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Mission Not Accomplished

Stocks are up. Ben Bernanke says that the recession is over. And I sense a growing willingness among movers and shakers to declare “Mission Accomplished” when it comes to fighting the slump. It’s time, I keep hearing, to shift our focus from economic stimulus to the budget deficit. No, it isn’t. And the complacency now setting in over the state of the economy is both foolish and dangerous.

Yes, the Federal Reserve and the Obama administration have pulled us “back from the brink” — the title of a new paper by Christina Romer, who leads the Council of Economic Advisers. She argues convincingly that expansionary policy saved us from a possible replay of the Great Depression. But while not having another depression is a good thing, all indications are that unless the government does much more than is currently planned to help the economy recover, the job market — a market in which there are currently six times as many people seeking work as there are jobs on offer — will remain terrible for years to come.

Indeed, the administration’s own economic projection — a projection that takes into account the extra jobs the administration says its policies will create — is that the unemployment rate, which was below 5 percent just two years ago, will average 9.8 percent in 2010, 8.6 percent in 2011, and 7.7 percent in 2012.

This should not be considered an acceptable outlook. For one thing, it implies an enormous amount of suffering over the next few years. Moreover, unemployment that remains that high, that long, will cast long shadows over America’s future.

Anyone who thinks that we’re doing enough to create jobs should read a new report from John Irons of the Economic Policy Institute, which describes the “scarring” that’s likely to

result from sustained high unemployment. Among other things, Mr. Irons points out that sustained unemployment on the scale now being predicted would lead to a huge rise in child poverty — and that there's overwhelming evidence that children who grow up in poverty are alarmingly likely to lead blighted lives.

These human costs should be our main concern, but the dollars and cents implications are also dire. Projections by the Congressional Budget Office, for example, imply that over the period from 2010 to 2013 — that is, not counting the losses we've already suffered — the "output gap," the difference between the amount the economy could have produced and the amount it actually produces, will be more than \$2 trillion. That's trillions of dollars of productive potential going to waste.

Wait. It gets worse. A new report from the International Monetary Fund shows that the kind of recession we've had, a recession caused by a financial crisis, often leads to long-term damage to a country's growth prospects. "The path of output tends to be depressed substantially and persistently following banking crises." The same report, however, suggests that this isn't inevitable: "We find that a stronger short-term fiscal policy response" — by which they mean a temporary increase in government spending — "is significantly associated with smaller medium-term output losses."

So we should be doing much more than we are to promote economic recovery, not just because it would reduce our current pain, but also because it would improve our long-run prospects.

But can we afford to do more — to provide more aid to beleaguered state governments and the unemployed, to spend more on infrastructure, to provide tax credits to employers who create jobs? Yes, we can. The conventional wisdom is that trying to help the economy now produces short-term gain at the expense of long-term pain. But as I've just pointed out, from the point of view of the nation as a whole that's not at all how it works. The slump is doing long-term damage to our economy and society, and mitigating that slump will lead to a better future. What is true is that spending more on recovery and reconstruction would worsen the government's own fiscal position. But even there, conventional wisdom greatly overstates the case. The true fiscal costs of supporting the economy are surprisingly small.

You see, spending money now means a stronger economy, both in the short run and in the long run. And a stronger economy means more revenues, which offset a large fraction of the upfront cost. Back-of-the-envelope calculations suggest that the offset falls short of 100 percent, so that fiscal stimulus isn't a complete free lunch. But it costs far less than you'd think from listening to what passes for informed discussion.

Look, I know more stimulus is a hard sell politically. But it's urgently needed. The question shouldn't be whether we can afford to do more to promote recovery. It should be whether we can afford not to. And the answer is no.

*Paul Krugman, emphasis added
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Union News



AFL-CIO News service, graphic(s) added

September Jobless Rate: Even Worse Than It Looks: September's jobs numbers are worse than we thought even a few hours ago. After a couple of months of encouraging news, the latest report took a decided turn for the worse. The basic data show that the nation lost 263,000 jobs in September, after falling 463,000 in June, 304,000 in July and 201,000 in August. The official unemployment rate now is 9.8 percent, a figure exceeded in awfulness only by the unofficial jobless rate: 17 percent. In fact, the number of unemployed rose "only" by 214,000 because 571,000 people abandoned the labor market.



U.S. Unemployment Worsens to 9.8 Percent, More Jobs Lost Than Expected: U.S. job loss worsened in September, with 263,000 lost, moving the official unemployment rate from 9.7 percent to 9.8 percent and underlining how the nation's economic crisis is a jobs crisis. The new data out today by the U.S. Department of Labor means some 15.1 million workers have lost their jobs since the recession began in December 2007. The official 9.8 percent unemployment rate is bad enough, but a more realistic—and

horrible—picture of what's really going on in this nation is the unemployment data that includes those not counted in the official figure, such as those who have given up looking for work: That's a stunning 17 percent unemployment rate—some 26 million workers who need jobs or full-time work but cannot find it.

NLRB Orders Coal Co. to Rehire 85 Mine Workers: The National Labor Relations Board (NLRB) ordered Mammoth Coal Co., a subsidiary of Massey Energy, to recognize and bargain with the Mine Workers (UMWA) as the exclusive representative of the workers at its Mammoth Mine in Smithers, W.Va. The Sept. 30 ruling also orders Mammoth to rehire 85 former workers at the mine who were not hired when Massey bought the operation in 2004. Says UMWA President Cecil Roberts: *This tremendous victory affirms what we have been saying all along. Mammoth Coal had an obligation to recognize the union when it bought this mine out of bankruptcy, and it had an obligation to rehire the miners who were working there at the time the board found were discriminated against because of their union membership.*



Few Jobs for Young Workers Part of a Long-Term Trend: If you're under age 25 and looking for a job, you're going to have a much tougher time than your older brother or sister did in 1999. Then, 60 percent of 16-24-year-olds had a job. Today, just 48 percent do, the lowest rate of young worker employment since World War II. Young workers are twice as likely to be unemployed as the overall population—18 percent, compared with the overall unemployment rate of 9.7 percent. The jobless rate soars to 27.3 percent for young African American workers and 21.3 percent for Hispanic workers. On Friday, at a House Education and Labor Committee hearing examining job and economic problems of 20-something workers, Rep. George Miller (D-Calif.) warned: *It is clear that the drop in employment is not just*

the result of a sudden shock to the system, but is part of a larger trend. You cannot ignore the fact that 20 percent fewer young workers are participating in the labor market. The consequences of reduced work opportunities among young Americans mean fewer long-term employment prospects, less earnings and decreased productivity....If these dramatic trends are not reversed, our nation faces the potential of a generation of youth disconnected from the job market.

Massachusetts Nurses Say 'Yes' to RN Super Union: Delegates to the Massachusetts Nurses Association's (MNA's) annual convention yesterday voted overwhelmingly to become part of the largest registered nurses union in U.S. history—National Nurses United (NNU). The new NNU unifies the 23,000-member MNA with the 86,000-strong California Nurses Association/National Nurses Organizing Committee (CNA/NNOC), which voted to join the super union in September. The 45,000-member United American Nurses (UAN) will hold a vote on whether to join later this month.

Bad Climate Change Bill Could Cost 4 Million U.S. Jobs: Industries supporting more than 4 million U.S. jobs could be at risk unless lawmakers include strong provisions in climate change legislation to keep energy-intensive, trade-sensitive manufacturers competitive. A new report says the legislation should include a system of rebates and allowances to help U.S. companies make the transition to lower carbon emissions and a tariff system, or border adjustments, to penalize countries that fail to regulate greenhouse gases in the production of goods. The report, “Climate Change Policy,” released today by the Economic Policy Institute (EPI), says a well-designed climate policy can support the economic recovery and green investments can support millions of new jobs, starting with the creation of more than 1 million jobs in the next two years. [Click here to read the report.](#)



No Recovery without Jobs. No Recovery without Jobs. No Recovery: “Jobs now” was the rallying call of thousands of delegates to the recent AFL-CIO Convention in Pittsburgh, and “unemployment aid” is the cry from millions of those who find themselves unable to get work in a U.S. economy that now has six jobless workers for every one job opening. More than eight of 10 Americans (83 percent) cite unemployment as the nation’s big

problem in a survey just out by Peter D. Hart Research Associates. And last week in Washington, D.C., several top economists, including Nobel Prize winner Paul Krugman, all stressed that creating jobs and alleviating the pain of unemployed workers must happen quickly at the federal level—or unemployment will not fall below 8 percent through at least 2014. That’s more than 12 million U.S. workers without jobs as America’s status quo. And that’s only the official unemployment figure. Those not counted in the official data likely would double that number to at least 24 million workers. All those who think 24 million jobless workers is a fine way to operate the economy, raise your hands.

Workers’ Rights Good for Business: The union movement wants the Obama administration to develop a coherent trade policy that advances key domestic priorities and makes our nation more competitive in a global economy. That means rebuilding our infrastructure, investing in education, cleaning up the environment, creating green jobs and providing affordable health care; AFL-CIO Policy Director Thea Lee told a group of business leaders today in Washington. Speaking at a forum on “Labor and the American Trade Agenda” sponsored by the Global Business Dialogue, Lee said: *the economic strategies of the past two administrations relied on privatization and global deregulation, ending up with a failed economy based on “asset bubbles, debt and borrowed money.”*

Worse Off Than Their Parents



Parents usually want their children to have a better life than they did. In the United States, the parents of today's under-30 crowd may be disappointed in that hope.

Throughout last year, they were far more likely than other age groups to have reported unemployment in their households. Labor force participation for those ages 16-24 has decreased to its lowest levels since WWII as a Pew report on the graying work force notes that the recession has tilted the job market towards older workers and those with degrees.

The Pew report also says that nearly a third of the public has come to believe that a degree is necessary to get a good job, whereas 30 years ago, just under half believed that. As former President Clinton pointed out last week at a press event, the cost of a degree has tripled in recent decades, entirely wiping out the benefits of every government assistance program for college costs.

Those college costs are usually financed instead by loans which are currently not eligible for bankruptcy protection. Loan repayment therefore eats up larger percentages of future earnings which have been plummeting for 8 years for those under 55.

Bad timing for anyone who's taken out student loans in recent years in the hopes that the job market would catch up to their education expenditures and worse luck if their parents' declining wages reduce the possibility for family assistance.

A third of adults under 27 also lack health coverage, with nearly half of those young adults earning less than \$14,000 per year. Since wages for most people have been effectively stagnant, they have not kept pace with health coverage increases, and the lower you go down the economic ladder, the truer that is.

Especially because there's been an ongoing decline in employer-based coverage that has disproportionately affected low-income workers and the small businesses that create the most jobs.

For another worrying indicator, AARP polls earlier this year indicated that around a quarter of adults 18 and over are living with parents or in-laws. Another 15 percent were worried they might have to do so soon, while one in seven lived with a sibling.

I don't know about you, but the American Dream I was sold didn't include worse buying power and relative wealth than my blue-collar, high school-educated parents for myself, my peers and those who came after me.

The United States' lack of an industrial policy has been cherished for its ability to bring us ever cheaper consumer goods by steadily outsourcing manufacturing work to other countries.

It's been great for people who already had money, its destroyed opportunities for entry-level blue collar work that leads to a reasonable degree of financial security.

You can see the results in the balance sheets of young adults' households and the narrowing of their prospects. They're being pressured to take on the increasingly bad investment of the typical college education to go after a declining pool of jobs that provide dwindling levels of wage and health benefit compensation.

Maybe we don't have to make all the same things we used to make, but our current and future workforce needs the upward pressure on wages and benefits that entry-level and longstanding manufacturing careers used to create.

The United States can't continue to support export-led growth elsewhere in the world if our upcoming workforce continues losing the ability to sell their labor in return for a reasonable standard of living.

It stands to reason that if financial capital isn't invested in the American workforce producing things that others want to buy, these trends will only continue as the US spends down the accumulated gains of previous productivity.

If Americans want a better future for their children, there needs to be a concerted effort to make more things in America.

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