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Its Still Jobs, Stupid

By Robert B. Reich

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Buried in last weeks disappointing employment report showing only 1,000 jobs added to the economy in December was the news that American incomes grew only 2 percent last year the smallest rise in more than a decade.

Consumers are still buying, but the buying binge cant go on much longer. Household debt continues to rise and personal savings are plummeting. Meanwhile, companies are keeping their costs down by outsourcing jobs to India, China, and Latin America. And theyre also installing new technologies that replace workers such as automated checkout systems in supermarkets and e-ticket kiosks at airports.

The reality is that unless this economy starts generating a lot of jobs soon, and at decent wages, the so-called recovery is going nowhere. Consumers just won't be able to keep on buying what's on the shelves and in showrooms.

So what is the White House doing? The administration's jobs strategy consists of two new initiatives that are bound to make a bad situation worse. The first is gutting the nation's overtime laws. Even if this were a good idea under normal circumstances (it isn't), it's the last thing we need right now. Employers who have to pay extra for overtime have an incentive to hire more workers rather than pay more. Take away overtime, and you take away that incentive to hire.

The second is the new guest-worker initiative. Regardless of how you come out on legalizing undocumented workers, this plan will surely mean fewer jobs for some Americans. The White house says the program will be limited only to jobs for which no American is available, but that's nonsense. At least 8 million Americans are unemployed right now. The only reason any job remains unfilled is because the wage is too low. Require it to be filled with an American and employers have to raise the wage. But if they can get legal guest workers, they won't.

At least until the jobs recovery is in full swing, we should keep overtime and maintain the limits on immigration. Oh, and one other thing: Reduce business tax deductions for outsourcing jobs abroad and for buying new technologies that replace workers. In other words, give employers more incentives to hire.