

Skills Gap Crap

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The national unemployment rate is at its lowest in 50 years. That should mean the technical achievement of full employment, a substantial increase in the Labor Force Participation rate, and the concomitant increase in income due to increase in demand. None of which occurred. The most common covering lie for the false economic data was that America was suffering from a skills gap. Employers were searching the labor market for qualified persons to fill their supposedly desperate need for skilled labor but they were just nowhere to be found.

Employers tend to maintain a steady stream of job offers in times other than severe economic downturn because it, among other reasons, serves as a stabilizing medium for their current hires. Employees are well aware that the boss is always putting out ads, conducting interviews, and collecting resumes in the event of employee turnover, the threat of which should always be made to linger in the back of the minds of the current staff.

Prime age workers are those between 25 and 54 years. We supposedly have a booming economy and the lowest unemployment rate in decades yet the number employed in that prime age group is 1.2 million fewer than those employed in 2008, and 2.5 million fewer than the same at the turn of the century. Capitalists are terrified of the big gorilla in the room because if they accepted its existence they would also have to accept that the 2008 collapse destroyed a significant part of the real economy, and in their panic to get something up and running they chose the quick and easy path of inflating the financial sector leaving the real economy in a state of festering stagnation. Thus the mass rejection the world over of the political class that delivered this state of misery upon them.

In a study, “Upskilling: Do Employers Demand Greater Skill When Workers Are Plentiful?,” economists Modestino, Shoag, and Balancee (of the Boston Fed) tapped into a dataset of 36.2 online job postings from 40,000 sources involving 7 million jobs, and that included 70 job characteristics. Using a complex process of analysis they concluded that when unemployment was high education requirements within occupations were raised by 3.2 percentage points, and for experience it was 4.2 percentage points. A relative comparison during the 2007-2010 amounts to a 30% for education and a 50% increase for experience. But when the labor market tightened, the same jobs were filled by persons with less education and experience.

If one takes an automobile as primarily a means of transportation, and economy model will do just as well as an expensive one with all the trimmings. Such is the

false claim of a dire need for workers with an inessential excess of education and experience.

Economic Info

-- This week finished a bad month for the markets. The ignorant mainstream blather lays all the blame on trade wars. That war with China has been ongoing despite numerous reports of an agreement just around the corner. Now with the US declaring war against Huawei, a key component of China's drive toward technological equivalence with the leading capitalist nations, it may never be settled by negotiation.

The most glaring omission from mainstream reports is the historically proven fact that trade wars are an epiphenomenon of economic crisis. The natural behavior of world capitalism is dog eat dog competition. When the economy is strong, the dogs are contented, when the economy is weak, hungry dogs set out to consume their weakest.

The markets had their worst month since May of 2010. More significantly, the 2 year bond yield fell to a point not seen since the infamous year of 2008, and the second lowest since the 1960's. Lower yields mean higher debt costs, and whether the Fed likes it or not, investors are expecting two rate cuts this year. So Powell and his Fed will probably eat crow and behave like dutiful servants bowing before their angry masters.

-- After falling below 50 for three straight months China's manufacturing PMI had reports slightly above 50 in March and April. That has all been reversed with a decline to 49.4 in May. New export prospects fell to 46 and a fraction.

-- Uber had a record \$1 billion dollar loss in the first quarter. Since Uber is now a publicly traded company, such losses are taken very seriously. Investors now wonder whether the company they sunk their money in will ever make a profit. Uber announced that it will cut back on costly promotions which means losing ground to their competitors. Such are the silly games capitalists love to play.

-- US corporate profits declined for the second quarter in a row. The last time that happened was in 2015 when parts of the world economy went into a recession that the US barely escaped.

-- The EU parliament conducted a survey in 2018 that claimed two thirds of citizens in member states felt that membership in the EU benefited their country. But in this month's EU election the growth in support for euroskeptics and nationalists reached a new high, depriving social democratic and conservative parties a majority for the first time since 1979. A recent Pew survey found that 62% of its citizens feel that the EU government doesn't understand their needs. Is this love or hate?

-- Brazil's GDP moved into negative territory in the first quarter. The first time a decline since 2016 when it went through a two year recession. The big surprise is that this has occurred under a right-wing regime that brought in Friedmanite vultures to make the necessary social cuts for the benefit of the elite. May the criminal regime, in power only because they jailed the person who would have been elected president, continue to suffer the consequences of their usurpation.

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