



From the office of Texas Workforce Commission

# Chairman Tom Pauken

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Opinion/Editorial

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## **Putting an End to Record Long-Term Unemployment By Tom Pauken**

National unemployment remains stubbornly high, with the latest figures for July showing 9.1 percent unemployment. Even Texas – which has done better than any other state in the nation in adding private sector jobs over the past decade – saw its unemployment rate increase to 8.4 percent in July. If present trends continue, our nation will continue to suffer from “structural unemployment” and the hollowing out of our manufacturing base.

Moreover, Americans who have lost their jobs are staying unemployed for record lengths of time. As of July, the average duration of unemployment for out-of-work Americans was 40.4 weeks, the highest average on record since 1948, when the Bureau of Labor Statistics began tracking the figure. In fact, the seven highest figures for average duration of unemployment all occurred during the first seven months of 2011. Currently, more than 6 million unemployed Americans have been without a job for 27 weeks or longer.

As upsetting as our current national unemployment rate of 9.1 percent is, it’s of even greater concern that many of those who are losing their jobs seem to be unable to find new work. Even in the early 1980s, when unemployment rates matched those of today, the average duration of unemployment barely got above 20 weeks and typically hovered below 15 weeks, less than half of where it stands today.

Certain groups are particularly hard hit by the trend. Unemployed men 45 to 54 years old average nearly 50 weeks without a job, while men 55 to 64 stay out of work for more than a year on average. For African-American men the average is 42.6 weeks. With most new jobs coming from the low paying service sector typically dominated by women, it’s not surprising that they are finding work more quickly than men.

That is why it is crucial that we focus on job creation in our private sector in order to get people back to work. Yet, two and half years into his presidency, Barack Obama has yet to unveil a substantive proposal to encourage private sector job creation. Instead, since the Obama “stimulus” program began in February 2009,

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we have lost another 1.6 million jobs. Rather than fighting over a shrinking economic pie, we need to come together with a major initiative to get the American economy moving again. The best way to do that is to replace our onerous corporate tax system with one that rewards capital investment and employment in the United States.

As free trade agreements began governing international transactions in the middle of the 20th century, nations were to drop tariffs that protected their own industries. Though many of the explicit tariffs that existed were indeed eliminated, nations soon discovered they could circumvent these rules with “stealth tariffs.” Starting with France in the mid-1960s, European countries began adopting border-adjusted value-added taxes (VATs) that now average nearly 21 percent. As a result, U.S. goods carry the full burden of federal, state, and local taxes, plus an added VAT tax when they are shipped to foreign markets. To make matters worse, foreign goods that are shipped into the United States enjoy a rebate from their own government for the VAT they have paid, and yet are subject to none of the taxes imposed on U.S. manufacturers.

Today, all Organization for Economic Co-operation and Development countries, other than the United States, have adopted VATs or their equivalents averaging 18 percent. We even face these stealth tariffs from countries like China, Mexico, Canada, and India. It’s no wonder then that in June of this year, the U.S. had a trade deficit with 105 nations. Nor should it be surprising that we are on pace to reach a trade deficit with China alone of more than \$266 billion this year. To foster private sector growth and level the playing field with our trading competitors, the U.S. must adopt its own border-adjusted consumption tax, which could replace our current corporate tax system (including the employer portion of the payroll tax) and generate just as much in revenue for the government.

It’s time for courageous action and genuine reform. If we fail to do so, we will continue to set new records for long-term unemployment.

*Tom Pauken is Chairman of the Texas Workforce Commission and author of Bringing America Home.*

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*The Texas Workforce Commission is a state agency dedicated to helping Texas employers, workers and communities prosper economically. For details on TWC and the programs it offers in coordination with its network of local workforce development boards, call (512) 463-8556 or visit [www.texasworkforce.org](http://www.texasworkforce.org).*