



Economics

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A brisk fall

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TODAY, the Bureau of Labour Statistics [released](http://bls.gov/news.release/empsit.nr0.htm) (<http://bls.gov/news.release/empsit.nr0.htm>) the last set of American employment numbers to come ahead of the November Congressional elections. If the Democrats were looking for a boost from the numbers, they're sure to be disappointed—and then some. For the fourth month in a row, nonfarm payroll employment declined in September, by a total of 95,000 jobs. The unemployment rate held steady at 9.6%.

The drop in payroll employment was due, in no small part, to the continuing drawdown in the temporary census workforce. Census employment fell by 77,000 for the month, leaving a payroll decline ex-census of just 18,000 jobs. But with nearly 15 million Americans still without jobs, employment drops simply will not do. It is commonly estimated that over 100,000 jobs a month must be added simply to keep up with the country's labour force growth.

For its part, the private sector continued to add jobs, as it has in every month of 2010. Private payrolls have grown by 863,000 since the beginning of the year. That's not rapid growth, but it is steady movement in the right direction. It's on the public side of the ledger that matters have been particularly ugly in recent months. In 2010, state governments have shed 38,000 jobs. At the local level the picture is worse still; 231,000 jobs have been cut from local governments in just the last 10 months.

The dynamic is an inversion of the popular story of America's struggling labour market, in which a expanding state creates uncertainty, thereby limiting private hiring. If anything, it appears that private employment is rising steadily despite the demand drag imposed by heavy government job losses, due to the forced austerity of balanced budget rules.

There is little to be positive about elsewhere in the report. The number of people working part-time for economic reasons jumped in September, and nearly 10 million Americans now fall into that category. Partially as a result, the statistic known as U-6, considered a more complete indicator of un- and under-employment, rose from 16.7% in August to 17.1% in September. The previously reported jobless figures for July and August were both revised down slightly. Aside from government employment, payrolls in good producing sectors had a rough month, and construction in particular was hard hit, shedding 21,000 jobs. Private services did better across the board, especially the leisure and hospitality sector, which added 38,000 employees. There is indeed a lot more leisure to go around in America these days.

Recent economic data have been relatively positive, which could lead to some strengthening of the private employment growth trend in the months to come. At the same time, the increase in America's labour market slack will likely confirm the Fed in its determination to ease monetary policy further. But the drag from tightening budgets will present a significant headwind to economic growth (in America and elsewhere). The problem could be compounded if the Congress is unable to agree on measures to prevent reversions to higher tax rates scheduled to occur at the end of the year. The economy is simply not ready to handle fiscal consolidation.

And Democrats may come to regret their eager embrace, this spring, of deficit-cutting rhetoric. Then, as now, the trouble in labour markets should have been the primary focus. With these figures sure to feature in Republican stump speeches for the next three weeks, those up for re-election will pay for their mistake.

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