109TH
CONGRESS

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Joint Economic Committee
Democrats

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PRESIDENT BUSH ENDS FIRST TERM WITH WEAKEST JOB GROWTH SINCE HOOVER

Real Wage Gains Concentrated at the High End of the Distribution

Washington, D.C. – The unemployment rate declined to 5.2 percent in January, as the labor force participation rate fell to its lowest level since 1988. In January, 146,000 total payrolls were created and non-government jobs grew by 134,000, following downward revisions to December's job estimates.

"President Bush's first-term tax cuts delivered budget deficits, but not jobs," said **Sen. Jack Reed** (D-RI), Democratic member of the **Joint Economic Committee (JEC)**. "Job gains were lower than expected last month, and workers who are not finding good job prospects are leaving the labor market. The recovery still has a long way to go to deliver satisfactory gains in jobs and wages. The lack of a robust labor market has held down wages, leaving middle-income families barely treading water and low-income families falling behind."

Despite 20 months of employment gains, the pace of job creation in the current recovery lags well behind the pace in previous economic recoveries since the end of World War II. The data in today's employment report show that the economy created just 119,000 net new nonfarm payroll jobs during President Bush's first term. However, there are still 760,000 fewer private payroll jobs than there were when President Bush took office, including 2.8 million fewer manufacturing jobs. That is the weakest job creation in the first term of any President since Herbert Hoover.

The prolonged labor market slump has also taken its toll on workers' earnings. Real (inflation-adjusted) *weekly* earnings for the typical full-time wage and salary worker were stagnant – rising just 0.2 percent – during President Bush's first term, according to an analysis by the JEC Democratic staff of new data from the Bureau of Labor Statistics **(see chart)**. Gains were larger higher up in the wage distribution, rising nearly 1.0 percent per year at the 90th percentile. Earnings were flat or fell for lower-wage workers, declining 0.3 percent per year at the 10th percentile.

Since job losses peaked in May 2003, average *hourly* earnings have *declined* by 0.6 percent, once inflation is taken into account. Corporate profits, by contrast have grown by 41 percent under President Bush.

Overall, there are still 7.7 million unemployed Americans, and about 5.0 million additional workers who want a job but are not counted among the unemployed. An additional 4.4 million people work part-time because of the weak economy. The unemployment rate would be 9.3 percent if the figure included those who want to work but are not counted among the unemployed and those who are forced to work part-time because of the weak economy. About one in every five unemployed people – 1.6 million Americans – has been jobless for more than 26 weeks, the maximum number of weeks for receiving regular unemployment insurance benefits.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

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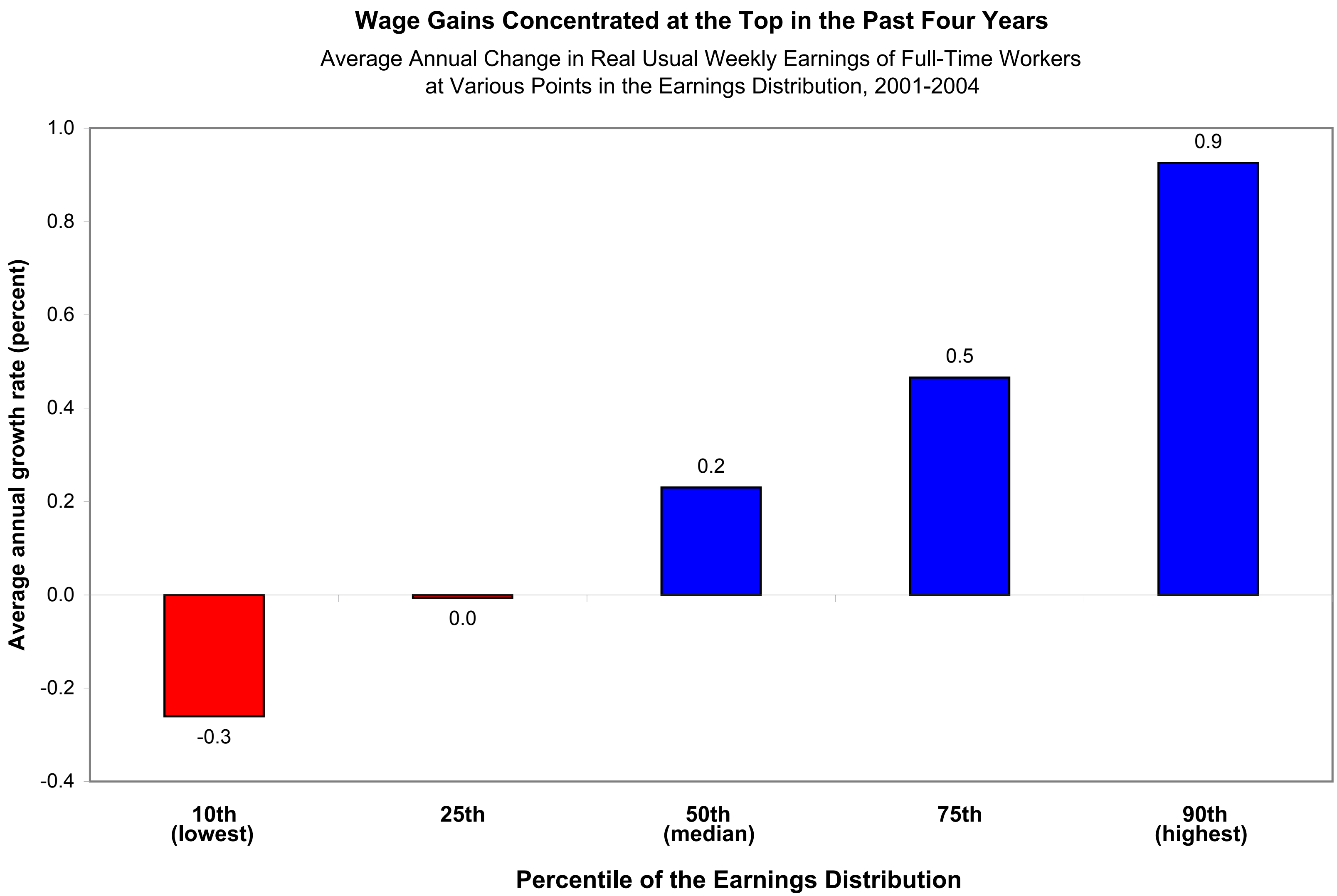

Note: Growth rates are average annual rates from the fourth quarter of 2000 to the fourth quarter of 2004.
Source: Joint Economic Committee staff calculations using data from the U.S. Department of Labor, Bureau of Labor Statistics.