

# ***PERSONALLY SPEAKING***

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## **U.S. EMPLOYERS ARE HIRING AT THE SAME TIME OTHERS ARE SHEDDING WORKERS**

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*Permission to quote is granted when the source is acknowledged.*

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The 9.8 percent November unemployment rate gets even uglier when you dig into the details of the Bureau of Labor Statistics monthly report. The jobless rate for adult men climbed from 9.7 percent to 10.0 percent. For adult women it jumped from 8.1 percent to 8.4 percent. Among Hispanics unemployment increased by 0.6 percent point to 13.2 percent. Among college graduates it rose by 0.4 percentage point to 5.1 percent.

Only two major demographic groups experienced a drop in joblessness in November – teenagers (27.1 percent to 24.6 percent) and high school graduates (10.1 percent to 10.0 percent).

The number of discouraged workers rose by 63,000 to 1,282,000, while those who were out-of-work for 27 weeks or more climbed by 107,000 to 6,313,000.

Since November 2009 there were 546,000 fewer married men and women (spouse present) holding down jobs. Average weekly hours, year over year, increased for all employees in every major private industry sector. Overtime hours climbed in both durable goods and nondurable goods production. There are two clear advantages to employers in increasing production by extending weekly hours and overtime. First, they avoid the cost and uncertainty of recruiting new, untried workers. Second, they steer clear of the additional cost of certain nonwage benefits such as health care coverage.

Other data that the BLS does not make available in its monthly report -- known as *gross flows* data -- show changes in labor force status from the preceding to the following month: (a) from unemployed or not in the labor force to employed; (b) from employed or not in the labor force to unemployed; (c) from employed or unemployed to not in the labor force. These data, which derive from the same survey as the published data and are seasonally adjusted, provide important insights into the dynamic nature of the U.S. labor market that simply are not evident in the published data that show *net* change.

Of the 15,119,000 persons unemployed in November, 2,547,000 were employed in October and 3,101,000 were not in the labor force.

Of the 138,888,000 persons employed in November, 2,522,000 were unemployed in October and 3,534,000 were not in the labor force.

Among the 84,708,000 persons not in the labor force in November, 3,736,000 were employed the month before and 2,869,000 other persons were not in the labor force.

Thus, between October and November, a total of 18,309,000 persons changed labor force status. At the same time, the *net* change in the civilian labor force amounted to 103,000 (-173,000 employment, +276,000 unemployment). Clearly, the *gross flows* figures indicate that much more is happening in the U.S. labor market than the *net* figures suggest. Even so, the gross flows figures understate the dynamics at work in the labor market because anyone who changes employers from one month to the next is not included among those who changed labor force status.

The dynamics of the U.S. labor force is captured in a new metric that is based on the ratio of *gross* change to the civilian noninstitutional population (CNP) which includes everyone 16 years of age and older who is employed, unemployed, or not in the labor force. This new metric which Mayo Research Institute calls “labor force movement” is estimated at 13.0 ( $238,319,000 \div 18,309,000$ ) in October-November 2010. In other words, one of every 13 persons in the CNP changed labor force status between October and November. In general, the lower the number the greater the underlying dynamics in the U.S. labor market reflecting such fundamental labor market decisions as hiring, firing, quitting, retiring, resigning that involve the more than 238,000,000 Americans in the CNP.

In October-November 2009, labor force movement stood at 13.6. One year earlier, it was estimated at 14.4. At the very onset of the recession in October-November 2007, labor market movement was at 15.3. One is reminded of the Brownian motion of molecules in a fluid or gas that is visible under the microscope in which motion increases at higher temperatures, at lower viscosity, and for smaller versus larger molecules.

The underlying labor market dynamics has accelerated during the most recent recession – from 15,188,000 persons changing labor force status to 18,309,000 -- and with it no doubt many mixed feelings about the future. Hope and despair, comfort and anxiety, relief and fear, manning up and scapegoating. Those feelings in turn have important implications, especially for the family.

The gross flows data dispel one common observation by economic commentators to the effect that employers are not hiring. **EMPLOYERS ARE IN FACT HIRING.** In November alone 6,056,000 persons were drawn into employment from the ranks of the unemployed or were pulled into the workplace as new labor force entrants or re-entrants. Further convincing evidence is found in September-October 2009 when the jobless rate peaked at 10.1 percent. An estimated 2,306,000 persons transitioned from being unemployed in September to employed in October and another 3,287,000 changed from not in the labor force to employed. Much more information on gross flows data by sex dating from 1990 is available at

[http://www.bls.gov/cps/cps\\_flows.htm](http://www.bls.gov/cps/cps_flows.htm)

**THE CENTRAL PROBLEM IS THAT MANY EMPLOYERS ARE SHEDDING WORKERS.**  
Between October and November 2010, a total of 2,547,000 went from employed to unemployed and another 3,736,000 to not in the labor force.

Mayo Research Institute calls on the BLS to include the gross flows data in its monthly report on the labor force. Policymakers need to know that there is much more activity in the U.S. labor market, both positive (into employment) and negative (into unemployment), than is indicated by the regular monthly figures.

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