

Labor Market Conditions

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LABOR MARKET CONDITIONS AND ECONOMIC OUTLOOK

December, 2010

“The labor market ended 2010 with a whimper. The private sector seems only to be able to add temporary, health care, and restaurant jobs, but little else. The duration of unemployment rose again and the unemployment would have been 10.0 percent were it not for the 1.4 million people who stopped looking for work last year.”

- The private sector added just 113,000 jobs in December compared to an average of 170,000 in previous December's since the end of WWII (for non-recession years).
- Two-thirds of the job growth in December came from health care (37,000), restaurants and bars (25,000), and temporary help services (16,000).
- Most other industries were relatively unchanged, with local governments (-20,000), construction (-16,000), and other services (-14,000) having the most notable declines.
- Although the headline unemployment rate decreased to 9.4%, without the unprecedented drop in the labor force since June 2009 the unemployment rate would be 10.0%.
- The average duration of unemployment rose to over 34 weeks in December back closer to its record high.
- The best thing that can be said about the report is the labor market isn't getting any worse and appears poised for a rebound next year.
- The latest Manpower survey finds the employment outlook for the beginning of 2011 the most promising since the 4th quarter of 2008.
- Economists expect payroll employment to increase by an average 160,000 jobs per month in the first half of 2011, and by over 190,000 jobs per month in the second half of the year. The major factors driving job growth in 2011 will be increased consumer spending and business investment, global economic growth, and a competitive dollar, which will sustain U.S. exports.
- But the consensus forecast has the unemployment rate only slowly declining to around 9 percent over the course of 2011. Even the most optimistic forecasts have the unemployment rate above 8.5 percent by year end. Part of this is because most of the jobs lost during the recession were in construction and manufacturing and many of those positions are not coming back anytime soon. Those employees will have to find and accept work in other industries, an often slow and painful adjustment.

