

**“Jobless Recovery” Series**

**The NewsHour with Jim Lehrer**

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**“Non-Working Numbers”**

**July 29, 2003**

GWEN IFILL: Finally tonight, today’s decline in consumer confidence showed that fears of job losses continue to gnaw at Americans. In fact, the numbers may be even worse than we think. Our business correspondent Paul Solman of WGBH-Boston reports.

UNEMPLOYED MAN: I need a job, for real.

UNEMPLOYED MAN: Yes.

UNEMPLOYED MAN: Help us out.

UNEMPLOYED MAN: After today -- no, right now, I'll be looking for a job.

PAUL SOLMAN: The official unemployment rate among young inner city men no longer in school: A stunning 35 percent. And indeed, not one of these Chicago twenty-somethings had worked in the past year, giving them much in common with David Jones, who has advanced degrees in engineering and business.

PAUL SOLMAN: Where did you go to business school?

DAVID JONES: University of Chicago.

PAUL SOLMAN: University of Chicago?

DAVID JONES: Mm-hmm.

PAUL SOLMAN: Doesn't get much better than that.

DAVID JONES: So I understood. Yeah, no, it's an excellent program. So let's see what that does...

PAUL SOLMAN: Jones lost his financial consulting job more than a year ago. He's doing work for a friend in real estate, on spec.

DAVID JONES: I was just caught in the economic downturn, and hopefully things are going to start looking better.

PAUL SOLMAN: When the government adds the white-collar unemployed to out-of-work urban youth, plus the manufacturing workers who've borne the brunt of the recession and jobless recovery, it comes up with an average official unemployment rate of 6.4 percent, highest in a decade, and more than 50 percent higher than it was just two years ago. Now, there is a positive way to look at it. Today's 6.4 percent is nowhere near the post-depression record of 10.8 percent, set back in the recession of 1982. Chicago-based John Challenger, however, in the outplacement business since the early '80s, says unemployment is much worse than the official number suggests.



JOHN CHALLENGER: 6.4 percent only tells the first part of the story. There are discouraged workers. There are people who have been marginalized, and that puts unemployment up over 12 percent.

PAUL SOLMAN: 12 percent?

JOHN CHALLENGER: They're being pushed out of the workplace. They're being deskilled. The problem is much deeper than it looks.



PAUL SOLMAN: John Challenger's extreme claim, first made to us on the phone, is what motivated this story, and what we came to Chicago to explore: That today's unofficial unemployment rate is much higher than the official 6.4 percent. And in fact, what we found suggests that for men in the workforce, today's number actually rivals the 10.8 percent record of 1982, because, it turns out, there are four factors suppressing today's official number, at least for men: Millions more discouraged workers than there were in 1982; millions more on disability; nearly 1.5 million more incarcerated men; and finally, there's a demographic factor. Today's is an older workforce. To make it comparable to 1982, the economists we spoke with would adjust today's number upward for that reason alone. And the same is true for each of these categories. Take discouraged workers, who aren't officially counted as unemployed unless they say they actively looked for work in the past four weeks.

DAVID JONES: I bet I would have been one of those people who was not counted in the unemployment statistics. I dropped out for a little while, and now I'm back in it full time.



PAUL SOLMAN: Was David Jones a discouraged worker?

DAVID JONES: I was not distraught by any means, but the job market was pretty tough, and... particularly in Chicago. So I was not looking for a little while.

PAUL SOLMAN: Neither, says Jones, were many of his friends. So they're what the government calls discouraged workers: Not officially unemployed, but out of the workforce entirely, as all of these young men were.

RICARDO HUGHES: I've tried to find jobs so many times-filled applications, but I never get no response or nothing, so...

PAUL SOLMAN: Have you looked for work in the last four weeks?

RICARDO HUGHES: No.

PAUL SOLMAN: Have you looked for work in the last four weeks?

CLIFF CASH: No. I basically... really honestly, I gave up.

PAUL SOLMAN: Have you looked for work in the last four weeks?

UNEMPLOYED MAN: I mean, nowadays, it's just... man, it's just hard, basically.



DARIUS PRICE: Like 80 percent of black males that's 25... from 17 to 25 is unemployed.

UNEMPLOYED MAN: Yeah, basically.

DARIUS PRICE: And that might... the number might be too low. It might just be 99.9.

PAUL SOLMAN: Now you could argue that if these young men -- none with college; two of them high school dropouts -- were willing to do anything, they could find a job. For our purposes, however, what matters is not why they aren't working, but that they're not being counted as unemployed. Remember, the official unemployment rate for young men like this is around 35 percent. If their jobless rate is actually higher, that means the official rate is unrealistically low. And to them you have to add the white-collar discouraged.

JOHN CHALLENGER: Over two million people have been out of work 27 weeks. That's double the number of people it was two years ago. Right now we're seeing search times just under four-and-a-half months. That's the longest we've seen since we began tracking the numbers in the mid-'80s.

PAUL SOLMAN: And the longer the job search goes, says John Challenger, the more discouraged a worker tends to get.

JOHN CHALLENGER: That's one of the biggest difficulties people who've been out of work for more than 27 weeks have, is companies begin to say, "why hasn't someone else hired you?"

PAUL SOLMAN: So it's like a house that's been on the market too long.

JOHN CHALLENGER: People who've been out of work for so long are exactly like homes on the market that are not selling, and everybody starts passing them by, even if they have extraordinary positives.

PAUL SOLMAN: But enough discouragement. The point is, the increase in this category, broadly defined, would add substantially to the official unemployment rate.

Next category: Those who've left the workforce to get government disability. Economist David Autor is the expert here.

DAVID AUTOR: Approximately 1 percent of all adults ages 16-64 are applying for disability every year.



PAUL SOLMAN: How do you account for this?

DAVID AUTOR: When jobs disappear; when, you know, opportunities are rare, people look for other means of income replacement. And, you know, once unemployment insurance benefits are exhausted, people need other sources of income, and the disability program is a very attractive program. It's a, you know, lifetime of -- of income replacement, plus medical benefits.

PAUL SOLMAN: Moreover, Autor and fellow researcher Mark Duggan have pointed out, nearly 50 percent of all applicants succeed in getting onto disability, which averages \$1,000 a month, and once on, they don't tend to get off. Parts of Appalachia are known as the disability belt for their concentrations of disability recipients and disability lawyers, whose signs are all over the place. There are broad reasons for the long-term rise in disability. The program's become much better known; the workforce is getting older.

JAN KODNER, Attorney: Hey, Shelly.

PAUL SOLMAN: And, says disability lawyer Jan Kodner, the focus on corporate profits has changed since the early '80s.



JAN KODNER: When companies were a little bit more benevolent, they might be more inclined to reward a longtime worker with a made-up job. "Here, take a broom, do what you can, and we'll keep giving you your paycheck." I don't think you'll see that any more in today's bottom-line economy.

PAUL SOLMAN: Shelly Waitzman, however, whose fibromyalgia forced her to give up her law practice, rejects the notion that anyone is scamming the system.

SHELLEY WAITZMAN, Disability Insurance Recipient: When you compare the earnings that I had when I was in private practice to what I am receiving now in disability benefits, that to me would be... alone, would be enough to stop someone from thinking that you're faking. To achieve what?

PAUL SOLMAN: To which one might answer: Achieve some income, plus medical benefits, in a jobless economy. Roughly 5.7 million Americans are now on government-sponsored disability, more than twice the number in the early 1980s. And the rise has tracked the economy's ups and downs. Last year alone, the job market especially dry, a record 1.7 million Americans applied.

DAVID AUTOR: There's no reason to think that the amount of... the number of people becoming disabled has risen just because the economy has gone into recession.

PAUL SOLMAN: But even if you think there's little connection between disability applications and a bad labor market, 2.2 million more Americans are getting disability than in 1982. Like discouraged workers, they're also out of the workforce. If they weren't, David Autor thinks disability alone would add considerably to today's unemployment rate. And then there's prison.

In 1982, about half-a-million Americans were behind bars. Today, the number is above 2 million. And these people, 90 percent of them men, would otherwise have a huge unemployment rate, says Diane Williams, who runs a Chicago program for ex-offenders.

DIANE WILLIAMS, Safer Foundation: Approximately a third of the people who were incarcerated were in fact working at the time of incarceration. Two-thirds, therefore, were not employed before going into an institution, and obviously are not likely to be employed coming out.



PAUL SOLMAN: Those in the waiting room of the Safer Foundation confirmed the statistic.

PAUL SOLMAN: What percent, do you think, of the people whom you met in prison had been doing legitimate jobs when they were arrested?

RAPHAEL JORDAN: I would... I would have to say maybe 30 percent out of a hundred people had jobs.

PAUL SOLMAN: Now, if some 65-70 percent of prisoners were unemployed as of their arrest, and there are 1.5 million more of them in jail and thus out of the workforce since 1982, well, we'll spare you the arithmetic and simply say add another 0.5 percent when comparing today's unemployment rate to the post-depression record.

DIANE WILLIAMS: And if we think about a 66 percent unemployment rate prior to incarceration, you can imagine that once you have the stigma of having been

incarcerated, that rate is likely to grow, not diminish. And so absolutely, having been incarcerated has a negative impact on one's ability to become employed.

PAUL SOLMAN: William Scott served 11 months for burglary in 1995. He's found jobs since, but has had a hard time keeping them.



WILLIAM SCOTT: After they found out what I was in for, they called me off the job and told me that my services were no needed... no longer needed because of my background, criminal record.

PAUL SOLMAN: If William Scott can't keep a job, Larry Buchanan can't find one, after having served 17 years in prison.

LARRY BUCHANAN: I was convicted of murder.

PAUL SOLMAN: Convicted of murder.

LARRY BUCHANAN: Right.

PAUL SOLMAN: Do you have to write "murder" on the job application form?

LARRY BUCHANAN: Yeah. There's always some kind of way of saying that, "well, we'll get in touch with you."

PAUL SOLMAN: "Don't call us; we'll call you."

LARRY BUCHANAN: Right.



PAUL SOLMAN: So not only do the incarcerated make today's unemployment rate for men seem lower than it should be because so many more of them are behind bars, they may suppress the rate for years to come by becoming disproportionately discouraged workers once they re-enter society. That then ends the list of adjustments.

Add them all up, and today's 6.4 percent official unemployment rate approaches 1982's 10.8 percent record, at least for men. There's one last way to confirm this. Back in 1982, the percent of total working age men not employed for whatever reason -- discouraged, disabled, jailed, retired early, or officially out of work -- was 17.3 percent. But as of last month, that total was even higher: 17.8 percent not employed, which make the current job bust, at least for men, look far deeper than the official unemployment rate suggests.

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## **“Jobs on the Move”**

**December 16, 2003**



**JIM LEHRER:** Now, high-paying jobs on the move out of the U.S. Our business correspondent Paul Solman of WGBH-Boston reports.

**JUDY ADELSTEIN:** You're smarter than some people I know. You say, "I won't work for peanuts. I want real pay."

**PAUL SOLMAN:** One morning in early 2001, Judy Adelstein, an \$85,000 a year assistant vice president at a major New York Bank, was called into her boss' office.

**JUDY ADELSTEIN:** She was kind of like ... ( sighs ) ... she did one of those. So, I said, "Oh, my goodness, it's not good news." And I said to her, "Well, you know, give it to me straight. What's going on?" She said, "Well, it has nothing to do with your performance." She said, "I'll be very honest with you." She said, "There's a layoff."

**PAUL SOLMAN:** Adelstein was among some 5,000 bank employees being told to pack up and go home.

**JUDY ADELSTEIN:** And I thought to myself as I'm walking back there, "well, I'm in the middle of a project." I was so important at 9:00 in the morning on New Year's Day, but now I'm not important at all. So you get very depressed, because you think, here, I was so indispensable, and now... and then when I, especially when I found out down the road what was going on, it was even more devastating.

**PAUL SOLMAN:** What she later found out was that her job had been offshored to India. Soon afterward, her husband Scott lost his software job near ground zero for medical reasons related to 9/11.

**SCOTT ADELSTEIN:** My building was damaged, and being I have an asthma condition I was forced... I couldn't work downtown. So since then, I've been basically, you know, trying to get back into the market.

**PAUL SOLMAN:** But he hasn't gotten back in, despite 26 years in the industry and 350 job applications sent out this past year alone. Scott Adelstein, too, blames offshoring.

**SCOTT ADELSTEIN:** Jobs aren't being done in this country anymore. I mean, how do you explain 350 resumes and no job? Maybe it's seeing how much experience I have and my salary and saying, "well, why should we pay him this kind of money when we can get someone for a whole lot cheaper?"

**PAUL SOLMAN:** What kind of money?



SCOTT ADELSTEIN: \$52,000.

PAUL SOLMAN: Judy Adelstein has found a higher-paying job at another major bank; Scott is still looking for a job in his field. But both have become increasingly anxious about an accelerating trend in the U.S. labor market: The offshoring of American service jobs. Judy is worried enough to be organizing a union for high tech-workers, whom she corresponds with by e-mail.

JUDY ADELSTEIN: (reading e-mail) "We're all in poverty and on welfare, us \$100,000-plus programmers. I want to work and I want my job back."

PAUL SOLMAN: What struck us in the course of our research for this story was just how pervasive offshoring seems to be. Many of you saw evidence of it on the NewsHour a year ago, when Fred de Sam Lazaro visited a call center in Bangalore, India, which answered the phones for American catalog companies.

SPOKESPERSON: The black bra and the C.D. recorder will be delivered by 6 p.m. Friday.

PAUL SOLMAN: But as the trend has broadened from call centers to higher-level work, it's struck more of a chord. This past spring, Business Week magazine reported that all kinds of high-skill jobs are now migrating to low-wage countries at pay that averages about one-tenth the going rate in the U.S. IBM made headlines last summer when this audio tape of an executive conference call was leaked.

AUDIO TAPE: We don't want to sit back and say don't do it because there's gonna be problems. Our competitors are doing it and we have to do it.

PAUL SOLMAN: Even we ourselves were tempted to send work offshore, when we learned we could transmit audio of our interviews to India via the Internet to be transcribed at a cost of about \$6 per hour of tape versus the \$100 or more we usually spend. On the other hand, the company we contacted took a week to get back to us to say it'd be another month before they did the work due to an "office move."

SPOKESMAN: After a doctor dictates by telephone, digital hand-held, or P.C. ...

PAUL SOLMAN: But at the production company where we edited this very story, we were shown a P.R. film they'd just made for a Pittsburgh firm that sends doctors' dictations to India to be transcribed. It has set up shop in four Indian cities for the now-usual reasons.

SPOKESMAN: Its software engineers are among the best in the world. English is the primary language. There's high computer literacy, excellent Internet connections. And an experienced transcription workforce. The time difference between the United States and India is also an added value.



SPOKESPERSON: While we're sleeping, they're working.

SPOKESPERSON: For the first time, medical transcription truly has 24 hour coverage.

PAUL SOLMAN: Finally, of course, there's the bottom line reason: Transcription in India is saving these health facilities money even after the U.S. company takes its cut. The most striking evidence for the growth of off-shoring though, may be a web site known as elance.com. Employers post a job on elance, the workers of the world competitively bid for it. Like the software engineers at ctechworld.com, an Indian firm that consults on everything from e-business to biometrics.

Or Sergey Rud of AI Studio, who designs web sites from the Ukraine. "Elance has become a god for outsourcing industry," Rud e-mailed us, "just like ebay for auction." And then there's Dan Alex, a Romanian who married a Turkish woman and moved to Istanbul. He designs stationery, brochures, Web sites, but started out with corporate logos. "A Romanian living in Turkey designing a logo for a U.S. company. This is how it all started. Since then I designed more than 200 logos for various clients from all over the world. It seems to me this is the global trend, but we are still in the infancy of this phenomenon."

Management consultant John McCarthy, who's researched the trend, concurs.

JOHN McCARTHY: I think you're going to see a steady increase of jobs going offshore from the range of 600,000 over the last couple years to 3.3 million as we look forward ten years. What started as a small drip in the early '90s has now become significant enough where you can count hundreds of thousands of jobs, and soon will be significant enough where you can look at millions of jobs.

PAUL SOLMAN: And that's what has workers like Scott and Judy Adelstein worried.

SCOTT ADELSTEIN: The one thing that's out of this whole equation is something called American pride, and that's something that no longer exists to corporations. They're American companies that were built and founded in this country, yet they're losing their workforce to people that are aren't even from this country.

JUDY ADELSTEIN: Exactly. We have to temper the corporate greed with a little bit of conscience, a little bit of a piece of American pride, and we can't say just we're going to sell everybody down the river because, you know, IBM or Intel or Microsoft wants to make a tons --they're making tons of money. How much money can Bill Gates spend in one lifetime?

PAUL SOLMAN: But Bill Gates would say, "Hey, I created all these jobs in Redmond, Washington."



JUDY ADELSTEIN: And he's outsourcing them now, okay. I'm here. I'm not going anywhere. I need to make a living, and I need to make a living commensurate with where I live.

PAUL SOLMAN: But this is just the story of competition, isn't it? I mean, the dynamic nature of capitalism.

SCOTT ADELSTEIN: Yeah, but the thing is you're putting Americans out of work, and you expect Americans also to buy your product.

PAUL SOLMAN: But won't Indians also buy American products once they've the dollars to do so? Rajiv Chaudhry is an Indian born wall street money manager who thinks he knows his former countrymen pretty well.

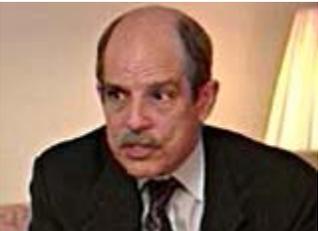
RAJIV CHAUDHRY: They are going to buy cars that might be made in the United States, they're going to buy Coca-Cola, they're going to buy McDonald's, they're going to buy Levi's jeans, they're going to want to send their kids to school in the United States. They're only going to --they are going to want to come to New York on vacations. So there is a multiplier that feeds back into the service economy of this country.

PAUL SOLMAN: But people we've talked to say it's simply unfair for them to have to compete with people in India, because the Indians have such an enormous cost advantage.

RAJIV CHAUDHRY: You know, we always tell our kids compete, because competition is good. This is another kind of competition. We as citizens and we as consumers benefit from lower prices, better quality and better service.

PAUL SOLMAN: So American consumers benefit. As to American workers, they will, say economists, find other work.

JOHN MCCARTHY: I think what we've all learned over the last 20 years is that you can't take anything for granted regards to employment. The age of full employment, whether it was manufacturing is kind of dispelled and now we're seeing it being dispelled in services.



RAJIV CHAUDHRY: And the solution for them really is to upgrade their skills and transition to newer opportunities because the reality is in a fast-moving, technology-driven economy, there are new kinds of jobs that are being created all the time.

PAUL SOLMAN: But what if in the long run, most American workers simply can't compete -- given the wages Indians and others, like the Chinese, are willing and able to work for? Leave aside the hundreds of millions of desperately poor Indians, many willing to drive rickshaws for pennies. There are, by some estimates, 150 million educated



Indians, a number greater than the entire American workforce. How can we compete with that?

RAJIV CHAUDHRY: I have a lot more faith in the innovation potential of the American economy. The Internet was created in the United States, not in any other country in the world. And as a result, you know, millions of jobs have been created in this country, as well as outside. So I don't know what the next big thing is going to be, but I can tell you one thing, it's going to come from this country, and it's going to create a lot of jobs in the United States.

PAUL SOLMAN: Well, if you're an American worker, you certainly hope so. Because the kind of job Scott Adelstein's doing at the moment is not what many of us, and surely not what he, had in mind.

SCOTT ADELSTEIN: I'm doing stock work for a -- retailer.

PAUL SOLMAN: Meaning?

SCOTT ADELSTEIN: K-mart. ( Laughter )

PAUL SOLMAN: K-mart.

SCOTT ADELSTEIN: Right.

PAUL SOLMAN: What exactly do you do?

SCOTT ADELSTEIN: Stocking the shelves, you know, pricing goods. You know, working nights. 11 at night to 7 in the morning.

PAUL SOLMAN: What do you earn?

SCOTT ADELSTEIN: \$8.50 an hour.

PAUL SOLMAN: Are you embarrassed? I mean, you said retail, stocking. I didn't know what you meant at first.

SCOTT ADELSTEIN: Yeah, well, you know, it's not embarrassment, it's just that, you know...

PAUL SOLMAN: You didn't want to tell me right away.

SCOTT ADELSTEIN: Right.

JUDY ADELSTEIN: He is embarrassed, I think -- with good reason. He's an educated person.

PAUL SOLMAN: An educated person, who's competing against more and more educated counterparts who just happen to live in cheaper parts of the world.

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