Today’s employment numbers reinforce the signs of economic recovery. In April, the economy created 290,000 jobs. This is the first time since the beginning of the Great Recession in December 2007 that the economy has had four straight months of positive job creation. This confirms that the collective efforts of the Bush and Obama administrations, Congress, and the Federal Reserve, along with natural market forces, have helped put the economy on the right track.

Although we have reason to celebrate this encouraging news, the underlying “job gap” implicit in these numbers remains daunting, with too many Americans still struggling to find jobs. In fact, a staggering 6.7 million Americans have been unemployed longer than 27 weeks. The job gap, as I envision it, is the number of jobs it would take to return to employment levels from before the Great Recession, while also accounting for the 125,000 people who enter the labor force in a typical month. After today’s employment numbers, the job gap stands at roughly 11.3 million jobs.

How long will it take to erase this job gap? If future job growth continues at a growth rate of roughly 250,000 jobs per month, slightly below the average job growth over the last two months, it would take seven-and-a-half years. In a more optimistic scenario, with 350,000 jobs created per month, it would take more than four years or until the middle of 2014.

Looking ahead, there are mixed signs about the U.S. job market. On the positive side, the credit markets are operating as well as they have since the crisis began, which allows existing businesses to borrow to expand and new ones to start-up. Additionally, the recent economic growth has largely come through gains in productivity. We may be nearing the point where businesses will need to hire additional workers in order to expand.

However, there are several less promising signs. The stimulus plan is beginning to wind down and it is not expected to contribute to growth after the third quarter of this year. Additionally, there continues to be significant oversupply in the housing market with the percentage of homes that are vacant at record levels. Delinquency rates on mortgage payments remain high, which remains a source of weakness going forward. Finally, we have yet to understand how the recent
instability in Greece, and Europe more generally, will impact the U.S. markets and the economy. These are some of our many challenges.

Beyond the cyclical unemployment generated by the recession, the U.S. economy also faces substantial structural unemployment problems. In a recent paper written for The Hamilton Project and the Center for American Progress, David Autor, a colleague of mine at MIT, outlines many of these structural challenges. Autor’s paper, which he presented at our joint conference on “The Future of American Jobs” last Friday, highlights the following trends:

- The earnings of college-educated workers relative to high school-educated workers have risen steadily for almost three decades.

- The rise in the relative earnings of college graduates is due both to rising real earnings for college-educated workers and falling real earnings for non college-educated workers, particularly non college-educated males. The declining real earnings for workers with less than a college degree has also led to declining rates of labor force participation for them.

- Gains in educational attainment have not generally kept pace with rising educational returns, particularly for males. And the slowing pace of educational attainment has contributed to the rising college/high school earnings gap.

- Employment losses during the recent recession were far more severe in middle-skill white- and blue-collar jobs than in either high-skill, white-collar jobs or in low-skill service occupations. As a result, the Great Recession quantitatively but not qualitatively changed the trend toward employment polarization in the U.S. labor market.

These longer run trends may pose an even greater challenge to our country's future than the Great Recession, and they will require new solutions. In the fall, The Hamilton Project will team up with the Center for American Progress again to present a set of concrete policy proposals for tackling these structural and longer-term employment challenges.