

Labor Market Conditions

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LABOR MARKET CONDITIONS AND ECONOMIC OUTLOOK

December, 2009

THE LABOR MARKET IS LIKELY TO STRUGGLE EARLY THIS YEAR BUT WILL SLOWLY IMPROVE

- After stabilizing in November, employers shed another 85,000 payroll jobs in December and the unemployment rate remained at 10.0 percent.
- The unemployment rate would have been 10.4 percent if not for an unusually large drop in the labor force of 661,000 workers. Over the past 12 months, the labor force has seen its largest decline since the end of World War II.
- The broadest measure of unemployment the BLS publishes ticked up to 17.3 percent and the average duration of unemployment rose to an historic high of 29.1 weeks. Almost 40 percent of the unemployed have been out of work for half a year or more.
- The employment rate declined again in December after increasing in November for the first time in nearly two years and stands at its lowest level since 1983.
- The number of Americans working part-time for economic reasons declined by 60,000 and has remained fairly flat since September.
- Job losses occurred again in construction (-53,000), manufacturing (-27,000), leisure and hospitality (-25,000), and wholesale trade (-18,200). Most other industries reported declines, with significant declines in retail trade (-10,200), and transportation and warehousing (-8,000).
- However, professional and business services gained jobs again in December, with particularly strong growth in employment services (+55,700). Since July, employment services have added an average of 38,200 jobs per month.
- Education and health services also added another 35,000 jobs in December, in line with its average monthly increase over the past 5 years.
- State and local government employment fell in December, reflecting their continued fiscal difficulties, and significant job losses at the U.S. Postal Service offset a small increase in other parts of the federal government.
- In December, the average workweek remained at 33.2 hours and appears to have stabilized at that relatively low level.

LAYOFFS ARE SUBSIDING:

- Initial and continued claims for unemployment insurance benefits are steadily falling and at their current rate of decline will be at a level that is consistent with employment growth by the end of March.
- Weak seasonal job growth in November and December will mean fewer layoffs after seasonal adjustment in January's employment report.
- At the bottom of a labor market cycle the monthly employment report often alternates between gains and losses for a few months.
- In January, the Congress will likely extend unemployment benefits through June.

EXPECT HIRING TO PICK UP THIS SPRING:

- The Census Bureau will likely hire 550,000 people between February and May of 2010 to conduct the decennial census – a recurring federal jobs program that is hitting at the right time. This will increase federal government employment by 25 percent.
- Growth in the manufacturing sector continues as the Institute for Supply Management index came in at 55.9, above the breakeven level for the fifth straight month.
- The new orders index came in at 65.5 and has remained above 50 since July.
- A group of 23 forecasters recently surveyed by BNA for its 2010 annual economic outlook expect employment to grow in the first six months by an average of 70,700 jobs per month, improving to 135,300 jobs per month in the second half.
- The Senate plans to quickly take up the \$154 billion jobs creation package that passed the House in December. Entitled "Jobs for Main Street," the bill aims to spur new construction jobs by spending \$27.5 billion on highway projects and \$8.4 billion on public transit. Another big piece would be \$23 billion for education to prevent teacher layoffs as states continue to struggle. It would also provide \$500 million to states for summer jobs for disadvantaged youth.
- However, employers are being very cautious about hiring and are waiting to see if the recent gains in consumer spending continue and what the final health care reform bill will cost them before they begin to hire permanent employees. Companies have added about 166,000 temporary workers since July.
- Moreover, as the economy picks up this year and discouraged workers re-enter the labor force, the unemployment rate is likely to climb before falling. Forecasters in the BNA 2010 annual economic outlook survey expect the unemployment rate to average 10.2 percent in the first half and 9.9 percent in the second half of 2010.