

# WebMemo



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## Heritage Employment Report: June Job Market Continues Downward Slide

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The Bureau of Labor Statistics (BLS) reported today that country's unemployment rate increased to 9.5 percent in June and employers shed 467,000 jobs. While the unemployment rate showed only a slight increase, the number of lost jobs was higher than in May.

While this report is not as bad as some of the previous job reports, the employment situation remains grim. Indeed, it underscores how cautious economic analysts need to be in predicting the imminent end of this recession. This month's report also further mutes claims by President Barack Obama and economists in his Administration that his economic stimulus legislation passed last February has created and saved hundreds of thousands of jobs.

**The June Report.** The unemployment rate increased a tenth of a percentage point, which was lower than expected. However, part of this increase was due to the fact that many people left the labor force last month. This is probably due to data noise, because May saw a spike in the number of people entering the labor force, which led to a large jump in the unemployment rate.

One positive sign was that BLS revised employment in April and May upwards by 40,000. The rate of decline of employment has also slowed. The first quarter saw an average monthly employment decline of 691,000, but the second quarter decline has only averaged net 436,000 job losses.

While it is good news that the rate of employment loss has declined, monthly job gains are still far away. Average weekly hours continued to

decline, which means that not only are employers shedding employment, but they are also reducing the job hours of those still currently employed.

The minimum wage also increases this month, which will put further pressure on employers to either reduce jobs or hours. Over the last calendar quarter, wages have been flat or have fallen, and this artificial wage increase will hurt employment opportunities. Teenagers, who already have the largest unemployment rate at 24 percent, will be particularly vulnerable. At the least, Congress should delay this minimum wage increase until the economy has recovered.

Job losses remain heavy and widespread throughout the various industrial sectors. Construction (-79,000) and manufacturing (-136,000) continue their streak of sharp employment declines. A small glimmer of good news for manufacturing is that the hours of work increased slightly and has remained steady for the last quarter.

The service sector shed 244,000 jobs, with retail (-21,000) suffering the least. Professional and business services (-118,000) was hard hit. Architects (-13,500) lost many jobs, with few construction planning projects on the horizon. Overall, 5 percent

This paper, in its entirety, can be found at:  
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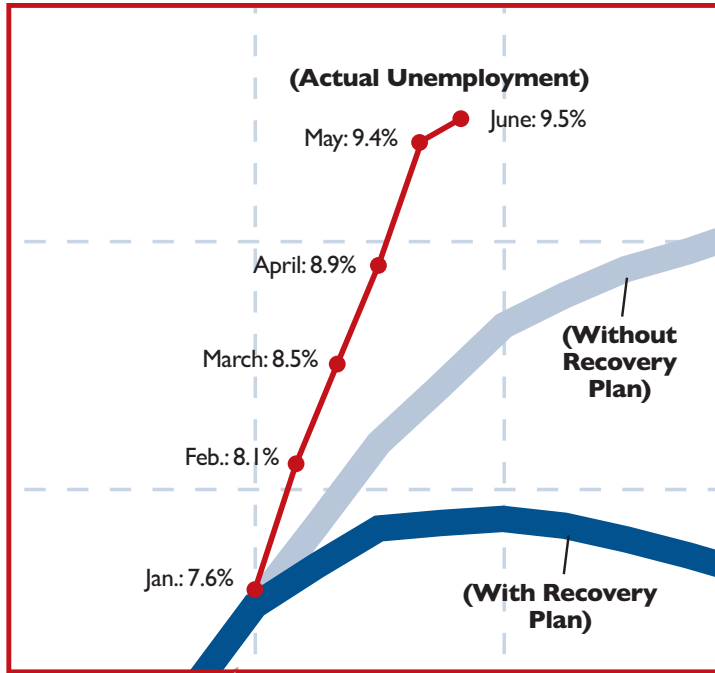
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# Joblessness Spikes in Obama "Recovery"

President Obama promised government spending would "stimulate" the economy and quell rising unemployment by "creating or saving" millions of jobs. In January, Obama's advisers produced a chart (below) visualizing the positive results of his recovery plan. But actual unemployment (at left, overlaid in box below) has continued to climb.

Sources: Unemployment data from U.S. Department of Labor; Bureau of Labor Statistics, "The Employment Situation," January to June 2009, Economic News Releases, Table A-1, at <http://www.bls.gov/news.release/pdf/empst.pdf> (July 2, 2009); original chart recreated from Christina Romer and Jared Bernstein, "The Job Impact of the American Recovery and Reinvestment Plan," Figure 1, p. 4, January 10, 2009, at [http://otrans.3cdn.net/45593e8ecbd339d074\\_13m6bt1te.pdf](http://otrans.3cdn.net/45593e8ecbd339d074_13m6bt1te.pdf) (July 2, 2009).



### Unemployment Rate With and Without the Recovery Plan

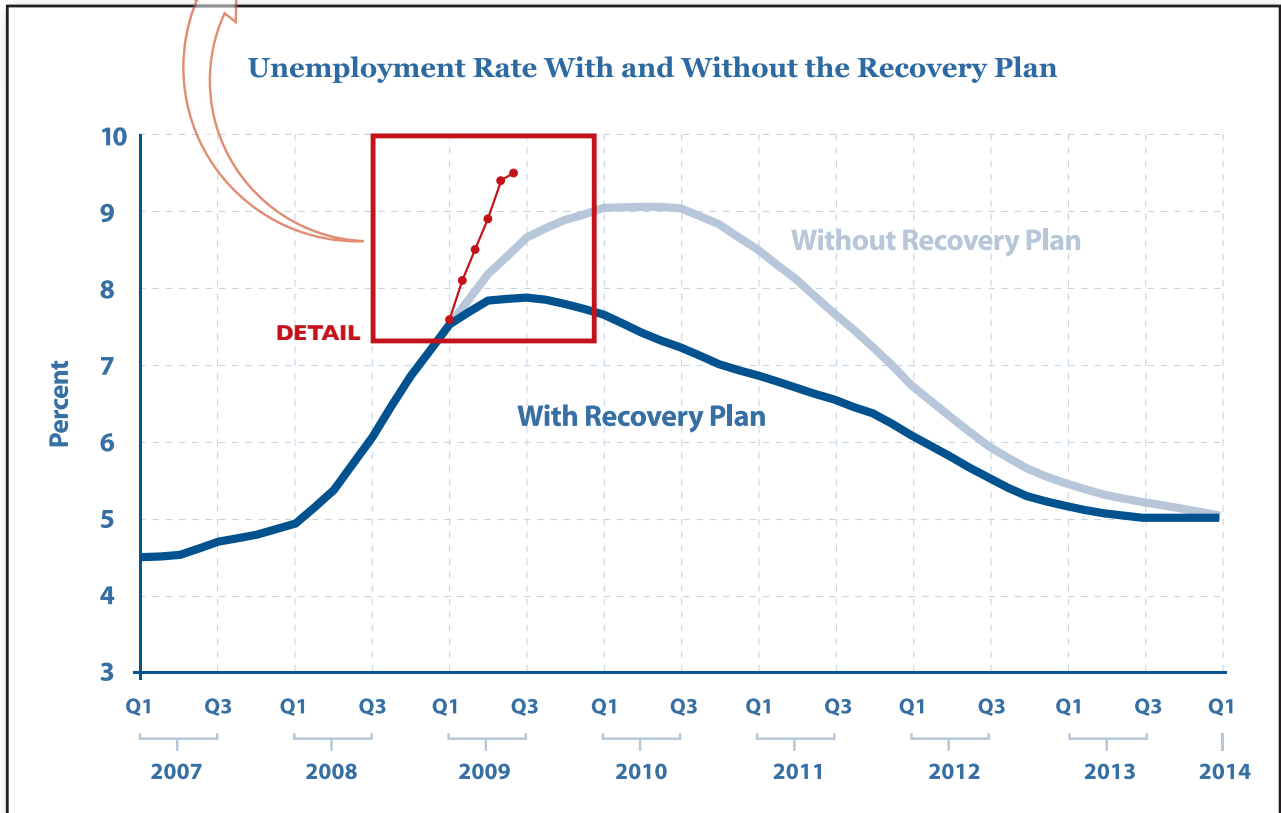


Chart 1 • WM 2521 heritage.org

of all architect jobs have been lost in 2009 alone. Another hard-hit sector is in temporary employment (-37,600), which has lost one-third of its jobs since the start of the recession in December 2007.

Education and health (34,000) continues to be one of the few sectors adding jobs. Health services (20,000) account for the majority of these new jobs, as an aging U.S. population needs more medical care and personal assistance.

**Stimulus's Promised Benefits.** To combat this recession, President Obama pressed for an \$800 billion economic "stimulus" package largely consisting of increased federal spending on traditional liberal priorities. The President argued that this stimulus would "create or save" 3.5 million jobs. The President's economic advisors predicted that unemployment would rise to 9 percent by 2010 if Congress did not pass the stimulus bill but that with the stimulus unemployment would stay below 8 percent.<sup>1</sup>

Congress passed the stimulus bill in February 2009, and the President has repeated his claim that it is creating and saving jobs. President Obama recently claimed that the stimulus bill has already created or saved 150,000 new jobs and that it will "create or save" another 600,000 jobs by the end of the summer.<sup>2</sup> Asked when the public should begin to judge the effects of the stimulus, White House Press Secretary Robert Gibbs said, "I think we should begin to judge it now."

**Stimulus's Benefits Invisible.** However, if the stimulus has helped the economy, its benefits have not appeared in any economic report. Not only has unemployment risen above what the President's advisors predicted would happen if the stimulus passed, but it has risen above what they estimated would occur *without* the stimulus. Chart 1 shows the Administration's projections at the start of the year of unemployment with and without the stimulus bill and the actual unemployment rate. By the

President's own measure, the stimulus has not succeeded.

It is impossible to directly measure the how well the stimulus has fulfilled the President's promise to "save" jobs because no government agency measures "jobs saved." However, the BLS does measure a related figure: job loss rates. If the stimulus bill has prevented jobs from being lost, the monthly job loss rate would be expected to decline. If the job loss rate has stayed the same or increased, then the President cannot credibly claim that the stimulus saved jobs.

**Job Loss Rates Have Not Fallen.** Two different surveys measure job loss rates: the Current Population Survey (CPS) and the Job Openings and Labor Turnover Survey (JOLTS). The CPS is the survey used to calculate the unemployment rate and reveals the proportion of employed workers who lose their jobs and become unemployed each month.<sup>3</sup> The JOLTS directly measures job turnover, and JOLTS data reports the proportion of workers who involuntarily leave their jobs each month.<sup>4</sup> Chart 2 reports both job loss measures.

Both measures show that job loss rates increased sharply since the start of the recession and that they have not fallen since President Obama signed the stimulus bill.

The JOLTS reports that in February, 2.2 percent of workers involuntarily left their jobs. By April 2009 (the most recent data available), that figure rose to 2.3 percent. The CPS reports that 1.9 percent of workers employed in January 2009 lost their jobs in February—a figure that remains unchanged in May.<sup>5</sup>

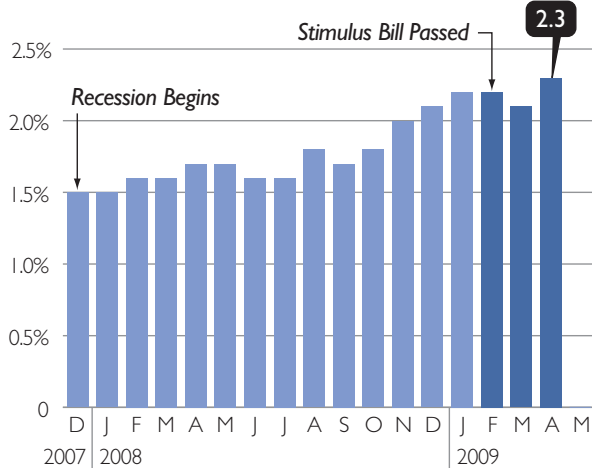
Despite the decline in net job losses, employed workers are just as likely to lose their jobs today as before the stimulus became law. The stimulus has not measurably affected job loss rates. Nothing in

1. Christina Romer and Jared Bernstein, "The Job Impact of the American Recovery and Reinvestment Plan," January 10, 2009, page 2, at [http://otrans.3cdn.net/45593e8ecbd339d074\\_l3m6bt1te.pdf](http://otrans.3cdn.net/45593e8ecbd339d074_l3m6bt1te.pdf) (July 2, 2009).
2. Doug Palmer, "Obama Speeds Projects to Create, Save 600,000 Jobs," Reuters, June 8, 2009, at <http://www.reuters.com/article/marketsNews/idUSN0833333820090608> (July 2, 2009).
3. That is, the number of currently unemployed workers who had a job in the previous month divided by the total number of active workers in the previous month.
4. The JOLTS job loss rate used in this paper is the seasonally adjusted job separation rate less the seasonally adjusted quit rate.

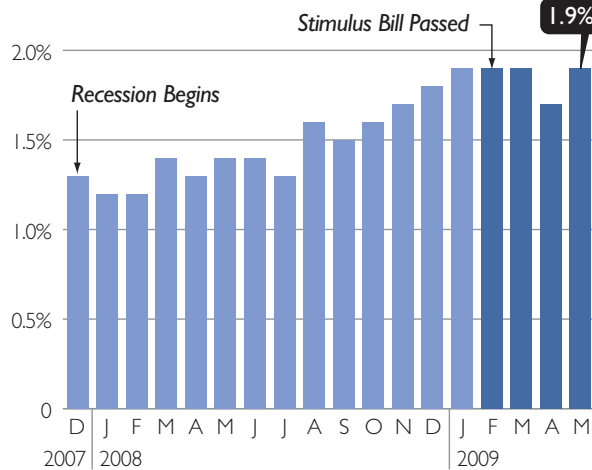
### Job Loss Rates Remain High

Data from the Current Population Survey (CPS) and the Job Openings and Labor Turnover Survey (JOLTS) show that job losses have not declined since the economic stimulus bill was passed.

#### JOLTS Involuntary Separations



#### CPS Job Loss Rate



Source: Heritage Foundation calculations based on data from the Department of Labor, Bureau of Labor Statistics/Haver Analytics.

Chart 2 • WM 2521 [heritage.org](http://heritage.org)

the data shows that the billions of dollars spent on the stimulus has—in the aggregate—saved jobs that would have otherwise been lost.

**Stimu-Less.** The White House says that the American public should begin to judge the effects of the stimulus now. In that case, the stimulus has so far failed.

While the economic report is less grim than at the start of the year, the economy continues to weaken, and signs of a recovery remain distant. Unemployment has hit a 26-year high of 9.5 percent, and another 467,000 net jobs disappeared in June. Unemployment has risen well above the level the White House predicted would occur without the stimulus, and job loss rates have not fallen. The benefits promised by the stimulus remain unfulfilled. Congress should flatly reject any calls for a second stimulus bill and delay implementation of the scheduled minimum wage increase to prevent further job erosion.

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- The surveys report different results for two reasons: (1) They are separate surveys using different methodologies, and (2) not all workers who involuntarily lose their jobs become unemployed and look for new work. Some leave the labor force altogether, such as retirees or parents who stay home with their children. May 2009 is the most recent CPS data available for gross labor market flows as of the writing of this paper.