

THE ECONOMIC OUTLOOK GROUP



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ECONOMIC TALKING POINTS

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The November Jobs Report: Is it the Catalyst that Finally Gets Congress to Act on the Stimulus?

If November's disappointing employment report doesn't light a fire under Congress to finally pass a stimulus package, it's hard to imagine what will.

In any other year, a 245,000 monthly increase in nonfarm payrolls would be worthy of celebrating. This time that figure should evoke alarm. To begin with, November's pace of hiring is the smallest since April, when the economy hit rock bottom with 20.8 million Americans abruptly taken off payrolls.

Chart 1. Unemployment rate, seasonally adjusted, November 2018 – November 2020

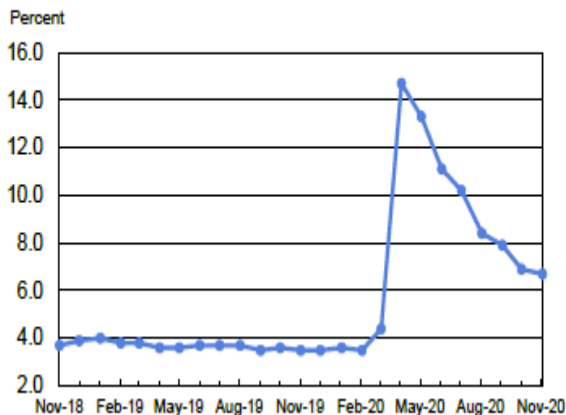
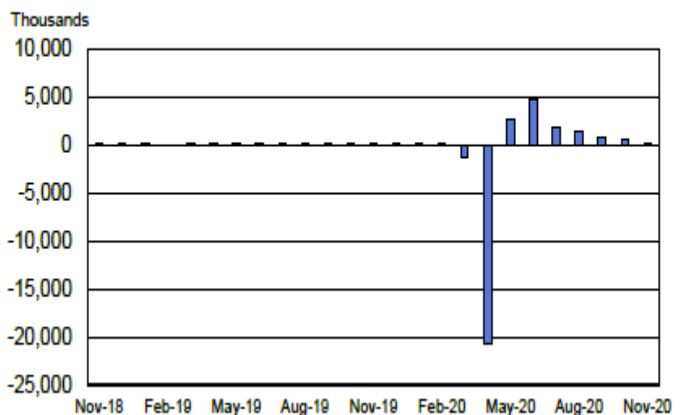


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, November 2018 – November 2020



Drill down further into the job numbers and you see additional corroboration that labor market conditions are deteriorating. But then that's hardly surprising given the horrific surge in Covid-19 cases in all its manifestations --- statistics,

hospitalizations and deaths. More companies are shutting down again or permanently closing and cities are mandating stay at home orders. In the meantime, the stimulus from last March's CARES Act has now diminished, with many benefits expiring at the end of the month.



Make no mistake, it's getting ugly out there.

- **What is especially disquieting is shortage of manpower among state and local governments. Remember, it's not the federal government that will ultimately be responsible for distributing Covid-19 vaccines to residents That responsibility falls on state and local municipalities. The question that looms now is whether they have the workforce and funds needed to efficiently administer these vital medicines in the coming months?**

Case in point: States did not add a single net new worker in November. Yet they are left with a 345,000 workforce smaller than what they had in February. The situation is even more dire at the local level. Because the pandemic has drained so much of their reserves, municipalities across the country have been forced to dismiss workers in each of the last three months. The result? Their payrolls are down to 13.68 million, a drop of more than a 1 million just since February. All this highlights how vital it is that the next stimulus package provides state and local governments with the financial resources needed to quickly deliver the vaccines to their communities.

The jobs report contained other grim news.

- **Retail sales employment fell 34,700 in November, this in a month that typically sees a significant pick-up in hiring as stores beef up staff for holiday shopping. The last time we saw a single month cutback greater than last month was in 2008, at the depths of the Great Recession.**

- **Permanent unemployment continues to climb as well. Last month saw this those numbers rise to 3.74 million, up nearly 200% from its February level before Covid-19 broke out.**



- **The labor force participation rate also took another drop to 61.5% as 400,000 left the workforce in November. With fewer people actively looking for jobs, the unemployment rate slipped to 6.7%. But the more relevant series at this juncture is the U-6, which includes those no longer searching for employment because they can't find a job, plus Americans who are stuck accepting only part time work. The unemployment rate for this broader category was 12.0%.**

What is worrisome is that the gap between the more commonly cited jobless rate, U-3 (6.7%) and the U-6 (12%) is widening. In the 6 months prior to March 2020, the gap averaged 3.3 percentage points; it has since widened to an average 5.4 points over the last three months, another sign that labor markets forces are moving in the wrong direction.

- **Finally we come to those who are about to face a real financial crisis. The number of people unemployed 27 weeks or longer jumped by 385,000 in November to 3.94 million. They would have run out of the standard 26-week state unemployment checks by now had it not been for the additional 13-week extension provided under the emergency CARES Act. But that extension expires December 31. So in the absence of any new legislation from Congress to extend this program, nearly 4 million Americans should expect no additional financial aid from Washington.**

So we have to ask again: Will this relatively bleak unemployment report provide fresh impetus for Congress to produce a meaningful stimulus bill before the end of the year? We believe it will. It has to!