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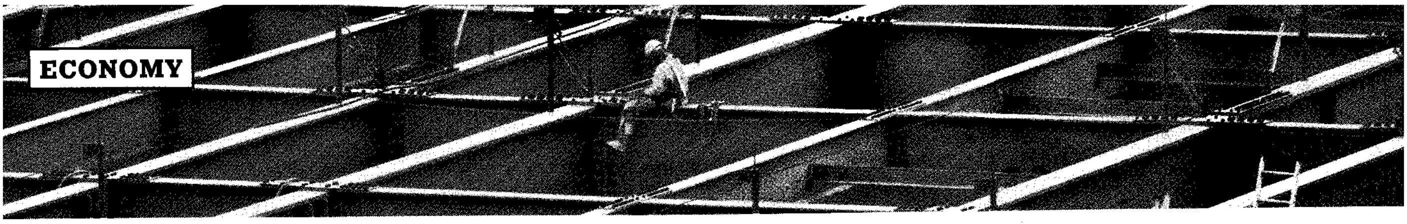

Where the Jobs Are

Hint: they're not where the workers are.

BY RANA FOROOHAR

IT'S OFFICIAL. THE Great Recession that began in December 2007 ended in June 2009, making it the longest on record since the end of World War II. That was the news flash last week by the number crunchers at the National Bureau of Economic Research, the outfit up in Cambridge, Mass., in charge of marking such sober events. Economics is a science that is not just dismal but frequently late, meaning that even as it took more than a year to figure out that the recession was over, it will now take many more to discover definitively what caused it and, more important, to ferret out why unemployment still remains at historic highs even as the economy is growing once more.

Answering this question is the key to American prosperity over the next decade. Some conservatives squawk that unemployment isn't budging from 9.5 percent because of higher-than-usual benefits being paid out to jobless workers, or the fact that wages haven't come down as much as they should have, given how many people are out of work. But statistics show that more unemployment insurance and things like COBRA health coverage (which were often unavailable in recessions past) have a small effect on the jobless rate. A more likely problem is that there's a serious mismatch between jobs and workers. A new report by London-based Capital Economics says that supply problems—the workers who need jobs are in the wrong states, and the wrong fields—could be responsible for nearly a third of America's unemployment rate.

In most recessions over the last half century, job losses were broadly spread throughout the economy. This time three fields—construction, manufacturing (particularly in the automotive sector), and finance—have been hit much harder than others. Meanwhile, other sectors of the economy are growing strongly—including health and education—but they can't find enough workers, in part because wages have historically been too low to attract new talent. While that mismatch may help teachers and nurses negotiate better pay packages, it won't help bring down unemployment rates among builders and machinists.

What's more, America's much-heralded labor flexibility has taken a hit because of the housing crisis. The U.S. had traditionally enjoyed lower unemployment rates than Europe in part because American workers were more willing to move from state to state in order to take new jobs. But with so many homeowners underwater on their mortgages, their ability to relocate has diminished. The result? There are plenty of jobs to be had in places like Washington, D.C.; South Carolina; North Dakota; and Louisiana. But the unemployed in Nevada, Michigan, California, and Florida can't afford to take them.

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While it's debatable exactly how much these supply problems are contributing to the unemployment rate (as Winston Churchill quipped, if you put two economists in a room, you'll get two opinions), they are clearly having a significant effect. And, predictably, the solutions aren't easy.

The key, of course, is to retrain unemployed workers for the fields where jobs are being created. The fact that unemployment is highest among younger workers could help, because they are the most adaptable and easiest to retrain. But teaching people new skills takes time and money, and there's an urgent need to find them jobs now. Capital Economics' Paul Dales is one of many who believe that President Obama's plans for an infrastructure bank could make a quick dent in the unemployment rate. But with the GOP in full campaign mode, there's a good chance those plans will be stalled.

This is a vicious cycle because if anything is going to promote even more divisive politics, it's chronically high unemployment. (As a side note, the length of time that the average person stays unemployed these days is 35 weeks, compared with 21 weeks back in 1982.) That's because—surprise!—plenty of studies show that being without a job for a long time makes people angry and isolated.

Call me optimistic, but it's tough to imagine a candidate like Christine O'Donnell—the masturbation-hating, Sarah Palin-endorsing, Tea Party-funded Republican nominee for the U.S. Senate from Delaware—winning the GOP primary if the unemployment rate were closer to recent national averages of 4 or 5 percent, rather than the current 8.4 percent in her home state. I fear if the numbers don't come down sooner rather than later, she may be the tip of a very ugly iceberg.