Forty six major US cities face two "lost decades" of job growth

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One in eight American cities will have no growth in jobs in the two decades between 2001 and 2021, according to the latest employment report by the US Conference of Mayors. The report, released this week, outlines economic growth and employment prospects in 363 major metropolitan areas. It shows that employment conditions unlike anything seen since the Great Depression prevail in cities throughout the country.

According to the report, which was compiled for the US Conference of Mayors by IHS Global Insight, an economics consultancy, 48 major metropolitan areas will not return to their pre-recession peak employment levels until after 2021. Forty six of those cities have had net job losses between 2001 and 2011, meaning they face the prospect of two "lost decades" of job growth. In all, 166 metropolitan areas, or nearly half, lost jobs between 2001 and 2011.

Even these grim projections are based on unduly optimistic assumptions about the pace of economic growth going forward. The authors of the report expect a growth rate of 3.5 percent in the second half of this year, up significantly from the 1.8 percent rate in the first three months of 2011 and considerably higher than most economists forecast.

On the basis of such higher-than-likely economic growth, the report says job growth in 2011 will reach just 1.2 percent. This is "only a bit higher than underlying labor force growth," resulting in a negligible change in unemployment over the whole of 2011. The report adds that "only in the first half of 2014 will employment in the US match its previous peak level from early 2008."

Of the 363 major metropolitan areas, 103 currently have double-digit unemployment rates, while 33 areas have unemployment rates above 12 percent.

According to the report, the metro areas with the highest unemployment levels are those worst affected by the housing collapse and job cuts in manufacturing. The fall in the housing market, particularly in states like California, Florida and Nevada, has left record-high joblessness in its wake. At the same time, the slashing of the industrial workforce in 2008-2009 wiped out hundreds of thousands of jobs in states like Indiana, Michigan and Ohio.

The two cities that have lost the largest portion of their jobs since the start of the economic downturn are both located in Indiana, in the heart of the American "rust belt." The Elkhart-Goshen area, a center of recreation vehicle manufacturing, has lost 38,000 jobs out of an original 133,000 since 2006, a decline of nearly 30 percent.

Kokomo has lost nearly one quarter of its jobs, with the destruction of 11,000 of the 48,000 that existed in 2005. "A lot of it had to do with the downsizing of the auto industry," said Kokomo Mayor Greg Goodnight in a telephone interview. "The toughest point was 2008-2009," he said.

Chrysler operates three transmission plants and one casting plant in Kokomo, employing 4,700 people, said Goodnight. GM and Delphi also have plants in the city, each employing 1,200 people.

"In the 1970s, GM had 10,000 employees in Kokomo and Chrysler peaked at about 7,000 ten to 15 years ago," Goodnight added.

Seventy eight metropolitan areas have had more than ten percent of their jobs wiped out since the start of the downturn. Of these, 11 are in Florida, nine are in California, eight are in Michigan, and five are in Indiana. Detroit has lost more jobs than any other metro area, with a drop of 323,000, or 16 percent of its employment.

Other major automotive areas such as Flint, Michigan have likewise been hammered. Flint has lost 24,000 jobs, or 15.8 percent of its previous total, during the downturn. Toledo has lost 40,500 or 12.1 percent of its jobs.

The report notes that of the 25 areas with the highest jobless rates, 13 are in California, while most of the others are in Florida, Nevada and Arizona. These are states that have suffered the sharpest decline in home values.

Of the five large areas with the highest unemployment rates, four are in California--Stockton, with an unemployment rate of 16.2 percent, Modesto (15.9 percent), Fresno (15.7 percent) and Riverside (13.3 percent).

A number of smaller cities have unemployment rates comparable with those of the Great Depression. El Centro, California, a metro area with 163,972 people, has an unemployment rate of 29.1 percent. Yuma, Arizona, an area with 196,972 people, has an unemployment rate of 26.4 percent.

The housing slump, which is a huge factor in the loss of jobs, is only getting worse. Existing home sales fell 3.8 percent in May and were down 15.3 percent from May 2010, according to figures released Tuesday by the National Association of Realtors. Home values have fallen for nine consecutive months, dropping 7.8 percent over the past two quarters.

The Obama administration has done nothing to help homeowners avert foreclosure--one of the key factors in the housing market slump. Its foreclosure assistance scheme, the Home Affordable Modification Program, was doomed to failure because it was entirely voluntary, placing no requirements on banks or mortgage lenders.

The government set aside $46 billion in funds from the 2008 bank bailout for its mortgage modification program, but has spent only about $2 billion as a result of the banks failure to cooperate.

Manufacturing conditions are also deteriorating. The Federal Reserve Bank of New York said last week that its business conditions index fell below zero for the first time in seven months, while the Philadelphia Federal Reserve's manufacturing index indicated the sharpest manufacturing contraction since July 2009.

The pervasive high unemployment in cities across the country has been reinforced by the austerity measures being implemented by both political parties. In the last two years, the federal, state and local governments have laid off 494,000 workers, with hundreds of thousands more layoffs to come. At the state and local levels, these layoffs have been concentrated in the areas hardest hit by the economic crisis, as falling employment has cut tax revenues most sharply and led to the deepest spending cuts.