UNEMPLOYMENT AND JOB CREATION PROGRAMS: IS THERE A SKILLS GAP?

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ABSTRACT

The current unemployment rate (August 2012) of 8.3 percent nationally has not dropped following the last recession as quickly as it has in the past following previous recessions. Over the years there has been much discussion on causes and solutions regarding recessions and unemployment. The Federal government spends over $18 billion a year on 47 different training programs in nine agencies. However, many employers comment that they cannot find qualified workers (Easton, 2011). Over three million jobs are vacant and employers are looking for workers to fill the positions (Easton, 2011), while there are approximately 14 million jobless workers who cannot find jobs (Shierholz, 2011). This paper seeks to evaluate the government response to the high level of unemployment, to evaluate some of the job creation programs that are currently in existence, and to consider the possibility of a skills gap between job seekers and available jobs.

INTRODUCTION

The unemployment rate is one of the most prominent issues discussed today by politicians, news commentators, and economists. The rate was 8.3 percent nationally in August 2012, and it has been at 8% or higher each month since February 2009, a period of 42 months. This has been the longest period of unemployment above 8% since 1948. According to the National Bureau of Economic Research, the U.S. experienced a recession beginning in 2007 (Isidore, 2008). This recession has been a leading cause of unemployment, which has continued to rise. During the first ten months of 2008, employers reduced jobs by 1.2 million (Isidore, 2008).

In the past, the unemployment rate rose during recessions, continued to rise after the official end of the recession, but then declined substantially. According to the Bureau of Economic Research, a recession starts at the peak of a business cycle and ends at the bottom of a cycle (Business Cycle, 2012). Our most recent recessions have been the July 1981 – November 1982 period, the July 1990 – March 1991 period, the March 2001 through November 2001 period, and the December 2007 through June 2009 period.

The unemployment rate at the end of the July 1981 – November 1982 recession was 10.8%. It remained at 10.8 % in December 1982, and then declined during the 1980s, reaching a low of 5.0% in March 1989 (US Business Cycle, 2012; Unemployment Rates, 2012)

The unemployment rate at the end of the July 1990 – March 1991 recession was 6.8%. It then rose to a high of 7.8% in June 1992, and declined during the 1990s, reaching a low of 3.9% in September 2000. Our next recession was the period March 2001 through November 2001, which ended with an unemployment rate of 5.5%. The rate then rose to a high of 6.3% in June 2003, and declined, reaching a low of 4.4% in May 2007.

Our most recent recession was the period December 2007 through June 2009, which ended with an unemployment rate of 9.5%. The rate reached a high of 10.0% in October 2009, but has declined very slowly since that time (Databases, 2012).

CAUSES OF UNEMPLOYMENT

The persistent high unemployment rate may be related to the different types of unemployment. There are several types of unemployment and each has a different cause. Economists have identified four types of unemployment: frictional, seasonal, structural, and cyclical (Bade, 552). Frictional unemployment arises from the unemployment of individuals who are changing jobs in response to temporary layoffs, workers quitting jobs to find new ones with better pay or job conditions, and persons entering or leaving the labor force.

Seasonal unemployment arises from the unemployment of persons who cannot work because of the changes in the seasons. Agricultural workers can work only during the planting and harvest season, construction workers and pavement graders can work only when weather conditions permit such work, and ski lift operators can work only when there is sufficient snow.

Cyclical unemployment arises from changes in the economy related to the business cycle: as the economy expands, companies produce more goods and hire more employees, and the unemployment rate declines. When the economy goes into a recession companies produce less and reduce the number of employees, and the unemployment rate rises.

Structural employment arises from a lack of skills needed to perform jobs that are available, or the destruction of jobs in some locations and the creation of jobs in other geographical locations, and the reluctance of persons to move to areas where the newly created jobs are located.

EFFORTS TO COMBAT UNEMPLOYMENT

Frictional Unemployment

What should be done to fight unemployment? Frictional unemployment can be reduced by improving the communication between job seekers and job providers. Readily accessible information on the existence of available jobs can reduce the time involved in making job changes. There are numerous job sites where one can search for specific jobs in specified geographical areas (Bergen, 2012). For example, the job site Indeed claims to be the top job site worldwide. It has several million job listings aggregated from thousands of company websites and job boards across all fields, and there are a billion job searches per month by more than 50 million unique individuals.

Another large job search engine is SimplyHired, which claims to be working on building the largest online database of jobs. It currently has listings of more than 5 million jobs pulled from job boards, company career sites, newspapers, non-profit organizations, government sites, and others. Users can browse by state, city, company, industry, or job category.

Some other job websites are LinkedIn, CareerBuilder, Monster, Craigslist, Glassdoor, Dice, Mediabistro, and TweetMyJobs.

These can be useful in letting potential job seekers know what is available; some offer advice on preparing a cover letter and resume, and how to prepare for an interview.

Seasonal Unemployment

There is not much that can be done to decrease seasonal unemployment; when the weather changes, employees can return to jobs that are weather related, or agricultural workers can return to the appropriate fields for the harvest season. Seasonal unemployment is temporary and does not have a significant impact on the unemployment rate.

Cyclical Unemployment

It is cyclical unemployment where governmental intervention may have its greatest impact on the unemployment rate. There are a number of approaches that have been advanced by economists: do nothing, use fiscal policy, use monetary policy, and pursue supply side economics. Some economists have argued that there is no need for any governmental intervention; they argue that high unemployment is a temporary phenomenon, and that the economy contains seeds within itself that will, in the long run, automatically bring down the unemployment rate. This approach has been largely discredited because there have been several periods of long duration of high unemployment in our history, and in the short-run, there may be a need for some governmental activity.

Fiscal policy involves the use of taxation and government spending to expand the economy and attack the unemployment problem from the demand side. It is recognized that O = C + I + G + E: the total output of the economy is equal to the sum of consumption spending, business investment spending, government spending, and net exports (exports minus imports). An increase in either one of these would expand the economy. A reduction in taxes would give consumers and businesses more money to spend, thus increasing demand; the additional spending would prompt companies to expand and hire more workers, thus reducing the unemployment rate. Increased government spending would also increase aggregate demand, causing firms to expand and hire more workers. Thus, to reduce the unemployment rate, fiscal policy calls for reducing taxes, increasing government spending, or both.

Monetary policy involves changes in the money supply and interest rates to expand the economy and fight unemployment, again from the demand side. An increase in the money supply leads to a decrease in interest rates. At lower interest rates businesses would increase their investment spending, since more projects become economically feasible; a firm will invest in a project if its internal rate of return is greater than the cost of rising funds. Also consumer spending is likely to rise as interest rates fall: the portion of current income that is spent will rise since saving is less profitable at lower rates, and consumers are more willing to borrow at lower interest rates. The decrease in interest rates would lead to more spending by consumers and businesses, thus increasing aggregate demand, causing firms to expand and hire more workers. Thus, to reduce the unemployment rate, monetary policy calls for increasing the money supply and reducing interest rates.

Fiscal policy and monetary policy attack the unemployment problem from the demand side; supply side economics attacks it from the supply side. Supply side economists argue that government policy should make changes to enhance business firms' ability to increase production and thus increase jobs. These changes include reducing tax rates on businesses, reducing or eliminating those regulations that increase business costs, and reducing spending and borrowing by the government (to make more room for private spending and borrowing).

Fiscal policy, monetary policy, and supply side economics have been used recently to attempt to expand the economy and bring down the unemployment rate. The American Recovery and Reinvestment Act was passed in 2009 to stimulate demand in the economy and reduce unemployment. Also known as the economic stimulus package, it consisted of $787 billion in tax cuts and additional spending, designed to put more money in the hands of individuals and small businesses. Funds were provided for transportation, mass transit, and water projects; job training for disabled individuals; school districts and states to pay teacher salaries; Pell grant increases; investment in science research and technology; increase in alternative energy production; and expanded health care (Amadeo, 2011; Amadeo, 2012).

Tax cuts from the stimulus package were provided for individuals in the form of a reduction in withholdings, a tax credit to first time homebuyers, a college tuition tax credit, additional payments to social security recipients, extended unemployment benefits, and expanded earned-income tax credits. An additional tax cut was provided to individuals in 2011 and 2012 in the form of a reduction in the payroll tax.

Tax cuts were also provided to businesses in the form of a capital gains tax cut for small business investors, tax credits for small businesses that hire long-term unemployed veterans and students, increasing the deduction for machinery and equipment, and allowing a special depreciation deduction for 2008. An additional tax credit was provided to firms for all new hires in 2011.

On the monetary front, the Federal Reserve pushed interest rates to near zero in 2008 and has kept rates at a low level since that time.

The additional government spending, low interest rates, and tax reductions have expanded the economy, the stock market indices have increased, but the unemployment rate has remained uncomfortably high. What is happening here? Why have these policies not resulted in a substantial drop in the unemployment rate?

Some have argued that the stimulus package was not large enough to take us from the deep recession of December 2007 through June 2009; perhaps a second stimulus package was needed to create the jobs that were lost in the recession. The spending gap created during the recession from inadequate consumer spending, business investment, and exports has been estimated to be approximately $2.9 trillion (Nobel Laureate, 2009); the stimulus package was less than one-third of the amount needed to close the spending gap. The size of the stimulus package was the result of an attempt to compromise between the Democratic and Republican parties in the House and Senate.

After much debate, a reduced amount of $789 billion was approved with no Republican votes in the House and three votes in the Senate. The consensus among economists is that the stimulus package helped prevent a higher unemployment rate and provided a modest recovery (Economic Stimulus, 2012). A second stimulus package was not politically possible, given the make-up of the Congress following the 2010 mid-term elections.

It should be noted that the economic recovery that followed the July 1981 – November 1982 recession was fueled by tax cuts and increased government spending. Similarly, the expansion that followed the March 2001 – November 2001recession was also fueled by tax cuts and increased spending.

It is clear that more jobs are needed in the economy if the unemployment rate is to be reduced appreciably. Another approach is to consider the impact of corporate taxes on job creation: many politicians and economists argue that a decrease in the corporate tax rates would spur economic growth and employment. Reduced taxes would give companies more money to spend; the companies could then expand their operations, create more jobs, and hire more employees.

For a variety of reasons, however, reduced taxes may not necessarily result in substantial job creation in this economic environment. **First of all, many firms today already have excess cash, and are not using that excess cash to expand operations and hire additional workers.** Giving them more cash through tax reductions will not necessarily prod them to expand and hire more workers. A firm with excess cash has several options: hold the cash; increase dividends to stockholders; buy back its stock; buy another company; or use it to expand operations.

General Electric recently indicated that it expects to generate $100 billion in excess cash from 2012 to 2016; these funds will be used for “dividends, stock buybacks, acquisitions, and other initiatives” (Linebaugh and Sechler, 2011). There was no mention of expansion and additional hiring.

Citigroup reported earnings of $3.8 billion in the third quarter of 2011, a rise of 73% from the $2.2 billion reported in the third quarter of 2011 (Kapner, Citi Shines, 2011). This large profit increase, however, has not increased Citigroup’s hiring. Actually, Citigroup announced plans to cut 4,500 jobs over the next few quarters because of concerns about worldwide financial markets and new regulations (Kapner and Rieker, 2011).

Honeywell International also had outstanding third quarter results: its profits increased from $596 million in the third quarter of 2010 to $863 million in the third quarter of 2011, a 45% increase. However, in an interview with the *Wall Street Journal,* Honeywell’s CEO David Cote indicated that although the company is generating cash, he is cautious about bringing on additional employees in the prevailing economic atmosphere. (Linebaugh, 2011))

Pfizer, Inc., the large pharmaceutical firm, had about $3.7 billion in cash and cash equivalents plus $25.3 billion in short-term investments, which can readily be converted into cash, in October, 2011. It was recently announced that this excess cash would be used to finance a 10% dividend increase to stockholders and a stock repurchase plan of up to $10 billion. This new repurchase program is in addition to the $6.5 billion of shares repurchased in 2011 (Loftus, 2011). But Pfizer also announced plans to lay off 16,500 employees because of an expected drop in sales of its best-selling cholesterol product, Lipitor (Edwards, 2011) because the patent for Lipitor expired on November 30, 2011 (Countdown, 2011).

McGraw-Hill Companies, Inc. also announced that it will use some of its excess cash to implement a share buyback program, and it will cut jobs. About 550 positions, including both executive and lower level personnel, will be cut, and $1.5 billion will be used to repurchase shares of the firm’s outstanding common stock (McGraw-Hill, 2011). Campbell Soup Company and Best Buy Company, Inc. are two other well-known companies that have recently announced share repurchase programs ($1 billion and $5 billion, respectively) (Rougemont, 2011).

Using excess cash to repurchase outstanding shares, rather than expanding operations, has become a common practice for companies today. Companies in the S&P 500 Index spent a total of $109.2 billion on stock buybacks during the second quarter of 2011 and $118.4 billion during the third quarter; the expectation was that over $120 would be spent during the fourth quarter (S&P Indices, 2011).

Thus a reduction in taxes would provide firms with additional cash, but that additional cash does not necessarily lead to substantial job creation.

Secondly, firms that decide to use their excess cash to expand operations may do so in another country. To take advantage of lower labor costs, companies have been shifting production to Mexico, China, and other low wage countries. Because of weak demand for its appliances, Whirlpool is cutting 5000 jobs and closing a plant in Arkansas, which manufactures refrigerators. Whirlpool is shifting the production of refrigerators to its plant in Mexico (Hagerty and Tita, 2011; Smith, 2011). In recent years, other companies, including Ford, General Motors, General Electric, Coca Cola, and RCA have opened plants in Mexico. General Electric employs 30,000 employees in its 35 Mexican plants. These moves, of course, create jobs, but they are not in America (Ensinger, 2011).

The Commerce Department reported that U.S. based multinational companies expanded their workforces at home by 0.1% in 2010 while expanding their overseas employment by 1.5%. Since 1999 these companies have actually reduced their domestic employment by 1 million employees and added 3.1 million workers overseas. In 2010, capital spending by these U.S. based firms increased by 3.3% at home and by 8.6% abroad (Wessel, 2012).

When our economy improves to the point where firms decide to expand and hire additional workers, many of those new jobs will most likely be located in foreign countries and will have minimal impact on our unemployment rate.

Thirdly, when companies decide to expand in this country, the expansion often takes place with few or no additional workers. The wireless industry has shown rapid growth over the past 5 years as more consumers use smartphones, wireless applications, and network technology. Revenue in the industry has grown 28% since 2006 when employment in the industry peaked at 207,000 employees, but productivity gains, consolidation, and outsourcing have led to a decline of 20% of workers in the industry over the past 5 years (Troianovski, 2011). Sprint Nextel Corporation has decreased its number of call centers from 74 in 2007 to 44 in 2010, with a corresponding drop in workers from 60,000 to 40,000. AT&T, Inc. and Verizon Communications, Inc, have kept their number of employees relatively constant over the past few years, but their revenues increased from $100 billion in 2008 to $122 billion in 2010. Some jobs have been created in other industries as a result of the wireless expansion, but those numbers do not match wireless job losses.

Exxon Mobil Corporation, the world's most profitable company, reported third quarter income of $10.33 billion in 2011, an increase of 41% from 2010; revenue increased by 32%. (Ordonez, 2011). The firm has reported huge profits in other quarters as shown in Figure 1 (Why Tax Cuts, 2011):

Figure 1: Top 10 quarterly earnings of all time (prior to 2011)

1. Exxon Mobil Corp: 2008, 2Q $11.68 billion
2. Exxon Mobil Corp: 2007, 4Q $11.66 billion
3. Exxon Mobil Corp: 2008, 1Q $10.89 billion
4. Exxon Mobil Corp: 2005, 4Q $10.71 billion
5. Exxon Mobil Corp: 2006, 3Q $10.49 billion

6. Exxon Mobil Corp: 2006, 2Q $10.36 billion
7. Exxon Mobil Corp: 2007, 2Q $10.26 billion
8. Exxon Mobil Corp: 2006, 4Q $10.25 billion
9. Exxon Mobil Corp: 2005, 3Q $9.92 billion
10. Exxon Mobil Corp: 2007, 3Q $9.41 billion

However, job growth over the years has not accompanied these profits, as shown in Figure 2:

Figure 2: Number of Employees at Exxon Mobil

Year	Employees at Exxon Mobil
1999	106,900
2000	99,600
2001	97,900
2002	92,500
2003	88,300
2004	85,900
2005	83,700
2006	82,100
2007	80,800

Thus, Exxon has been able to expand with fewer workers. There are many other exceptions to the notion that increased sales and profits lead to increased hiring in this economy. In North Carolina there is a new toll road in the Raleigh-Durham-Research Triangle Park area. However, there are no toll booths on this road and thus no toll collectors and minimal job creation; tolls are collected electronically (Free Rides, 2011). Drivers can set up an account with the North Carolina Turnpike Authority and install on the car windshield a N.C. Quick Pass electronic transponder that has a customer ID number. Overhead frequency readers communicate with the transponders and deducts tolls from a prepaid account. Overhead cameras will take photos of the license plates of cars that do not have the transponders, and the owners will be sent a monthly bill (Toll Operations, 2011).

In a speech in Kansas, President Obama noted the disconnect between production and employment: "Steel mills that needed 1,000 employees are now able to do the same work with 100 employees, so layoffs too often became permanent, not just a temporary part of the business cycle." (Friedman, 2011). Economists refer to this situation as a jobless recovery: companies are able to expand without hiring additional workers (Knotek and Terry, 2011).

Finally, some firms have been expanding, but bringing foreign workers here to take advantage of a quirk in the immigration and social security laws. American employers can avoid paying social security, medicare, and unemployment taxes on certain classes of foreign workers. It has been estimated that there are over half a million of these employees in the country. Depending on the salaries paid to the employees, the savings to the employers can result in thousands of dollars per employee per year (North, 2012). Of course employing these workers does not decrease our unemployment rate. Actually, these savings, plus the lower wages these foreigners are often willing to accept, encourage employers **not** to hire U.S. citizens to perform jobs that these foreigners can perform.

Thus, it is clear that granting firms more cash through tax reductions will not necessarily lead to substantial job creation and a decrease in our unemployment rate. Corporations' loyalty is to their stockholders, not to the national economy. Actions to increase profits are not always consistent with decreasing the unemployment rate.

Job Creation Programs

It is evident that job creation continues to be a problem nationally as unemployed workers struggle to find jobs. Formal job creation programs help job seekers connect with employers as well as obtain skills, knowledge and training that will help them get a job. Job creation programs can come directly from private industry or from government-based job creation programs.

Government is taking aggressive steps to help reduce unemployment. One way of helping to generate jobs for unemployed workers is through Federal job creation programs. There are a multitude of different programs serving different needs and requirements that have been in existence for several years. There are also some state programs that are effectively creating jobs for unemployed workers. Discussed below are two examples of these state programs: the Georgia Works program and the Minnesota Emergency Employment Development (MEED) program.

Georgia Works Program

After the recession, this program has been praised nationally as a jobs creation program that is working. Georgia Works was started in 2003 and is a program to help unemployed workers get work which involves first, matching workers with employers and then allowing the workers to work for the company for free. The company gets a chance to see the worker in action and the employee gets a chance to learn new skills and knowledge (Luhby, 2012). Since its inception, over 4,000 Georgians have found new careers as a result of participation in the program. Interviews with some of the program participants revealed that they gained some skills that enabled them to find employment. The Georgia labor commissioner reported that $6 million was saved in the unemployment insurance trust fund by putting unemployed workers to work after their participation in the program (Jilani, 2011).

Some economists disagree with the success and say that there is not any support to show that workers get jobs faster. The program has suffered some setbacks in recent years with budget constraints, lack of promotion and other limitations which have restricted the program (Luhby, 2012).

Other states, including New Hampshire and Missouri, have job creation programs that are based upon the Georgia Works model. Georgia Works is a voluntary program, where workers get a chance to try out an open position as an unpaid employee. The unemployed can work a maximum of 24 hours per week. The unemployed worker will work for eight weeks and the employer then decides if he wants to keep the employee longer.

Since the beginning of the program in 2003, only 18 percent of the workers that completed the training have been taken on as hired employees by the employers that hired them. Some who oppose the program, like labor unions, suggest that this is free labor and that this is unfair. Some employers were using the program as free labor for selfish gain, so policies were set in place to discourage this behavior by limiting the participation by employers after repeated use of unemployed workers without hiring any.

However, some say that this should not be the only indicator of success. For one thing workers are able to obtain new skills. Many workers report that they have learned a great deal in terms of new skills and knowledge. Georgia State University has had some success in using the program. Georgia State has hired 37 workers from the program out of 54 who started out as voluntary trainees.

Minnesota's MEED program for unemployed workers

The MEED program in Minnesota, which has been around since the 1980s, is a little different from the Georgia Works program because it is a subsidized program for the unemployed. The MEED program gave employers $10 per hour as a wage subsidy so that they could hire specific, disadvantaged workers for six months for full-time work. The focus was on unemployed workers who were not receiving unemployment benefits. The jobs that the workers worked on had to be newly created jobs and the pay was the same as a regular worker. The employers were supposed to make a commitment to keep the workers for one year after the 6 months subsidized job ended. If the employer did not honor the agreement, then he/she could be fined (Bartik, 2011).

Structural Unemployment

The slow decline in the unemployment rate may be due to structural unemployment; fiscal policy, monetary policy, and supply side economics do not address the issue of unemployment due to a lack of skills. Over 44% of the unemployed are actively seeking jobs (and thus are counted in the official unemployment rate), but many of these people may need new skills and training (Easton, 2011).

One approach to battling structural unemployment is to develop job training programs. Job training and job training programs have been existence for many years and have helped many workers in gaining employment. For example, during the Great Depression of the 1930s, the Federal-State unemployment Insurance program was started. During this same time the job training programs associated with the New Deal programs were started (O'Leary et al., 2004). Another job training initiative, called the Manpower Development and Training Act of 1962, was targeted toward low-income people and welfare recipients (O'Leary et al., 2004).

According to O'Leary et al., 2004, "Job training involves teaching someone the skills required to do a job competently. It is distinct from general education because of the exclusive focus on preparation for employment. Job training can range from remedial training, which teaches people the skills they need to learn other skills, to very sophisticated occupation specific training, which teaches people detailed procedures to perform at a high level in a specific occupation".

Job training focuses on closing the unemployment gap between available job openings and workers who are looking for jobs. There are many different types of job training that could take place in various places. Job training could be administered on the job or in a classroom at a private company, school (high school or college/university) or government-sponsored training facility.

The numerous training programs address the many and varied needs of a multitude of people with differing circumstances and needs. For example, there are training programs that specifically address youth, women, minorities, veterans, post prison-inmates, remedial needs, apprenticeships, and occupational skills. In the next section examples of some of the various training initiatives are discussed.

High School Training

One job training program started in Oregon was initiated at six high schools. The program focuses on freshmen through seniors. Freshmen visit work places to see different workers, sophomores enroll in one of the six available career tracks, and the juniors and seniors are paired with jobs or internships associated with their vocational choices (Celis, 1994).

Another high school program in Seattle prepares high school students for obtaining jobs by offering a group of programs through the Seattle Public Schools Skills Center. Students have a choice of four different programs: Digital Animation and Game programming, Aerospace Science, Health Sciences, and the Cisco/Microsoft Information Technology Academy (Schiffler, 2012).

In Baltimore, Sollers Point Technical High School offers vocational programs where students earn certificates when they complete their course of study. In the culinary arts program students are prepared to go directly into the work world (Abramson, 2012).

University Training

There are several training programs offered through universities to help students obtain jobs after college. The University of Texas at Austin offers students the opportunity to become software developers through an on-the-job training program (Software Developer, 2012).

Montclair State University offers a program to unemployed people. They are offered a fee-waiver and allowed to enroll in the university courses that will help them obtain job skills that will help them gain reemployment (NJ State, 2012).

Clark-Atlanta University has a job training program called Worker Education and Apprenticeship Job Training Programs which offers three different training programs: The Minority Worker Training Programs (MWTP); Brownfields Minority Worker Training Program (BMWTP) and the Youth Apprenticeships Job Training Program (YAP). The programs are designed to help trainees obtain skills to prepare them for work in the construction and environmental remediation business (Worker Education, 2012).

Government sponsored job training programs

The U.S. government has been providing help in training and development of knowledge and skills through job training programs for a long period of time, including the New Deals programs during the depression era.

The Comprehensive Employment and Training Act (CETA) of 1973 focused on decentralization and more state/local control using local advisory boards to address job training and local employer needs. The CETA job program focused on disadvantaged youth and welfare recipients (O'Leary et al., 2004).

The Job Training Partnership Act (JTPA) of 1982 was put into place during the Reagan era and focused on employers' job needs and restricted the employee training to skills that local employers were requesting (O'Leary et al., 2004).

Many of these programs address many different types of people and different skill and development needs. One program that has been around since 1964 that has successfully helped youth obtain jobs is the Job Corps program. It is a free one year program for struggling and disadvantaged youth that provides assistance in obtaining jobs by offering job training, remedial instruction and other support.

The following is a list of some of the federal job training programs:

Employment Service/Wagner-Peyser Funded Activities
H-1B Job Training Grants
Homeless Veterans' Reintegration Project
Job Corps
Local Veterans' Employment Representative
Program National Farmworker Jobs Program
Native American Employment and Training
Registered Apprenticeship and Other Training
Reintegration of Ex-Offenders
Senior Community Service Employment Program
Trade Adjustment Assistance
Transition Assistance Program
Veterans' Workforce Investment Program
WIA Adult Program
WIA Youth Activities
WIA Dislocated Workers
WIA National Emergency Grants
WANTO
Youth Build
Department of Agriculture
SNAP Employment and Training Program
Department of Justice
Second Chance Act Prisoner Reentry Initiative
Department of Education
American Indian Vocational Rehabilitation Services
Career and Technical Education – Basic Grants to States
Career and Technical Education – Indian Set-aside
Grants to States for Workplace and Community Transition Training for Incarcerated Individuals
Migrant and Seasonal Farmworkers Program
Native Hawaiian Career and Technical Education
Projects with Industry
Rehabilitation Services – Vocational Rehabilitation Grants to States
State-Supported Employment Services Program
Tech-Prep Education
Tribally Controlled Postsecondary Career and Technical Institutions

The Federal government spends billions of dollars a year on these training programs, but one out of three employers still comment that they do not have qualified workers that they can hire (Easton, 2011). Over three million jobs are vacant and employers are looking for workers to fill these positions (Easton, 2011), while there are approximately 14 million jobless workers who cannot find jobs (Shierholz, 2011). According to Nicholas Pinchuk, the CEO of Snap-On Inc, businesses are not doing enough in terms of training to help decrease the gap between skills possessed by unemployed workers and skills needed for available jobs (Loughley, 2012). U.S. companies may face a severe skills shortage in the near future, but a more pressing issue is the lack of available jobs. Even if all of the vacant jobs were filled, there would still be over 10 million jobless workers.

Educational institutions that are also preparing individuals for jobs in the economy face a similar problem of job availability. Universities, community colleges, and high schools offer a variety of majors and vocational programs which provide their graduates with the skills needed for a wide range of positions in business, educational, and governmental agencies. Many graduates, however, have great difficulty in finding jobs. There is real concern that the jobs are just not available.

There must be a high level of job creation if the unemployment rate is to be reduced substantially. The economy lost more than 5 million jobs in 2009. In 2010, 940,000 jobs were created, and there were 1.6 million new jobs in 2011 (Wiseman and Rugaber, 2012). As noted above, figures from the Bureau of Labor Statistics at the end of 2011 indicated that there were approximately 14 million unemployed workers, but only 3.3 million job openings. Thus, the number of unemployed workers to job openings was greater that 4-to-1, indicating that there were no jobs available for more than three out of four unemployed workers. This ratio has remained over 4-to-1 for almost three years (Shierholz, 2011); before the recession it was only 1.5 (Wessel, 2011). It has been estimated that, considering the growth in the working age population, it will require adding 275,000 new jobs each month for 5 years to bring the unemployment rate down to where it was when the Great recession began (Shierholz, 2011). This level of job growth is probably not likely.

It has been often noted that major job growth in the economy comes from small firms and new business startups. According to the Small Business Administration, small businesses – firms with fewer than 500 employees – provide jobs for over half of the nation’s workforce. They create more than 50% of the private, non-farm gross domestic product, and they create between 60% and 80% of the nation’s net new jobs (Langley, 2012).

A study at the Federal Reserve Bank of Cleveland evaluated several measures of entrepreneurship over the past few years. It found that the number of businesses in the country reached a peak in early 2005 and then began to decline. After the recession began in December 2007, the decline was magnified. Some of the decline was due to business failures, but a larger portion of the decline was because of a decrease in business formations. It was noted that “68,490 more businesses closed in 2009 than in 2007, an 11.6% increase in the business closure rate. But by 2009, 115,795 fewer employer businesses were founded than in 2007, a 17.3% decline in firm formation” (Rampell, 2011).

A Kauffman Foundation-Census Bureau study on U.S. entrepreneurship, entitled, “Where Have All the Young Firms Gone?” also found that the number of American businesses is declining. The study highlighted the decreased number of startup businesses. The U.S. Census data indicated that new business growth dropped from 13 percent of U.S. employers in 1980 to 8 percent in 2010 (Haltiwanger, 2012).

Since most new businesses are small, and since small business drives job formation, one can conclude that hiring will remain depressed until the rate of new business formation improves.

Conclusion

In conclusion, the United States has a high unemployment rate that has declined very slowly since the end of the last recession. The country has a serious shortage of jobs that are needed to provide opportunities for individuals who want to work. There are a number of job creation programs that are creating a small number of jobs, but this number is miniscule compared with what is needed to significantly improve the unemployment rate. The traditional governmental policies of fiscal policy, monetary policy, and supply side economics appear to be inadequate in solving the problem. There is a skills gap which programs such as the Georgia Works program help to close, but much more is needed.

Additional research will address several issues:

1. To reduce the unemployment rate further, are there additional measures, beyond increasing spending, reducing taxes, and decreasing interest rates, that should be considered by the government? Are there additional policy initiatives that can be employed?
2. Is there a new type of unemployment that is an additional component of the total unemployment picture? If there is a new type, its recognition may help us understand why the unemployment rate has not decreased appreciably.
3. Although new job training programs and improvements to existing programs are being initiated, there is a need to evaluate the programs to better understand how serious the gap is between what employers are seeking from potential employees and the training and skills that they are acquiring in the various programs. This knowledge can help to improve the quality of the training and close the skills gap. Specifically, we wish to determine whether there are significant numbers of jobs that are available, but the current skills of unemployed workers do not match the needs of the employers.

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