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Despite an Emerging Recovery, Economy Still Unable to Add Jobs

ARLINGTON, Va., March 5 /PRNewswire-USNewswire/ -- Employment data released today by the U.S. Department of Labor indicate that job losses have slowed significantly from a year ago, but the still-high unemployment rate means that millions of Americans continue to struggle to find work even as the economy shows renewed growth, noted the Retail Industry Leaders Association.

The U.S. unemployment rate held steady at 9.7 percent in February with 36,000 jobs lost. Following a month where the retail industry added 41,800 jobs in January, retail employment was virtually unchanged, shedding only 400 jobs in February. Building materials retailers and furniture stores both added jobs for the fourth straight month, and department stores, clothing retailers, and sporting goods stores showed new hiring. These gains were offset by modest payroll reductions at grocery stores, pharmacies, and auto dealers.

While it is difficult to quantify the effect of February's unusually severe storms, these likely had an impact in reducing the number of hours worked during the month and delaying some hiring (which will likely show up in next month's data). Hourly wages rose slightly and the use of temporary workers rose in February; these both suggest continued improvement in the underlying labor market. Even so, the overall job market remains weak, with 8.4 million jobs lost since the start of the recession in December 2007.

"February's job figures are consistent with the trends we've seen in recent months. Slowed job losses are a welcomed sign that the economy is improving, however the lack of job growth reminds us that we are not out of the woods yet," said RILA President Sandy Kennedy. "Policymakers must focus on reducing the challenges employers face rather than erecting new barriers to job creation, specifically the costly measures included in the health care legislation currently under consideration. The proposed legislation will impose rules that will undermine the quality and affordable coverage our members offer their employees, while stifling their ability to create jobs."

Unusually severe winter storms affected recent data beyond the labor market, but a broad view of economic indicators suggests a continued moderate recovery. Solid GDP growth of nearly 6 percent at the end of 2009 was followed by continued gains in household incomes and spending in January and strong February sales at chain stores. Housing sales and construction have reversed somewhat, but home prices continue to stabilize; delinquencies and foreclosures have fallen in recent months for the first time since the collapse of the home price bubble. Business spending on equipment and software rose in the last three months of 2009 and appears on track for further gains in 2010; declines in durable goods orders in January could reflect the end of a business tax credit in 2009 that pulled activity forward. Surveys of purchasing managers in both manufacturing and non-manufacturing firms show continued expansion, with the outlook in services the best since April 2008.

"Today's data show a job market that is stabilizing but has not yet broken out into a sustained expansion," said Phillip Swagel, visiting professor at Georgetown University's McDonough School of Business and RILA outside economist. "Severe winter storms in February held down hiring and obscured a firming employment picture, but the U.S. economy will still need a long stretch of strong growth to make up for the millions of jobs lost in this recession. Policy uncertainties especially continue to hang over employers and weigh down business investment and hiring."

In addition to the threat that the health care legislation poses for job creation, a study released last week identified credit card "swipe fees" as stalling the creation of nearly a quarter million jobs. The study conducted by former U.S. Under Secretary of Commerce Robert J. Shapiro and economist Jiwon Vellucci entitled "[The Cost of 'Charging It' in America: Assessing the Economic Impact of Interchange Fees for Credit Card and Debit Card Transactions](#)," measured unfulfilled job creation caused by the increased consumer and business costs associated with excessive credit card swipe fees, also known as interchange fees.

According to the report, "If interchange fees were limited to the transaction and processing costs of credit card purchases, the additional resources for consumers would support the creation of more than 240,000 new jobs."

"Today, merchants pay more to process a check card transaction than they pay to process a paper check," said Kennedy. "The stark reality is that every additional dollar taken by banks through these excessive fees is a dollar unavailable to hire new employees

and lower costs for customers."

These fees, which totaled \$48 billion in 2008 and are particularly harmful to small retailers, have risen by 300 percent since 2001.

RILA is the trade association of the world's largest and most innovative retail companies. RILA members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than \$1.5 trillion in annual sales, millions of American jobs and more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

Phillip L. Swagel is a visiting professor at the McDonough School of Business at Georgetown University, where he teaches classes on financial markets and directs the Center for Financial Institutions, Policy, and Governance. He is also a non-resident scholar at the American Enterprise Institute.

Dr. Swagel was Assistant Secretary for Economic Policy at the Treasury Department from December 2006 to January 2009. He has previously taught at the University of Chicago Booth School of Business and Northwestern University, and held positions at the President's Council of Economic Advisers, the International Monetary Fund, and the Federal Reserve.

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