



From the office of Texas Workforce Commission

Chairman Tom Pauken

Opinion/Editorial

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The Negative Impact of High Unemployment on Young Americans **By Tom Pauken**

National unemployment in November rose to 9.8 percent. With national unemployment hovering in the 10 percent range, an increasing number of analysts, pundits and economists are asking whether these high rates of unemployment in the U.S. are here to stay. As grim as the overall national numbers are, the situation is even worse for young Americans.

Unemployment among teenagers is at 24.6 percent, nearly double what it was 10 years ago. For those 19 to 24-years-old, unemployment is 15.6 percent compared with 6.8 percent in 2000. Even college graduates are finding it hard to land jobs. Unemployment for those with bachelor's degrees rose in November to a 30-year high of 5.1 percent.

Prospects are not getting brighter for recent college grads, many of whom are burdened with tens of thousands of dollars of debt upon finishing school. As reported by the *Wall Street Journal*, a new survey from the Collegiate Employment Research Institute shows that only 43 percent of employers who hired college graduates from the class of 2010 are certain they will do so again for this year's graduates. Another *Journal* story noted that the percentage of business-school graduates receiving job offers is slightly improved from last year but still far below what it was just a few years ago. The director of career services for Pepperdine University's business school was quoted as saying that hiring is "dramatically down from 2007 and 2008 ... nowhere near where we were in the past."

Graduates used to leave school and enter the workforce by taking entry-level positions that were ample, thanks primarily to a vibrant private sector. Those jobs placed them on a steady career path that gave them opportunities for advancement and professional development. But these entry-level positions have begun to disappear as private businesses have drastically scaled back their hiring of new employees. While small businesses create a majority of new jobs, they are hiring far less now than they have in the past. Privately held firms with fewer than 500 employees have added an average of 35,000 net jobs a month in 2010 compared to 143,000 in 2006 and 79,000 in 2007. Fewer jobs being created in the private sector means less in the way of

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employment opportunities for young Americans.

Compounding the problem, baby boomers are remaining employed beyond their anticipated retirement age, as they have watched the value of their homes along with their 401(k) accounts shrink. Skittish over their own financial futures, they are remaining in the workforce longer which also has a negative impact on young people seeking employment.

The roadblocks this generation currently faces may reverberate long into the future. That's what happened to young Japanese who tried to enter the workforce during Japan's decade-long recession of the 1990s. Dubbed the "lost generation" by economists, Japanese who came of age during that era have struggled to make gains along the career ladder and now account for a disparate proportion of Japan's low-income and homeless populations. In other words, it's not as though today's young Americans can simply wait out the current recession and expect their career trajectory to continue as normal once the economy recovers.

To avoid creating a "lost generation" of Americans will require facing up to what is causing jobs to disappear. Private sector job growth is virtually non-existent. This is particularly the case in the manufacturing sector where 5.5 million American jobs were lost from 1999 to 2009.

There is a common sense solution available which would get the private sector moving again and bring good jobs home to America. Under the Hartman Plan, our onerous corporate tax system, with its 35 percent tax rate and its 6.2 percent employer portion of the payroll tax, would be replaced by a revenue-neutral, 8 percent business-consumption tax that would be border-adjusted. All goods and services coming into the U.S. would pay the 8 percent tax while all exports would receive a comparable tax credit or tax abatement as an offset to its company's business consumption tax. Suddenly, the U.S. would become competitive again with our trading partners.

Intel's former chairman Craig Barrett has said, "Intel can move wherever it must to survive, but I sometimes wonder how my grandchildren will make a living." If nothing is done, the American dream will die for future generations. Let's be bold and replace a tax system which incentivizes shipping American jobs overseas with one which will reward the creation of jobs here at home.

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The Texas Workforce Commission is a state agency dedicated to helping Texas employers, workers and communities prosper economically. For details on TWC and the programs it offers in coordination with its network of local workforce development boards, call (512) 463-8556 or visit www.texasworkforce.org.