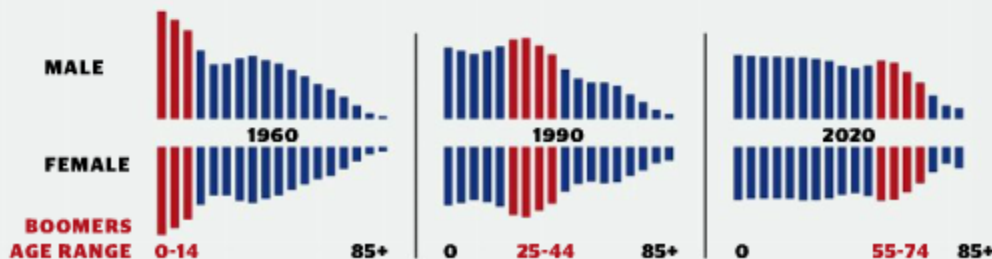
## The Graying U.S. Worker, 1960-2020

The post-World War II baby boomer generation has been described as a "pig in a python" because it created a demographic bulge that distorted social-science metrics – and real estate valuations – for decades.

This graphic, based on U.S. Census data, shows how the baby boomer bulge has been marching steadily toward retirement.

Once the last baby boomer turns 65, that generation will no longer be considered of working age. Then its impact on the U.S. economy will finally begin to fade.

**BABY BOOMERS AS A PERCENTAGE OF TOTAL U.S. POPULATION**



SOURCE: U.S. Census Bureau

Conservative economists complain that excessive regulation and high corporate tax rates already hurt private-sector job creation. They cite the administration's "war on coal" as an example that devastated an entire industry.

This much is clear: The voters are watching. According to Gallup, 9 of every 10 voters consistently rank the economy and jobs as "extremely to very important" — higher than any other issue, including terrorism. So it's no surprise job creation and workforce participation have taken center stage in the presidential campaign.

## Make America Employed Again

Trump plans to bring manufacturing jobs back to the United States by negotiating more favorable international trade deals. He blames NAFTA and other agreements for job losses caused when U.S. companies relocated to low-wage countries.

Polls show Trump consistently beats Democratic contender Hillary Clinton on the question of who would be best suited to manage the economy. He is calling for lower corporate taxes, easing regulations on businesses, and repealing Obamacare.

Clinton, on the other hand, is taking a page — several pages in fact, from President Obama's playbook. The former secretary of state is calling

for more infrastructure spending and more "investments" in green energy. These proposals are similar to those offered in President Obama's \$831 billion stimulus package.

That strategy is risky, however, since the stimulus legislation is mostly remembered for its lack of "shovel-ready jobs," and green-energy disasters like the Solyndra bankruptcy.

**Conservative economists complain that excessive regulation and high corporate tax rates already hurt private-sector job creation. They cite the administration's "war on coal" as an example that devastated an entire industry.**

Like Obama, Clinton is a big advocate of using job retraining programs to bring discouraged workers back into the workforce. This includes offering tax breaks for businesses that create apprenticeships that lead to jobs.

Other Clinton proposals — increasing the minimum wage and curbing traditional energy production — have been criticized by conservative economists for making it harder to create new jobs in the long run.

One trend appears unstoppable: technology, which threatens to make more and more workers' jobs obsolete. And the harder it is to find work, the lower the workforce participation is likely to fall. That's one major reason why a Federal Reserve study recently predicted only about 6 in 10 working-age Americans will have jobs by 2020.

In his message to Congress, President Obama sent an ominous note about the future of the workforce.

"Technology doesn't just replace jobs on the assembly line," he said, "but rather affects any job where work can be automated." □

## AMERICA'S LABOR MARKET By the Numbers

**H**istorically, America's workers have served as a collective dynamo powering the global economy. But lately there are signs of a "new normal" taking hold, where millions of able-bodied Americans simply give up hope of finding any gainful employment.

**253**  
MILLION  
working-age  
Americans.

**95**  
MILLION  
of them are  
statistically  
defined as "not in  
the labor force."<sup>\*</sup>

**59%**  
OF THOSE OUT  
OF WORK for  
two years or  
more, the share  
that says they  
have given up  
and stopped  
looking for  
employment.

**22%**  
THE SHARE OF  
UNEMPLOYED  
who say they  
quit their  
previous job.

**30**  
THE MEDIAN  
AGE OF U.S.  
WORKERS in  
1950. By 2050  
the median  
projected age  
is 40.

**13%**  
OF WORKERS  
ARE OVER  
55 YEARS of  
age in the U.S.  
workforce in  
2000.

**25%**  
THE PROJECTED PERCENT OF  
WORKERS OVER 55 YEARS of age  
in the U.S. workforce by 2020.

\*The Bureau of Labor Statistics drops workers from the labor force after four consecutive weeks of not actively looking for employment. The 94.7 million no longer counted as part of the workforce in May constituted an all-time high.

SOURCES: The Bureau of Labor Statistics, the U.S. Census, the Stanford Center on Longevity, and the Harris/Express poll conducted May 5-16.