

# Labor Market Conditions

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## LABOR MARKET CONDITIONS AND ECONOMIC OUTLOOK

November, 2009

### UNEMPLOYMENT RATE DECLINES TO 10.0 PERCENT IN NOVEMBER AS JOB LOSSES SUBSIDE

- The labor market appears to have finally stabilized in November as employers shed only 11,000 payroll jobs and the unemployment rate dropped back to 10.0 percent after a sharp increase in October.
- Further, the preliminary job loss estimates for September and October were significantly revised to show less severe declines than first thought.
- The broadest measure of unemployment the BLS publishes declined to 17.2 percent.
- The number of unemployed who have permanently lost their job decreased in November by 272,000, after reaching an historic high of 8.8 million in October.
- The number of Americans working part-time for economic reasons also declined by 38,000, backing off its historic high in October.
- However, the average duration of unemployment rose to an historic high of 28.5 weeks, and the number of long-term unemployed increased by 293,000 to 5.9 million.
- The employment rate remained at 58.5 percent; its lowest level since the 1982 recession.
- Job losses occurred again in construction (-27,000), manufacturing (-41,000), and retail trade (-14,500). Most other industries reported declines with significant declines in information (-17,000), wholesale trade (-11,700), leisure and hospitality (-11,000), and financial activities (-10,000).
- However, professional and business services gained jobs in November, with particularly strong growth in employment services (+61,100). Since July, employment services have added progressively more jobs each month – typically a leading indicator future employment growth.
- Education and health services also added another 40,000 jobs in November, in line with its average monthly increase since July.
- Government employment mixed with increases in state and local education (9,800 and 11,500 respectively) being offset somewhat by losses in other state and local jobs.
- In November, the average workweek rose by 0.2 hour to 33.2 hours, and the manufacturing workweek increased by 0.3 hour to 40.4 hours. Since May, the manufacturing workweek has increased by 1.0 hour – another leading indicator future employment growth.

**LAYOFFS ARE SUBSIDING:**

- Initial and continued claims for unemployment insurance benefits have declined steadily since peaking in June.
- The Atlanta, Cleveland, and Richmond Federal Reserve districts report that the pace of job cuts generally slowed and the Dallas district reported relatively stable employment levels.
- Challenger, Gray & Christmas Inc. reported the pace of job losses has slowed to the lowest level in two years. Although the number of cuts announced in 2009 have already exceeded last year's total, most industries are seeing job cuts subside.

**EXPECT HIRING TO PICK UP EARLY NEXT YEAR:**

- 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.
- A new job tax credit is now more likely. Although difficult to target, it will help offset the tax increases that are occurring at the state and local levels.
- The recession has taken the level of private payrolls about 500,000 below the trough of the previous recession in mid 2003, while the economy has since grown by nearly 11 percent. A sustained improvement in the economy next year will likely improve labor markets.
- Temporary help payrolls, often considered to be a leading indicator of labor demand, jumped by 52,400 last month, the largest such rise since 2005.
- The Boston Federal Reserve district reports that employers are beginning to hire and reverse pay cuts or freezes that were implemented earlier in the year, and the St. Louis district reported the service sector had begun to expand.
- The job opening rate has begun to pick-up; regular factory hours and overtime hours have risen steadily since the spring; and surveys of hiring and hiring plans are beginning to improve.

**WHAT TO DO ABOUT HIRING:**

- End the uncertainty over healthcare reform as quickly as possible and recognize that it will restrain hiring as businesses adjust to the new regime.
- Shut down any talk of carbon cap-and-trade as it will burden consumers and employers with billions in new costs and significantly decrease economic growth.
- Create tax incentives that promote business expansion and hiring, such as a jobs tax credit, a robust investment tax credit, and permitting businesses to expense capital purchases made in 2010.
- Announce that the massive tax increase scheduled to go into effect in 2011 with the expiration of the 2001 and 2003 tax cuts will be postponed for at least five years.
- Open the doors to trade and aggressively pursue opportunities for new markets for American goods.