



# Joint Economic Committee

## *Republicans*

Representative Kevin Brady  
Vice Chairman

### REPUBLICAN STAFF COMMENTARY

## Obama “Part-Time” Recovery Still Last After September Jobs Report

*Private Sector Job Creation Remains Anemic, Unemployment Rate Drop Largely a Mirage*

October 5, 2012

### Introduction

Today, the Bureau of Labor Statistics (BLS) released its Employment Situation report for September 2012. The report showed a seasonally adjusted increase in nonfarm payrolls of 114,000. Private sector payrolls increased by 104,000, while government payrolls grew by 10,000. Yet, the “official” unemployment rate (U-3) declined to 7.8%. This marks the first time since January 2009 that the unemployment rate has dropped below 8.0%. Despite the drop in the official unemployment rate, the broader U-6 rate, often referred to as the “real unemployment rate”, was unchanged at 14.7%.

### Unemployment Rate

The household survey (a.k.a. Current Population Survey), which is used to calculate the unemployment rate, showed, on a seasonally adjusted basis, an increase in the size of the labor force of 418,000, an increase of 873,000 in the number of employed individuals, and a drop of 456,000 in the number of people classified as unemployed.<sup>1</sup> The labor force participation ticked up 0.1 percentage point after declining in the two previous months.

The increase in the number of people classified as employed was primarily driven by a 582,000 increase in the number of people working part-time for economic reasons. This includes workers working part-time because of slack work or business conditions and those who could only find part-time work. In other words, two-thirds of the increase in employment was the result of the increase in those working part-time for economic reasons.

<sup>1</sup> Employment in the household survey is a different concept than payroll jobs in the establishment survey. The household survey counts people working in nonfarm jobs, farmers, other people working on farms, and the owners of non-corporate businesses as employed. The establishment survey counts nonfarm jobs, not people holding nonfarm jobs. Consequently, the BLS counts one worker with two nonfarm jobs as one employed person in the household survey and as two nonfarm jobs in the establishment survey. Moreover, the establishment survey does not count the owners of unincorporated nonfarm businesses as having nonfarm jobs.

***Private sector payrolls increased by 104,000.***

***“Official” unemployment rate declined to 7.8%, but broader “real unemployment rate” unchanged at 14.7%.***

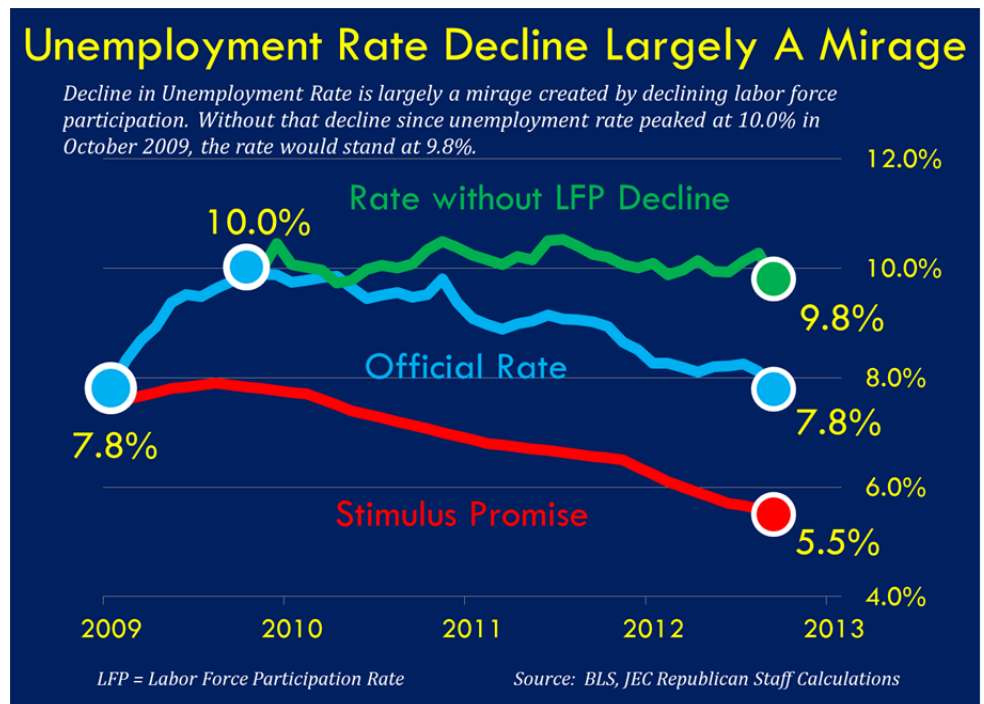
***Two-thirds of the increase in employment was the result of the increase in those working part-time for economic reasons.***

***The mirage of a declining unemployment rate is largely the result of this decline in labor force participation.***

***If the labor force participation rate had not declined from the 65.0% level in October 2009, the unemployment rate would only have declined from 10.0% to 9.8% not 7.8%.***

In contrast with 0.3 percentage point decline in the “official” unemployment rate (U-3), the broader U-6 rate, which includes workers with part-time jobs for economic reasons and workers marginally attached to the labor force, remained unchanged at 14.7%. The current U-6 rate of 14.7% is higher than the 14.2% rate reported in January 2009.

While the labor force participation rate ticked up to 63.6%, it remains significantly below the December 2007 level of 66.0% (when the recession started), the January 2009 level of 65.7%, and the October 2009 level of 65.0% (when the unemployment rate peaked). The mirage of a declining unemployment rate is largely the result of this decline in labor force participation. For example, if the labor force participation rate had not declined from the 65.0% level in October 2009, the unemployment rate would only have declined from 10.0% to 9.8% not 7.8%.



Similarly, if the labor force participation rate had held constant at the December 2007 level, the unemployment rate would stand at 11.2%. If the labor force participation remained at the January 2009 level, an unemployment rate of 10.7% would be indicated.

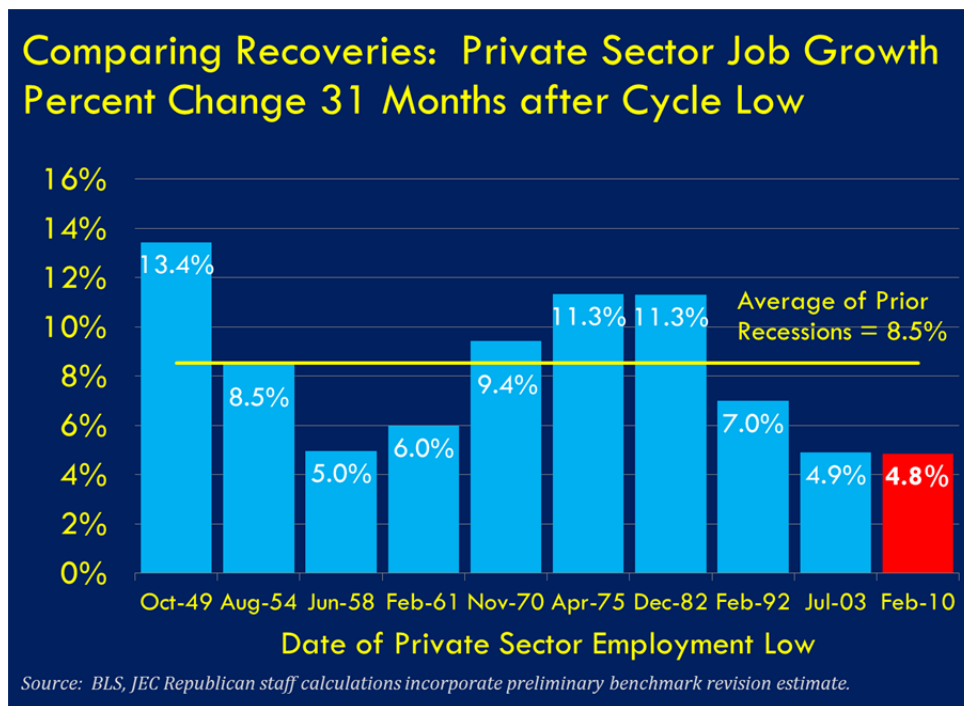
***The 104,000 increase in private payrolls still leaves the Obama recovery in last place in terms of private sector job creation.***

### **Payroll Jobs**

The increase of 104,000 (99,000 net of revisions for the preceding two months) in private sector payrolls was insufficient to pull the current recovery out of last place among post-World War II recoveries. This remains true even after including the preliminary benchmark estimate of an increase in 453,000 additional jobs, or 0.4%, over the April 2011 to March 2012 period. These revised numbers won't be officially

incorporated until next February. But even with their inclusion, using the President's metric of measuring from the cyclical low for private sector employment, this recovery ranks dead last among recoveries lasting more than a year. Since World War II, the steeper the recession has been, the steeper the recovery. That has clearly not been the case in this instance.

At present, the Obama recovery's rate of job creation from the cyclical low is only 4.8%, including the benchmark revision, compared with the average for other recoveries of 8.5% and 11.3% during the Reagan recovery. The Obama recovery's private sector job creation gap is 3.9 million compared with the average of other recoveries and 6.9 million compared to the Reagan recovery.



The next employment report will be issued on Friday, November 2, 2012. In order for the Obama recovery to climb out of last place, the economy will have to generate a private sector job gain of 311,000 (net of any revisions) during October.

### Summary

The decline of the unemployment rate in September was largely because of a jump in the number of people who had jobs, but were only able to work part-time because of slack work or business conditions. Rep. Brady characterizes this as a “part-time recovery,” noting that these workers want and need full-time work.

***Obama recovery's private sector jobs gap is 3.9 million compared to average of other recoveries...***

***Obama recovery lags behind Reagan recovery by 6.9 million private sector jobs.***

***Obama recovery will remain in last place unless private sector adds 311,000 jobs in October.***

***Obama recovery ranks last on both private sector job creation and economic growth.***

Despite any assertions to the contrary, the Obama recovery remains the weakest of post-World War II recoveries lasting more than a year BOTH in terms of private sector job creation AND real GDP growth.

Private sector payrolls have increased by 4.8%, including the benchmark revision, since bottoming 31 months ago in February 2010. The Obama recovery's rate of private sector job creation over that period is barely more than half the rate of the other recoveries (57%).

Real GDP has only increased by a total of 6.7% over the three years since the recession ended in June 2009. Over the comparable period, real GDP increased an average of 15.2% during the other recoveries and 18.2% in the Reagan recovery. Real GDP growth in the Obama recovery has been less than half the average registered in the other recoveries (44%). Based upon these two economic indicators, the Obama recovery is a clear failure.

***Private sector job growth is only 57% of other recoveries' average.***

***Real GDP growth is only 44% of other recoveries' average.***

