

# Labor Market Conditions

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## LABOR MARKET CONDITIONS AND ECONOMIC OUTLOOK

February, 2010

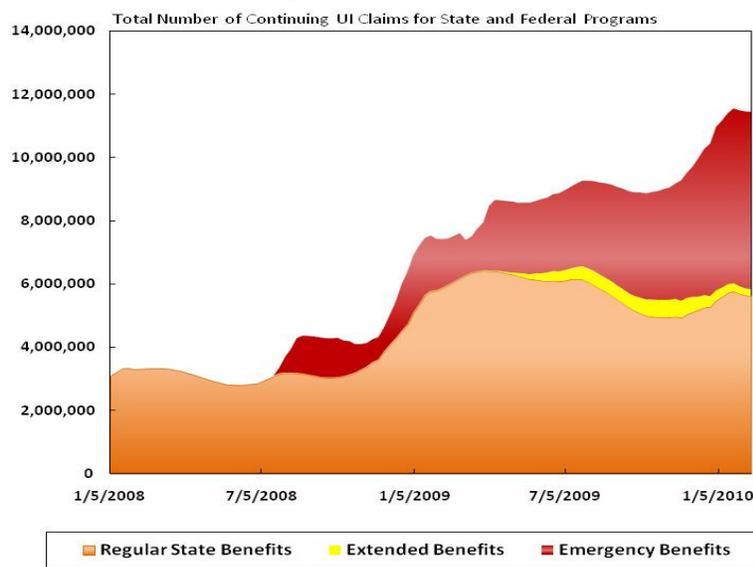
“Today’s jobs report confirms that the economy is now moving sideways. Five industries gained jobs and five industries lost. The pace of layoffs has slowed, but hiring has not yet picked up. Although manufacturing is showing some signs of life, outside of temporary help services, health care, and education services employers are still reluctant to hire.”

- Employers shed another 36,000 payroll jobs in February with equal losses in the private-sector and government (-18,000). This follows a revised decline of 40,000 in January.
- Although the official unemployment rate remained at 9.7 percent, the broadest measure of unemployment increased 16.5 to 16.8 percent as the number of employees working part-time for economic reasons increased by 475,000.
- The unemployment rate for construction occupations is 26.5 percent, 15.4 percent for production occupations, and 4.8 percent for professional occupations.
- The average duration of unemployment declined to 29.7 weeks from its historic high last month. However, there are over 6 unemployed workers for every job opening.
- Manufacturing jobs rose by 1,000, after gaining 20,000 jobs last month, the first back to back monthly gains in almost 4 years (April 2006). Temporary help services added another 47,500 jobs as employers continue to be hesitant about hiring permanent employees and health care gained a modest 12,000 jobs – one-half the pace of the previous four years.
- Large job losses occurred again in construction (-64,000), information (-18,000), transportation and warehousing (-12,000), and financial services (-10,000). Most other industries were essentially unchanged.
- Local government jobs fell by 31,000 in February after falling 15,000 January and 23,000 in December, reflecting their worsening fiscal difficulties. However, the federal government gained 16,100 jobs as the Census Bureau hired another 15,000 temporary workers.
- In January, the average workweek ticked back down to 33.8 hours and has stabilized at that relatively low level.

## RECOVERY IN THE LABOR MARKET WILL BE LONG AND SLOW:

- Total continuing claims for unemployment insurance, including extended and emergency benefits appears to have peaked (see chart below), however, when job growth does resume, it will take 4.5 years to make up for all of the jobs lost during the recession provided employment grows by 157,000 jobs per month (the average monthly gain from 2005 to 2007).
- Recent surveys report that business restructuring has driven productivity gains to a record post-1945 high and reduced labor costs by 4.7 percent last year – the largest decrease since the data began in 1948. Employers may not need to hire as many employees they have in the past as productivity is helping companies and the U.S. economy recover.
- Challenger, Gray & Christmas recently reported the reasons most often cited for reducing jobs in February were mergers and acquisitions, cost-cutting, and downturns in demand. There appears to be more job cuts related to business strategy than low demand.
- When the recovery does pick up, some of the unemployed will be able to quickly find jobs. However, the structural changes to the economy that have occurred over the past two years will likely limit job recovery in many industries such as construction and manufacturing. Moreover, the relatively high percentage of Americans who owe more on their homes than they are worth will have difficulty transitioning to new job opportunities that arise in other areas of the country. This will impact corporate relocations as well.
- College hiring declined dramatically in 2009 and is projected to be down again this year.

**The Total Number of Continuing Claims for Unemployment Benefits Appears to Have Peaked**



Source: Applied Economic Strategies, LLC, using Department of Labor data.