

NOT WORKING

Where Have All
the Good Jobs
Gone?

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- On its website, Gallup says the following: “Here is one of Gallup’s most important discoveries since its founding in 1935: what the whole world wants is a good job.”
- This book is about jobs, decent jobs that pay well and the lack of them.
- Low earnings and the loss of high-paying jobs have led to feelings of instability, insecurity, and helplessness, especially for the less educated.
- In this book, I will show how the rise of right-wing populism has been driven by developments in labor markets and by the failure of the elites to get economic policy right.

A few relevant papers

- With Andrew Oswald, 'Unhappiness and pain in modern America: a review essay and further evidence on Carol Graham's Happiness for all', Journal of Economic Literature, June 2019.
- With David Bell, 'Underemployment in Europe and the United States', forthcoming in Industrial and Labor Relations Review.
- With David Bell, 'The Well-being of the overemployed and the underemployed and the rise in depression in the UK', Journal of Economic Behavior and Organization, June 2019.
- With Andrew T. Levin 'Labor market slack and monetary policy,' NBER working paper #21094, April 2015.
- With Adam Posen, 'Wages and labor market slack: making the dual mandate operational,' Peterson Institute Policy Brief, April 15th, 2014.
- With David Bell 'How to measure underemployment?', Peterson Institute for International Economics Working Paper 13/2 August 2013.
- With Andrew J. Oswald 'Does high home-ownership impair the labor market?', NBER WP#19079, June 2013.
- With Chris Shadforth, 'Fear, unemployment and migration,' The Economic Journal, 119(535), February, pp. F136-F182, 2010.
- 'Fear, unemployment and pay flexibility,' Economic Journal, May, pp. 483-496, 1991.

The long dragging conditions of semi-slump

"For it is a possibility that the duration of the slump may be much more prolonged than most people are expecting and much will be changed both in our ideas and in our methods before we emerge.

Not, of course the duration of the acute phase of the slump, but that of the long, dragging conditions of semi-slump, or at least sub-normal prosperity, which may be expected to succeed the acute phase".

Keynes, J.M. (1931), 'An economic analysis of unemployment', in Unemployment as a World Problem, edited by Q. Wright and J.M. Keynes, University of Chicago Press.

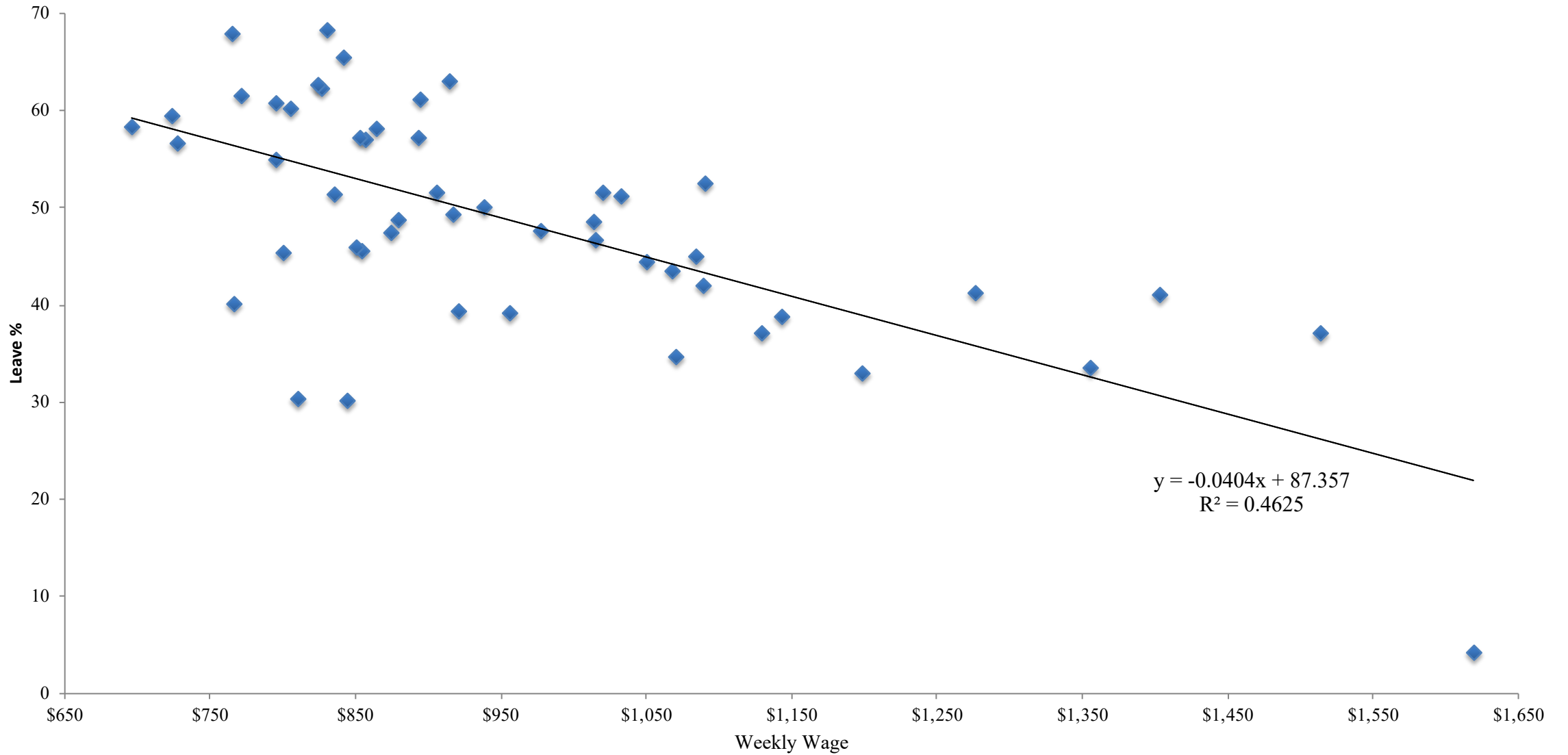
Full-employment in a Free Society – William Beveridge, 1960 – “**full employment has been accomplished**”

- *“In 1944 as a guide to the amount of such temporary idleness as we might expect under full employment, I suggested a figure of 3%, of the total labour force idle at any time.*
- *Maynard Keynes, when he saw this figure, wrote to me that that **there was no harm in aiming at 3%**, but that he would be surprised if we got so low in practice.*
- *In fact during the 12 years 1948-1959 the average unemployment rate for Britain taking all industries together, has been not 3% but half of that, 1.55% in exact terms.*
- *Full employment is here. This is probably the single largest cause of British prosperity today.”*

Leave % by ASHE gross weekly wage by county



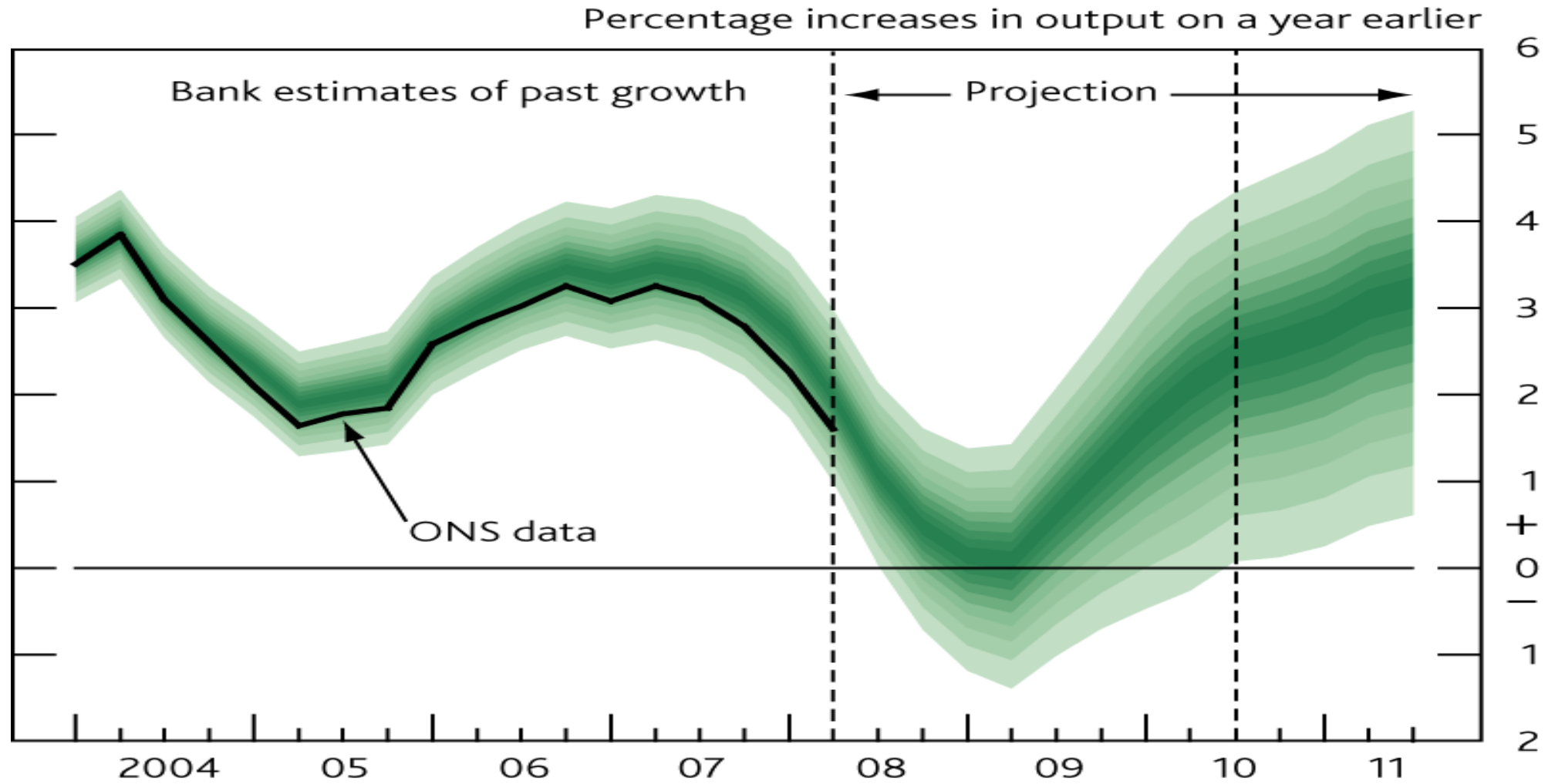
Trump % of vote by state and QCEW Weekly Wage



The Economics of Walking About – Bank of England Agents’ Scores

	Jan-07	Jan-08	May-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Retail Sales Values	2.6	0.9	0.6	0.3	0.0	-0.2	-0.7	-1.0
Manufacturing Domestic Output	1.7	0.4	0.3	-0.1	-0.5	-1.0	-1.5	-2.4
Construction Output	2.9	3.0	1.8	0.2	-0.3	-0.6	-1.4	-1.9
Investment intentions Manufacturing	1.4	1.4	0.6	-0.1	-0.8	-1.4	-2.3	-3.0
Investment Intentions Services	2.9	1.9	0.4	-0.5	-0.9	-1.5	-2.3	-2.9
Recruitment Difficulties	0.3	0.9	-0.2	-1.3	-1.8	-2.2	-2.7	-3.1
Employment Intentions Manufacturing	-0.2	-0.3	-0.6	-0.9	-1.6	-1.9	-2.4	-3.0
Employment Intention Business Services	2.6	1.2	-0.1	-1.0	-1.6	-2.1	-2.5	-2.8
Employment Intention Consumer Services	0.9	0.1	-0.9	-1.2	-1.4	-2.1	-2.4	-2.7
Capacity Constraints Manufacturing	0.4	0.3	0.0	-0.8	-1.2	-1.7	-2.3	-2.7
Capacity Constraints Services	2.8	1.1	-0.1	-1.2	-1.7	-2.1	-2.4	-2.7

August 2008 GDP projection based on market interest rate expectations



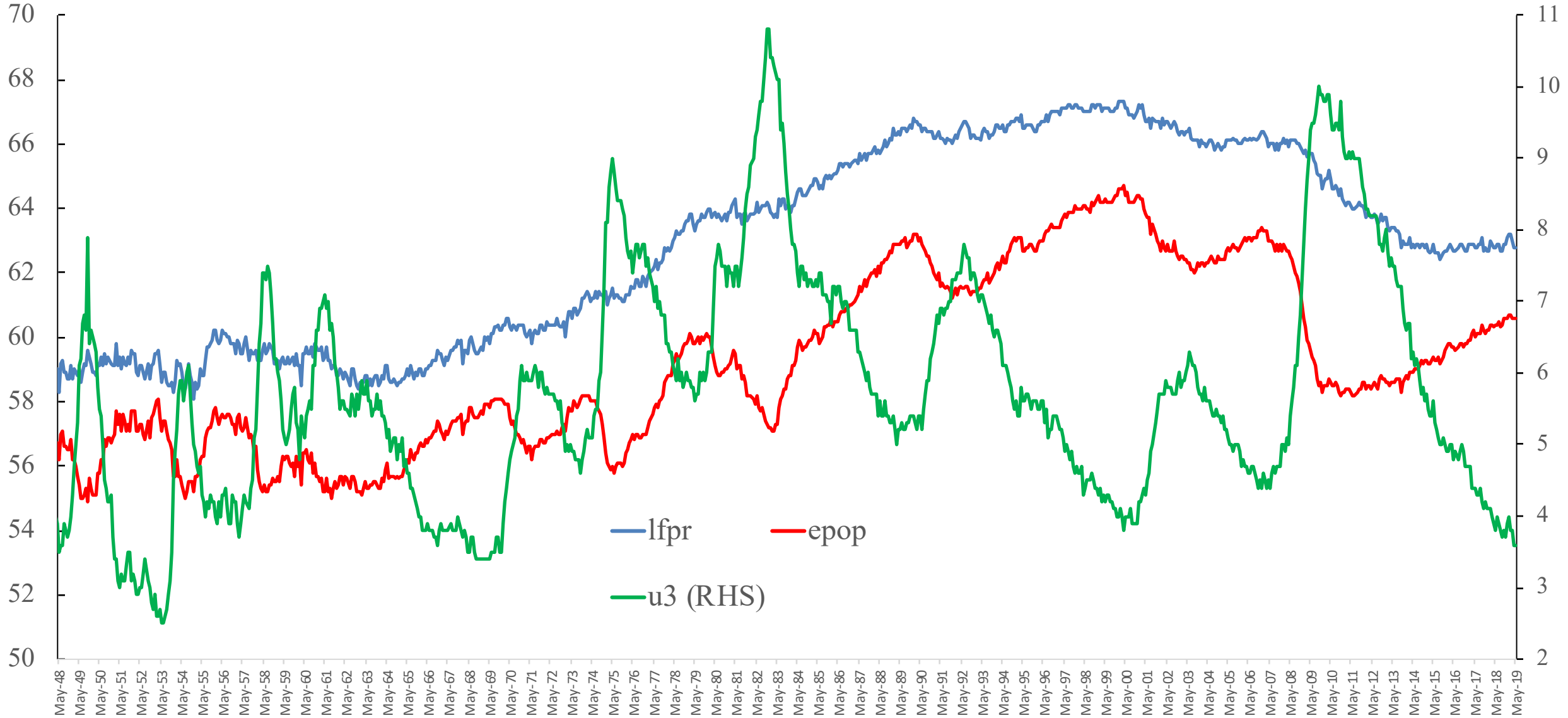
You don't know where you are, you don't know where you have been and you don't know where you are going
 (UK GDP Revisions for Q22008-Q22009)

	Q22008	Q32008	Q42008	Q12009	Q22009	Q32009
July 2008	0.2					
August 2008	0					
October 2008	0	-0.5				
December 2008	0	-0.6				
January 2009	0	-0.6	-1.5			
April 2009	0	-0.7	-1.6	-1.9		
July 2009	-0.1	-0.7	-1.8	-2.4	-0.8	
October 2009	-0.1	-0.7	-1.8	-2.5	-0.6	-0.4
September 2011	-1.3	-2.0	-2.3	-1.6	-0.2	0.3
August 2012	-0.9	-1.8	-2.1	-1.5	-0.2	0.4
May 2019	-0.7	-1.6	-2.2	-1.7	-0.2	0.1

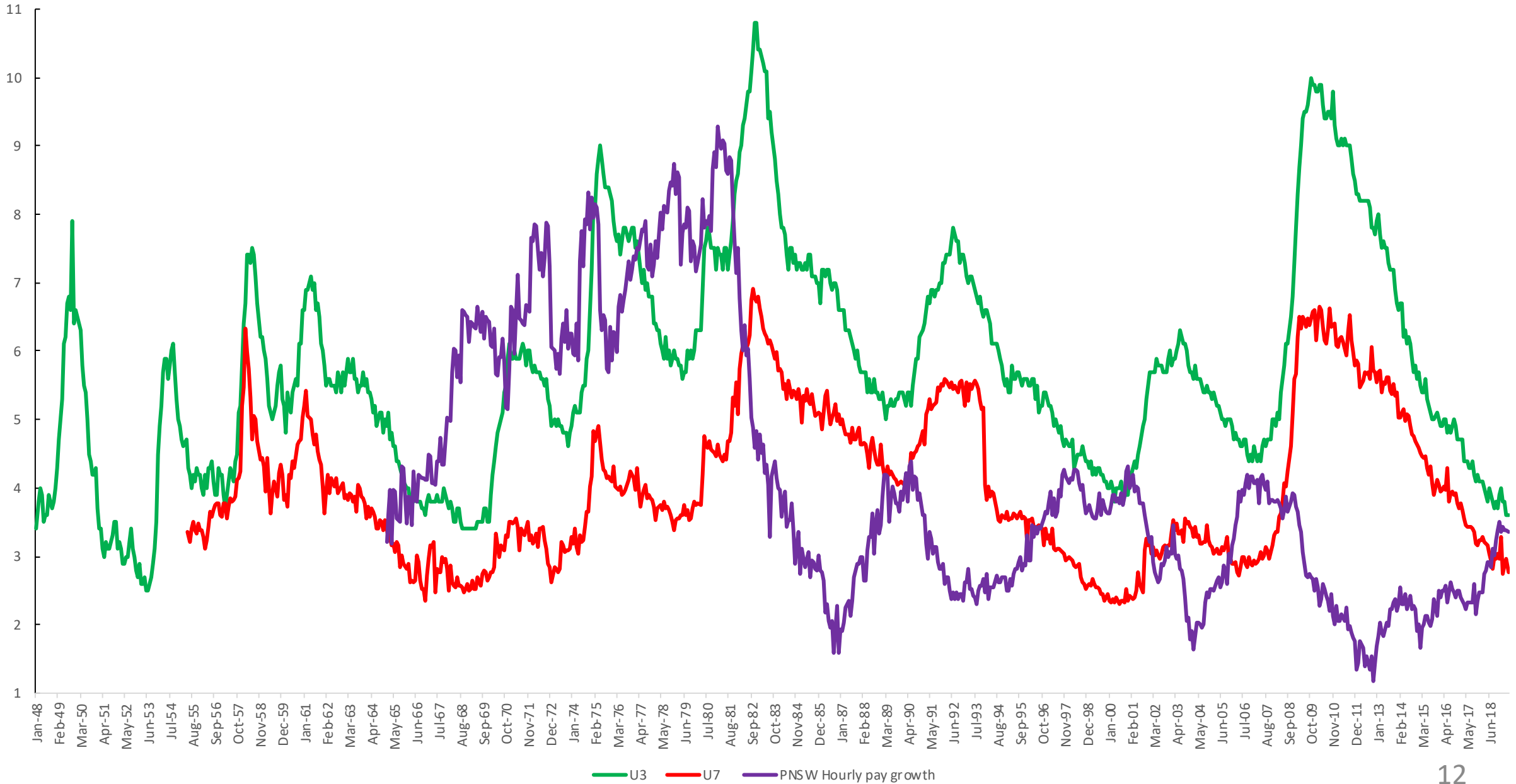
Why has wage growth been weak?

- GR exposed underlying economic weaknesses and displayed to the populace the possibility of catastrophic declines in house prices and pension pots.
- Globalization has weakened worker's bargaining power.
- Central banks have overestimated the NAIRU, which has fallen. Raising rates by the Fed in 2017 and 2018 was a mistake.
- Labor market slack remains elevated especially from underemployment.
- Economies are slowing around the world – Germany, Italy, France and China

US Employment, Labor Force Participation and Unemployment Rates



US Underemployment, Unemployment and Annual Hourly Wage Growth PNSW



UK Underemployment (U7) and Unemployment Rates (U3)

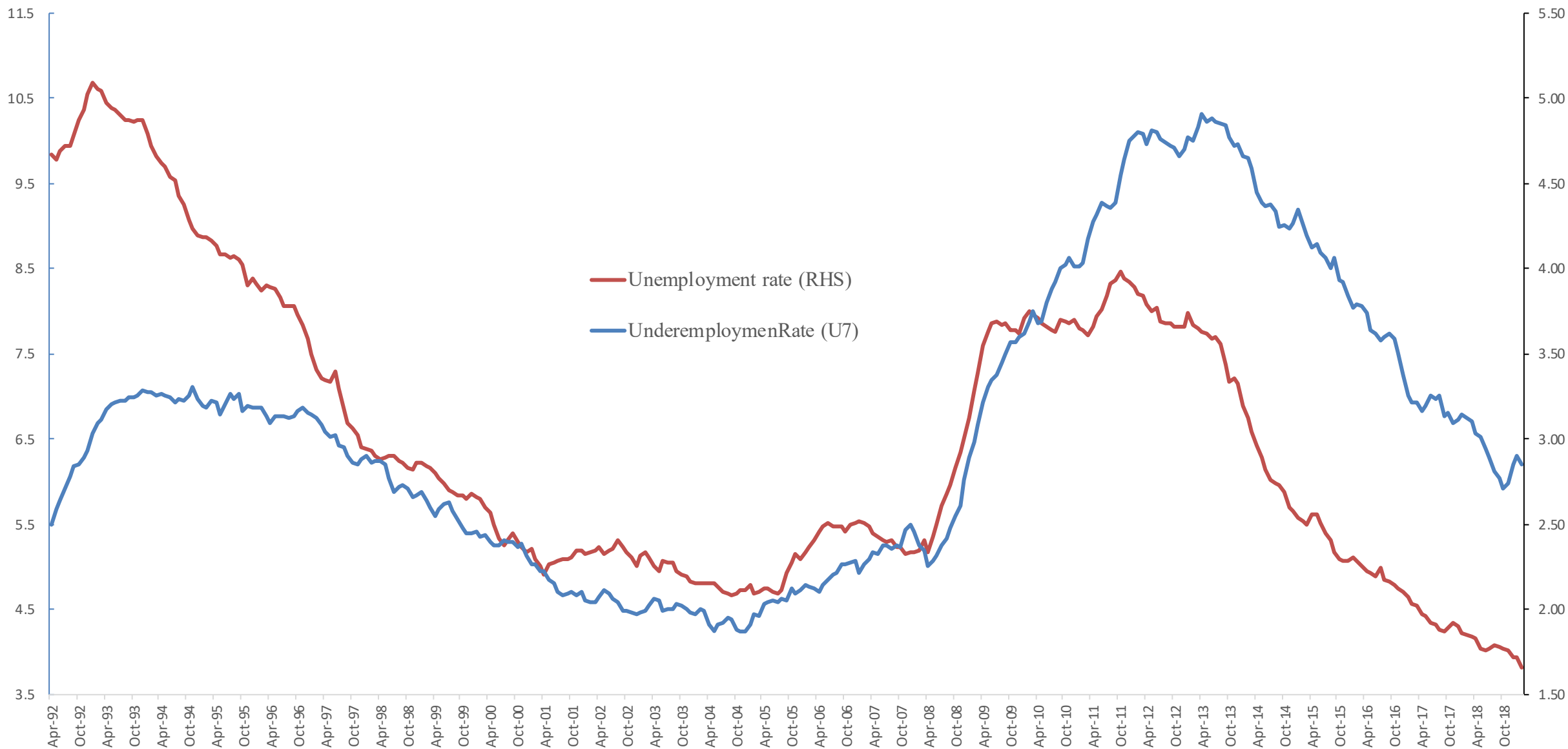
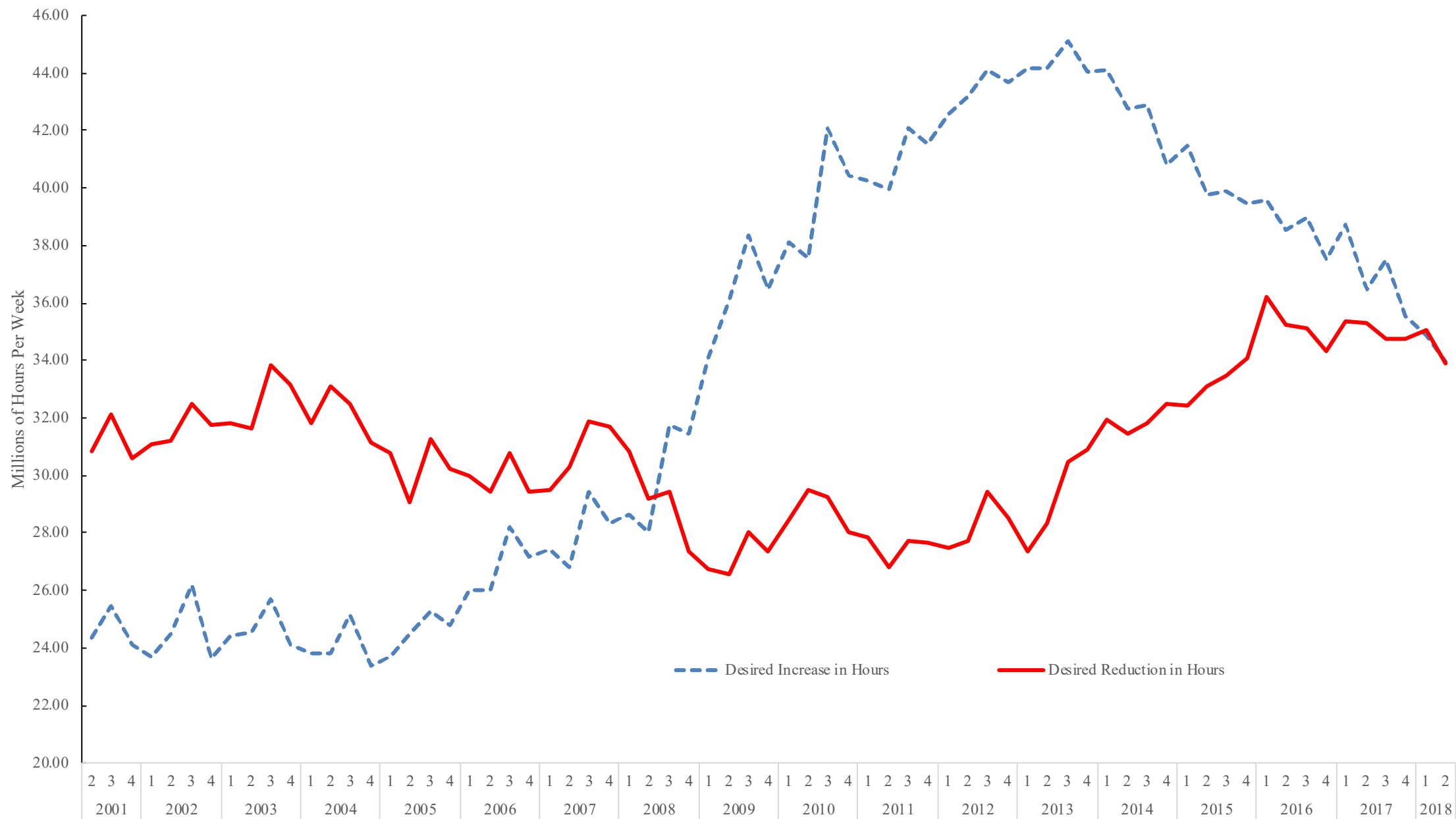


Chart 2. Desired Changes in Hours UK 2001Q2-2018Q2 (millions of hours per week)



Share of excess hours by European country (%), 2016 - Bell Blanchflower ILRR

	Voluntary PT	Involuntary PT	Full-time
Austria	64	34	1
Belgium	37	21	43
Denmark	158	92	-151
Finland	15	39	47
France	12	27	61
Germany	49	38	13
Greece	13	70	17
Ireland	20	32	48
Italy	5	99	-4
Norway	-3	25	78
Poland	19	27	54
Portugal	11	20	70
Romania	11	83	6
Spain	10	91	-1
Switzerland	-1	-10	110
UK	37	32	31

State level hourly wage equations, 1980-2017 with robust standard errors.

	<i>1980-2017</i>	<i>1980-2007</i>	<i>2008-2017</i>	<i>1980-2017</i>	<i>1980-2007</i>	<i>2008-2017</i>
Log W_{t-1}	.6612 (21.76)	.7185 (22.75)	.0439 (1.30)	.6479 (20.38)	.6999 (22.35)	.0474 (1.35)
Log $U3_t$	-.0171 (4.51)	-.0211 (5.23)	.0068 (0.59)			
Log $U7_t$				-.0238 (6.91)	-.0212 (6.08)	-.0263 (3.23)
N	1938	1428	510	1938	1428	510

U7 is PTFER/employment
T-statistics in parentheses.

Source: Bell and Blanchflower, ILR Review, Forthcoming

Time series log wage equations in a quarterly region panel, UK, 2002–17

Hourly pay

Log Wage _{t-4}	0.0999 (3.43)	0.0991 (3.41)	0.0990 (3.41)
Log unemployment rate _{t-1}	0.0092 (0.72)	0.0140 (1.10)	0.0089 (0.68)
Log # extra hours wanted	−.0417 (3.02)	−0.0398 (2.91)	−0.0446 (3.18)
Constant	1.8898	1.8496	1.8784
Adjusted R ²	0.9201	0.9206	0.9206
N	1260	1260	1260

Source: LFS. T-statistics in parentheses.

Notes: all equations include a full set of region and wave dummies.

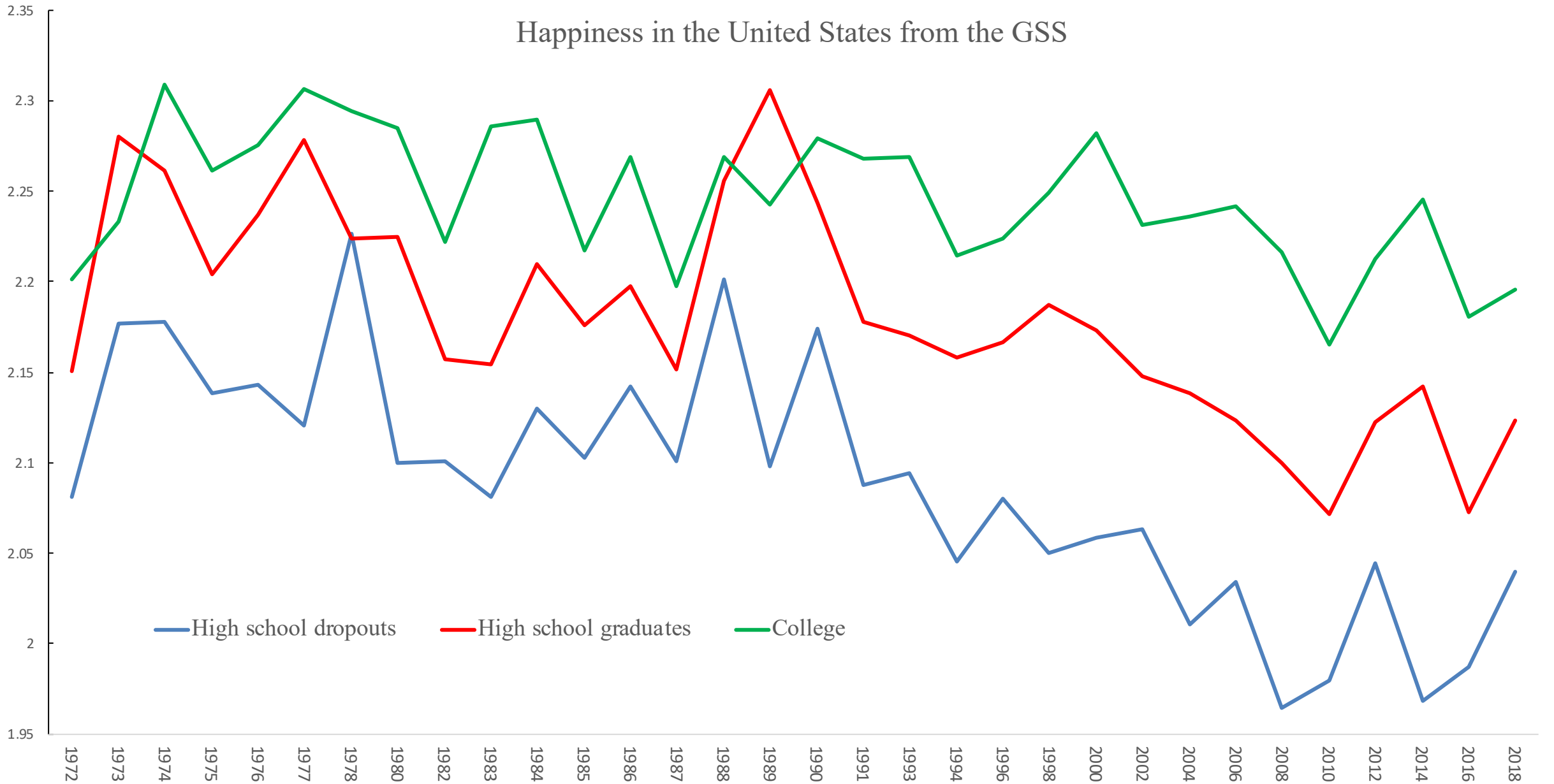
Source: Bell and Blanchflower “The lack of wage growth and the falling NAIRU”, National Institute Economic Review No. 245 August 2018

Changes over time in the probability of being depressed, UK

	All	Workers	Underemployed
2005	1.5	0.7	1.0
2006	1.4	0.7	1.1
2007	1.5	0.7	1.1
2008	1.5	0.8	1.1
2009	1.5	0.8	1.3
2010	1.6	1.0	1.5
2011	1.7	1.0	1.4
2012	1.9	1.2	1.9
2013	2.0	1.4	2.2
2014	2.4	1.8	2.7
2015	2.7	2.1	3.2
2016	2.9	2.3	3.8
2017	3.3	2.8	4.5
2018	3.6	3.1	4.8

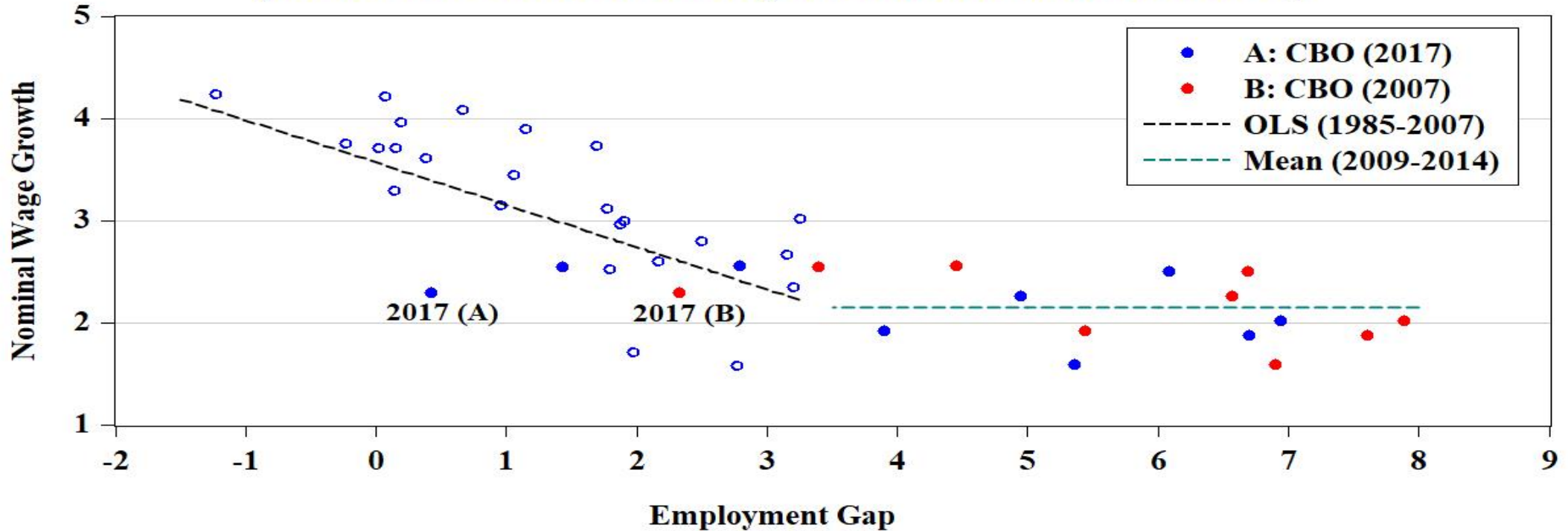
Source: Bell And Blanchflower, 'The Well-being of the Overemployed and the Underemployed and the Rise in Depression in the UK', JEBO June 2019.

Happiness in the United States from the GSS



The Wage Curve

(Alternative Assessments of the Potential Labor Force)



Note: This chart shows the relationship between the annual average employment gap (expressed as a percent of CBO's assessment of the potential labor force) and the 12-month percent change in average hourly earnings of production and nonsupervisory workers for each calendar year since 1985. The blue dots reflect the CBO (2017) assessment of the potential labor force, whereas the red dots reflect the assessment of CBO (2007), just prior to the last recession.

UK Fear of Unemployment in Twelve months and the Unemployment Rate



“We didn’t know where we were. We didn’t know where we had been, and we didn’t know where we were going.”

Same as now.”

David Blanchflower

Bloomberg View

May 30th 2019