Unemployment and the Unemployable

The US unemployment rate rose to 8.3% in July and Jobless claims in August have risen by [10,000 over July](http://www.cnbc.com/id/48840584). The slowly growing US economy is not denting the 8% unemployment rate. Keynesian economists believe that this must be due to some lack in demand for US goods and services. If only Congress could borrow and spend more money, people would be put back to work. In lieu of that, they encourage the Federal Reserve to print more money to trick people into feeling wealthier than they are so that they will spend more money on their own. Either way, they believe that the US unemployment problem is cyclical. They believe that people don’t have jobs because of “the economy” (forces outside of their own control).

In practice, the federal government has run four years of straight trillion dollar deficits, yet this spending has not taken unemployment below 8%. The Federal Reserve has promised to keep interest rates low for years to come, yet the unemployment rate doesn’t budge. Now that these two policies have proved to be ineffective, what should the next step be? Is it, as the Keynesians propose, even larger budget deficits or faster money printing? I’m going with no. The large US debt burden itself acts a structural impairment to growth. Economies with large public sector debts grow more slowly than countries with low public sector debts.

Much of America’s economic sluggishness can be explained by the existence of structural, as opposed to cyclical, problems. Sure, at any given time someone with a good skill set may become unemployed due to no fault of their own. However, people with skills that are in demand by the market are not left permanently unemployed. Long term unemployment is due to workers lacking the skills in demand by the market.

July 2012 (Source: US Bureau of Labor Statistics)

Education Level Labor Force Participation Rate Unemployment Rate

25 years of age +

High School Dropout 46.3% 12.7%

High School Graduates 58.4% 8.7%

Some College 63.7% 7.1%

College Graduates 75.8% 4.1%

The more educated people are, the more likely they are to seek and find productive employment. Skills matter. Employers only hire people who they believe will benefit their firm. A large percentage of the unemployed don’t have jobs because they have never learned employable skills. While people must take responsibility for their lack of education/skills in a country with free public education, the education system itself must also be held accountable.

Chicago city schools have notoriously lagged in education attainment. According to the teacher’s union, the problem seems to be pay for teachers and administrators, so they have announced their i[ntent to strike for more pay.](http://usnews.nbcnews.com/_news/2012/08/31/13584632-400000-students-face-disruption-after-chicago-teachers-vote-to-strike) This is in the same state whose unfunded public pension liabilities just caused the state’s [bond rating to be downgraded](http://www.businessweek.com/ap/2012-08-29/s-and-p-lowers-illinois-credit-rating-over-pensions). Perhaps the reason children in Chicago’s schools don’t learn math is because their teachers don’t know any. If schools spent as much effort teaching reading, writing, and arithmetic as they do on sustainability, social consciousness, and political correctness, unemployment rates would be much lower than they are.

People may choose not to gain skills and training because they see little incentive to do so. The greater the economic safety net, the less marginal benefit to people of leaving the welfare state. Reducing the work requirement for welfare will mean that fewer people will get on the job training and therefore remain structurally unemployed. Extending unemployment insurance benefits out to just shy of two years also causes an increase in structural unemployment as workers lose valuable skills when they leave the labor force for years at a time.

The unemployment rate for 16-19 year olds in July was 23.8%. This group lacks education and experience in the labor market. Any teenager who does not have $7.25 an hour plus worth of productivity is automatically jobless, whether they want a job or not. This structural unemployment caused by a national minimum wage reduces the opportunities for today’s youth to gain meaningful job experience and earn skills from on the job training. Fewer skills and less education means that young people will be more likely to experience structural unemployment in the future.

The world’s richest women [recently noted](https://docs.google.com/document/d/1fyeOkkrflU1T4CXNEbae1Dw6reHpqqKR5Ypf0LxT-VQ/edit?pli=1http://www.cnbc.com/id/48842456), “There is no monopoly on becoming a millionaire. If you’re jealous of those with more money, don’t just sit there and complain. Do something to make more money yourself – spend less time drinking, or smoking and socializing and more time working.” In other words, people, and countries, that take responsibility for their failings can correct them. People, and countries/ that blame others for their problems will never correct their growth-stunting behaviors.

Those who believe that someone else owes them a job are likely to be disappointed. Those who believe they need to earn a job through hard work and the attainment of skills will most likely find one. There are millions of job openings currently in the US, [but we lack hard working, skilled people](http://www.nytimes.com/2012/06/28/business/smallbusiness/even-with-high-unemployment-some-small-businesses-struggle-to-fill-positions.html?pagewanted=all) to fill them. That’s not “the economy’s” fault. The fault lies between failed government policies and institutions and an absence of personal responsibility. The path to lower unemployment begins with a new commitment to industriousness and education not with higher budget deficits and monopoly money.