

BUSINESS

Labor market slows, downturn a possibility

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Special to Sentinel-Voice

Economics is the study of who gets what. One of the important "whats" is who gets a job since most Americans need a job for the income to pay rent and buy food.

The first Friday of each month, the U.S. Bureau of Labor Statistics, a branch of Secretary Alexis Herman's Department of Labor, releases the employment situation for the previous month. So, this past Friday, the unemployment numbers for May were released.

The bureau reported that the unemployment rate for African-Americans increased from a record low of 7.2 percent in April, to 8.0 percent in May. That is a number still lower than the 8.2 percent that Black unemployment reached in January. In May and June of last year, the unemployment rate fell to 7.6 percent. After that the unemployment rate climbed as more African-Americans entered the labor market looking for jobs.

Last February the labor force participation rate for African-Americans peaked at a record high of 66.9 percent, but has since fallen off to last month's 66.0 percent. So, two of every three African-Americans of working age (that is over 16) was either employed or actively looking for work.

The number of unemployed African Americans jumped from 1.2 million in April to 1.3 million in May. When the labor force participation of African Americans was increasing, some of the jump in the number of unemployed workers came from people moving from being out of the labor force, and now looking for work. But, last month, the net number of African Americans in the labor force dropped. That suggests the rise in unemployment came from people losing jobs. This is consistent with the jump in the number

of workers on temporary lay-off reported in the May numbers, and the drop in the number of jobs on private pay-rolls.

The Census, whose numbers help to shape the monthly Current Population Survey, and provide the numbers used to figure out the relationship between the monthly sample and how those numbers describe the whole population, concluded the mail-in response phase in April. Now, Census counters will go to find information on those who did not mail in their form. The Census also directly affects the labor numbers. This was the bright spot in an otherwise dreary job report. Because Census hired 357,000 temporary workers, it was able to offset a drop of 116,000 private sector jobs in May. The net effect of 231,000 jobs added to pay-rolls was muted in the household data because many Census enumerators are already employed. In fact, household data showed a drop of 991,000 workers.

When this economic expansion really began benefiting workers, in January 1993, African-Americans made up about 10.2 percent of America's workers.

Since then, increases in labor force participation and employment have grown faster for African-Americans than for the work force as a whole. So, in April, when African-American unemployment had reached a record low, African-Americans made up 11.4 percent of America's workers. In short, America's work force has gotten blacker.

The conventional wisdom that African-Americans suffered in the labor market because they were less productive helped convince some that pushing toward full employment would be inflationary.

In its most extreme, the belief was that African-Americans were "structur-

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ally" unemployed, that is lacked the skills to get any job. With that reasoning, it was believed increasing the demand for workers would make employers have to bid up wages for more productive workers, and create pressures for inflation. In its less extreme view, it was simply that African-Americans were of much lower skill.

So, that including less productive workers would cause business costs to rise, because with a less productive work force, increases in output would be hard to come by. So, speeding up the economy to drive unemployment down, could hurt the overall economy and in the end, not really benefit anyone.

As the NBA playoffs are underway, an analogy to basketball could help explain the issue. Imagine a coach feeling that if he could slow the tempo of the game, his starting players could play more minutes, and keeping the best players on the court is in the best interest of the team winning.

Speeding up the game would mean that players could tire out the starters, so the team might win one or two games, but be unable to win a playoff. Or, the faster pace would force the coach to have players come off the bench to rest the starters, and so without the best players on the court, the team would lose.

Of course, that assumes that the players on the bench are not very productive.

Here is what happened as

America's work force became blacker.

Productivity increased by 0.8 percent in 1993, by 2.4 percent in 1994, fell back to 1.0 percent growth in 1995, and then took off when labor market records began falling monthly for African-Americans.

In January of 1995, African-Americans made up 10.5 percent of America's work force, a figure which edged up to 10.9 percent by January 1998. From 1996 to 1998, productivity increased by 3.3 percent, 3.1 percent, 4.0 percent and then by 4.0 percent again in 1999. Much faster productivity growth than occurred from 1990 to 1995, when the African American labor market struggled with unemployment rates above 11 percent.

As productivity went up, the cost of doing business fell. The labor costs for businesses to make more goods started to fall. Unit labor costs, which measure the wages and compensation to pay workers to produce one more unit, fell by 1.5 percent in 1995, fell another 0.8 percent in 1997, fell another 1.0 percent in 1998, and then increased a small 0.6 percent in 1999.

Now it is clear that America was wasting its labor resources when the economy operated at unemployment rates above 6 percent, and African-Americans endured over a decade of double-digit unemployment. Everyone has been benefit-

ing from the increased participation of African Americans in the labor market.

So, it shouldn't be surprising that there have been spurts of rapid growth in consumption. Large shares of workers are making up for lost ground, when high unemployment numbers held down their incomes.

This economic expansion is unique from an economic policy perspective.

Last month the federal government ran the largest surplus on record. At the same time, last month the U.S. trade deficit reached a record. Both are forces that would slow the economy. This leaves only two parts of the economy keeping things going forward: consumer spending and business investment.

Textbook economics suggests that the federal fiscal policy is in order. When the economy is booming, the federal government should be running a surplus, taking in more tax dollars than it is spending. This keeps the economy from overheating. It also helps to pay down federal debts that tend to increase when the economy is grow-

ing slow, and the government spends more than it takes in.

But, the textbook of the post-World War II era imagined a number of government expenditures that were entitlements, like the old Aid to Families with Dependent Children program, and unemployment insurance that would automatically rise if the economy slowed down, and unemployment went up. The old safety net. Now, there is no AFDC.

Since the 1980s, the unemployment insurance system has been shrunk, so a much smaller share of unemployed workers get unemployment insurance. The safety net acted as an automatic stabilizer, forcing the government to pump money back into the pockets of workers whose incomes were falling, just when the economy was slowing down.

It was automatic, because as entitlements, no special legislation was needed to make the money flow.

So, this economy is unique because it has been growing with two brakes set, federal fiscal policy putting on the

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PUBLIC NOTICE

The Regional Transportation Commission of Clark County, Nevada

SEEKS VOLUNTEERS FOR APPOINTMENT TO TWO ADVISORY COMMITTEES

CITIZENS ADVISORY COMMITTEE

The Citizens Advisory Committee (CAC) advises the Commission on issues related to mass transportation, street and highway construction, transportation demand management, air quality, and other issues as may arise.

OLDER AMERICANS/DISABILITIES TRANSPORTATION ADVISORY COMMITTEE

The Older Americans/Disabilities Transportation Advisory Committee (OA/DTA) advises the Commission on local transportation issues of interest to seniors and persons with disabilities, including fixed route and paratransit bus services.

These unpaid appointments are to fill vacancies on the committees for the remainder of the present term, through June, 2001, after which reappointment to a new full term is possible. The committees meet once each month, at 5:30 p.m. on a Wednesday (for the CAC) and at 1:30 p.m. on a Tuesday (for the OA/DTA.) Appointment carries with it specific attendance requirements. Persons interested in serving on one of these committees should request an application now from:

Michael Born, Senior Planner
(702) 676-1716
e-mail: bornmm@co.clark.nv.us

Your completed application should reach the RTC

no later than Friday, June 23, 2000.

Jacob Snow, General Manager
Regional Transportation Commission
600 S. Grand Central Parkway, Suite 350
Las Vegas, NV 89106
(702) 676-1500
TDD 676-1834



Nationally noted orator to address industry luncheon

Sentinel-Voice

Howard D. Putnam, former CEO of Southwest and Braniff Airlines, author, commentator, speaker and business advisor is slated to speak at the 16th Annual Southern Nevada Governor's Industry Appreciation Luncheon on Friday at the MGM Grand Conference Center.

The purpose of the luncheon is to honor businesses that have relocated or expanded their operations in southern Nevada.

"Howard Putnam's business experience tells an important story," said Gov. Kenny C. Guinn, host of the annual event. "We are fortunate to be able to hear him at this prestigious event."

Putnam published his first book, "The Winds of Turbu-

lence" in 1991 and its regarded as a definitive source on leadership and ethics. Harvard University published a case study from his Braniff Airlines experience to use as a teaching tool for students to learn how to ethically and honestly deal with shareholders in times of financial crisis.

"It doesn't matter that we are headed into a new economy," Putnam said. "The same basics for running your company apply: 1) vision, 2) understanding what business you're in, and 3) developing a culture to support that business."

The luncheon is to begin at noon with a no-host reception starting at 11 a.m. Tickets are \$40 a person or \$400 for a table of 10.

Those interested can call 486-2700.