

Underemployment Sabotages Millions of Americans

Gloria, who is an assistant manager at Rite Aid in Scranton, PA, earns just above minimum wage. Her 40-hour workweek nets her \$80—give or take—above what she pays for childcare. The logical questions are: Is it even worth working to earn a mere \$80 a week? Why not stay home with the kids? The answer is one millions of Americans can understand: Because \$80 is \$80, and Gloria needs that money.

The most important measure of any economic system is how well it can provide jobs for all its citizens. A successful economic system is able to provide an environment of equal opportunity that supports workers in developing their talents, skills, and experience.

Right now, the biggest problem with the U.S. economy is not unemployment. The biggest problem is underemployment.

Jobs growth in the U.S. is an illusion. Numbers can be spun. For example, if we read the most recent weekly employment report we find that that the unemployment rate is 5.1%. That number sounds pretty good—a distinct improvement over the double-digit unemployment rates of a few years ago. Unfortunately, that number does not tell us the true story.

The weekly unemployment report is determined according to the following criteria. Take the total population of the U.S., which, in the summer of 2015, was 321 million. According to the definition of labor force, 62% of the population, or 201 million people, are in the labor force. This number includes both working and unemployed. As we've said, according to data provided by the government, 5.1%, or 10 million people, are unemployed. 6.3%, or 13 million people, are employed part-time. And an additional 6.4%, or 13 million people, are currently looking for a job.

Therefore, if we add the numbers of unemployed, part-time employed, and job seekers, we find that unemployment in the U.S. is nearly 18%.

The millions of Americans who, like Gloria, are working full-time and yet still underemployed because they've taken jobs below their skill and education levels for pay that cannot sustain them economically, are not even counted as part of the statistics.

Since the turn of this century, 10 million manufacturing jobs that entailed skilled labor have been lost. Most of these workers are now employed in service jobs, earning half of what they earned 15 years ago.

When broadening the definition of unemployment to include the underemployed and the employed living below the poverty level, we find that nearly 1/3 of the U.S. population is affected by unemployment. 50 million Americans are either unemployed or underemployed.

What Happened to American Jobs? They went overseas, yes, but not necessarily for the reasons you think. Automation is a big culprit, but do we really want to halt technological progress? Let's take a closer look at the problem.

AUTOMATION

Take, for example, the auto industry. 10 years ago it employed close to 10 million middle class workers who earned good wages. Today, the industry is making the same number of cars with about 1 million workers, shedding 90% of the pre-automation work force. Not only that, but the quality of cars has improved. We don't need to replace cars as often. Inexpensive cars, today, can easily rack up 200,000 miles before incurring significant repair expenses.

The same story is repeating itself in other industries. If we look at cell phones, human hands could not even assemble them. What is the answer to this problem? Certainly we cannot abandon automation.

OUTSOURCING

Outsourcing gets a bad rap, deservedly. American corporations have exported many good jobs to places with low wages. But not always purely to save a buck.

For example, let's look at an industry that I am very familiar with, making solar panels. The main reason that the Chinese are making 90% of crystalline PV modules, c-Si, is not the low labor costs, but, rather, the availability of capital. Wall Street is not willing to put up the necessary capital needed to kick start many progressive industries. Chinese investors, on the other hand, are willing to provide capital. Thus, they own the c-Si PV module manufacturing industry.

FORMATION OF CAPITAL, WEALTH INEQUALITY

As we have discussed above, the reason the SPV module manufacturing has moved to China is because the government insured the availability of capital. It is indeed odd that the land of capitalism loses out to a government supported capital formation in a socialist (Marxist inspired) China.

Why do our capitalists, who now have too much cash on hand, allow this to happen? The short answer: **Because trickle down economics does not work.**

With trickle down economics, the theory is that the rich who keep getting richer will trickle down capital that will lead to jobs creation and more abundance for the masses. By now it is obvious to all impartial observers that this is not happening.

Nobel-prize winning economist Joseph Stiglitz clearly demonstrates why economic inequality is

leading to job losses. Explained in a simple way, the upper 0.01% find it safer to make money with financial manipulations, where they can better control the outcome, than to invest in job-creating industries, where the success depends more on people and forces out of their control.

The bottom line bears repeating: Trickle down economics does NOT work. Economic inequality continues to spiral out of control.

LACK OF COMPASSION, MORAL ISSUES

Finally the least accessible reasons for the lack of job formation have to do with our collective human nature. The whole economy is focused on productivity and efficiency because those lead to maximum profits. The latest socio-economic traditions, that greed is good and the primary goal is to maximize profit, totally ignores the loss of jobs and the compassion toward the people without jobs.

WHAT IS THE SOLUTION? IS THERE A SOLUTION?

The problem seems hopeless. Millions of kids graduate from college each year with tens of thousands of dollars in student loan debt, unable to find jobs in their fields of study. Industries—newspapers, for example—continue edging towards extinction.

There is a solution, but it's not easy and it's not quick. And it requires critical thinking, combined with action. It requires carving out one's own destiny. We'll look at the Post Free Market solution—self-sustaining economic communities—in depth in the next post.