

Behind the Unemployment Numbers: Job Formation Continues at Slow Pace in Florida

The number of jobs in Florida increased modestly in May, a continuation of a trend that began late in 2010. But the state has a long way to go before it regains the 900,000-plus jobs it lost due to the Great Recession.

A gain of an estimated 28,000 jobs in May dropped Florida's unemployment rate to 10.6 percent. That rate remains the fourth-highest in the nation and almost a million Floridians remain without jobs.

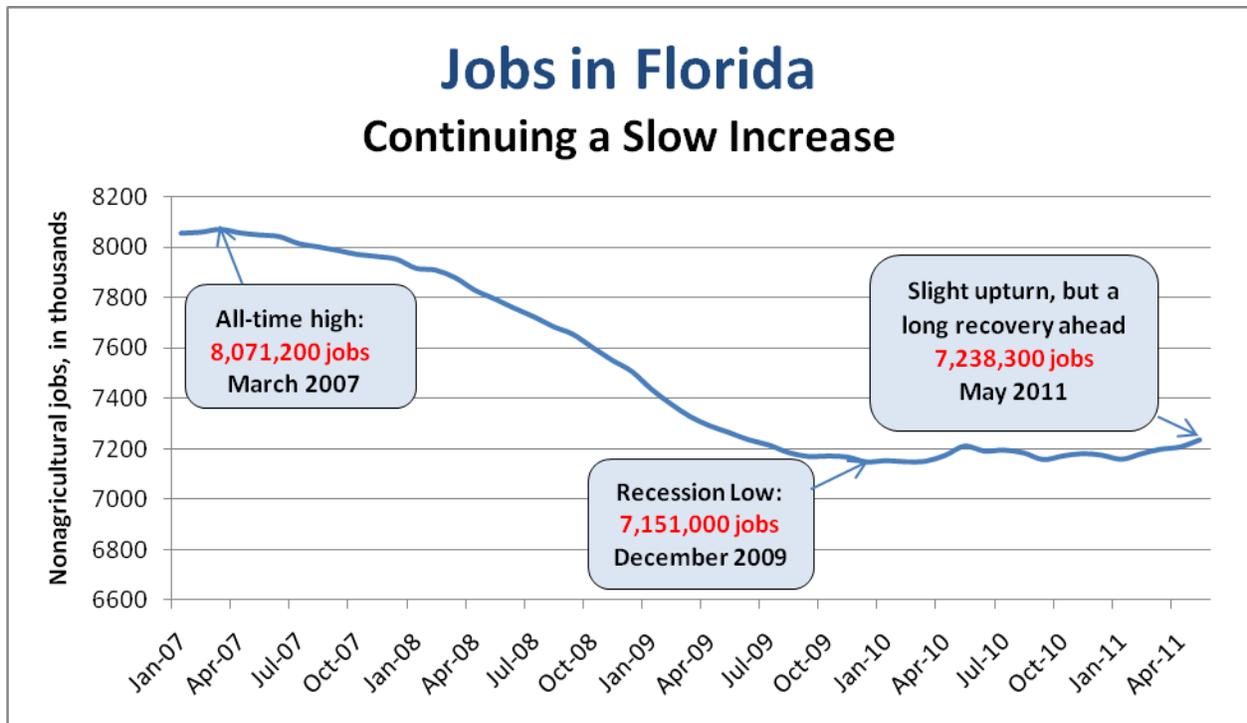
By the time of the presidential inauguration in January 2009, Florida had already lost two-thirds of the 920,000 jobs lost during the recession and its aftermath.

Hundreds of thousands more have dropped out of the labor market, at least temporarily, or are working part-time instead of full-time.¹

Climbing out of the deep economic hole has been difficult. The task has been especially challenging in Florida because of the state's reliance on new construction to accommodate hundreds of thousands of newcomers arriving here each year.

That long-term foundation of Florida's economic growth began to erode four years ago, in April 2007, with a relatively slow decline in jobs through 2007, as the chart on the next page shows. By the time the recession officially began in December 2007, the slowing economy had already cut 118,000 nonfarm jobs from Florida payrolls.²

Then the slow decline in jobs in 2007 turned into a steep, painful freefall in 2008. Florida shed jobs by the tens of thousands each month in that year: 49,000 between March and April 2008; 50,000 between October and November 2008, when the presidential election occurred; and another 70,000 between December 2008 and January 2009. By the time of the presidential inauguration that month, Florida had already lost two-thirds of the 920,000 total nonfarm jobs it eventually lost.



(Source: FCFEP from data from Agency for Workforce Innovation, Labor Market Statistics, Current Employment Survey, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, nonagricultural employment, seasonally adjusted)

Monthly jobs losses became much smaller in 2009, but an additional 288,000 Florida jobs disappeared during the year. Finally employment in Florida stabilized and a slight upturn began. Minor progress could be seen in 2010 with the addition of 27,000 nonfarm jobs during the year.³

The progress has accelerated somewhat in recent months. Since the beginning of 2011, Florida payrolls have grown by 60,700 nonfarm jobs,⁴ an average of 12,140 per month. This slow growth rate generally mirrors the nation's modest job increases.⁵

To achieve a full jobs recovery – with the same percentage of the total population working as at Florida's peak in early 2007 – more than 1 million new jobs must be added, state economists say.⁶ At an average of 12,140 per month, adding 1 million new jobs would take about seven years. If economic growth added an average of 28,000 jobs a month, as in May, it would take about three years.

A Governor's Role in Job Creation Is Limited

Despite focus on the states' chief executive, a governor can influence job growth only on the margins. National and global economic conditions, along with long-term investments in education and infrastructure, largely create job conditions in any state. "There's only so much a president, governor or

locally elected official can do to create jobs and turn around the economy," University of Central Florida economist Sean Snaith says.⁷

The fact is that barring catastrophe, Florida will gain hundreds of thousands of jobs in coming years through natural growth as the economy strengthens, as state economists projected in February.⁸ The number of new positions for workers will increase by as much as 186,000 in a single year, they said.

Governor Rick Scott has promised to augment that natural job growth. His "7-7-7 Plan" (7 Steps, 700,000 Jobs, 7 years) pledges the creation of 700,000 jobs – in addition to the 1 million from natural economic growth – over a seven-year period.^{9,10,11,12}

He and his staff have begun counting the number of jobs added in Florida since his inauguration on January 4. They attribute all jobs added, as well as out-of-state companies locating and expanding in Florida, to his actions.¹³ He said after the May unemployment report:

Although the Governor and legislative leaders insist that "government doesn't create jobs," they spend hundreds of millions of dollars each year hoping to create jobs.

Our efforts to make Florida the most business friendly state are clearly paying off and we are bucking the national trend. Since I took office, we've created 76,800 jobs [counting all jobs, not just nonfarm] for parents, recent graduates, workforce veterans and all Floridians who have been struggling to get back on their feet.¹⁴

However, many of those jobs, if not all, can be attributed to normal recovery from the recession. "There's many things you may criticize the governor for, but you can't criticize his timing," said economist Snaith. "It's impeccable. He came into office just as the economy was starting to turn."¹⁵

Other jobs the Governor has announced are the culmination of business recruitment efforts undertaken by state and local governments under the previous gubernatorial administration. His "limited participation, however, hasn't stopped him from taking credit for those businesses," the St. Petersburg Times wrote.¹⁶

Governor and Legislature Spend Tax Dollars for Jobs Even Though "Government Doesn't Create Jobs"

Although the Governor and legislative leaders insist that "government doesn't create jobs,"^{17,18} they spend hundreds of millions of tax dollars each year, much of it going to large profitable corporations, hoping to create jobs.

The 2011-12 appropriations act includes more than \$200 million for “economic development” programs and projects.¹⁹ Those funds pay for Enterprise Florida and government workers to recruit businesses and industries and to pay subsidies to corporations for locating and hiring in Florida. These “economic development” expenditures occur despite a Florida Senate study that found that more than half of companies receiving tax money in one program admitted they would have located or expanded in Florida anyway.²⁰

In addition, the legislature created a new Department of Economic Opportunity this year, consolidating several state agencies and Enterprise Florida. That legislation gives the governor authority to award up

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to \$2 million from the \$42 million “Quick Action Closing Fund” to a business without legislative approval or consultation. He can give away \$2 million to \$5 million to a company in “incentives” with only the requirement that he notify legislative leaders.²¹

That bill also created a State Economic Enhancement and Development (SEED) Trust Fund, taking money from other funds to create an initial \$125 million pot for subsidies to companies promising to create new jobs.²²

How effective these programs and expenditures of tax dollars will be is unknown and results have been difficult to pin down. Even a Florida senator admits that accountability for results within economic development programs has been lacking.²³

Many economists doubt that incentives for companies in the hopes of creating jobs actually work. Instead, they “simply produce an unending merry-go-round of tax cuts and subsidies whose net effect is to starve government of the resources it needs to finance the services it should be providing and to make the state and local tax system ever more regressive.”²⁴

Thousands of Jobs Will Be Lost Due to Budget Cuts

Juxtaposed against the 60,700 natural growth in jobs over the first five months of this year are the tens of thousands of jobs lost through gubernatorial actions or from ramifications of budget cuts made by the 2011 legislature.

Many additional cuts that will result in elimination of jobs will take place after the 2011-12 fiscal year begins on July 1, particularly as district school boards approve their budget cut plans. Following is a partial listing of known job losses resulting from cuts in the 2011 state budget:

- up to 21,600 construction and construction-related jobs over four years²⁵ due to the Governor's rejection of \$2.4 billion in federal funds for high-speed rail
- hundreds of other jobs due to his veto of \$168 million in college and university construction projects²⁶
- about 8,000 road construction jobs from the legislature diverting \$150 million from transportation projects to other programs²⁷
- eliminating about 4,500 state positions funded in previous years, including 500 workers from the Department of Children and Families²⁸
- 1,400 Broward school teachers who have received pink slips²⁹
- 400 from the closure of the Desoto County Juvenile Justice Facility³⁰
- Dozens of teachers and school staff in Okaloosa County as the school district finalizes budget cuts³¹
- 100 from the Duval County school district³²
- an as-yet unknown number of jobs due to the legislature reducing Medicaid payments to hospitals, HMOs, and nursing homes by \$1.3 billion (Families USA's Medicaid calculator accounts for the multiplier effect of Medicaid budget cuts. The calculator estimates that a \$1.3 billion cut to Medicaid in Florida will result in the loss of 34,580 jobs, \$3.8 billion in business activity, and \$1.4 billion in lost wages.³³)
- 120 to 140 employees of the St. Johns River Water Management District, as a result of a bill cutting property taxes to the five water management districts at a savings of less than a dollar a week for the average taxpayer³⁴
- more positions from privatizing prisons in South Florida, imperiling the jobs of correctional officers as state jobs are shifted to private-sector contractors, which are expected to hire fewer correctional officers
- Others from the indirect effects of cutting spending power of teachers and other public employees by more than \$1 billion through requiring them to cut their take-home pay by three percent and contributing that amount to their pensions

Conclusion

Florida's job picture is improving as it should after a protracted economic downturn. Hundreds of thousands of Floridians now unemployed or seeking full-time work should have a greater opportunity to return to full employment in the next few years. Meanwhile, a focus on cutting spending on education and important state infrastructure – while continuing to award “incentives” to companies to create jobs – diminishes Florida's quality of life and impedes long-term economic growth.

A wiser choice would invest more resources into human capital, from prekindergarten through college and adult workforce education and training. Even a former Enterprise Florida president, when asked by an economic development publication what he would change to make Florida more competitive in

a global economy, named “a heavier investment in resources into classrooms from kindergarten through college levels.”

Making those and other investments in the people of Florida in future legislative sessions can begin to get the state back on track.

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