



Rising Risk of a Jobless Recovery

It took 77 months for payroll employment to surpass its value as of December 2007, the month that marked the beginning of the Global Financial Recession (see Chart 1). Although the length and severity of the recession undoubtedly played a role in the lacklustre recovery in employment, a more important factor was the composition of unemployment. The increase in the number of months for payroll employment to surpass its value at the economic peak is being driven by a rising proportion of the unemployed being unemployed for 15 or more weeks (see Charts 2 and 3).

The troubling development is that the percentage of the unemployed who have been unemployed for 15 or more weeks reached 60.1% in August, which is just shy of its all-time peak of 61.5% established in June 2010 (see Chart 4). Rather than half empty, however, the glass might be half full. Although the percentage unemployed for 15 weeks or more is near its all time peak, most of the increase has been driven by an unprecedented increase in the the proportion unemployed for 15-26 weeks (see Charts 5 and 6). The long-term unemployed, i.e. persons unemployed 27 weeks or longer has ticked up but only slightly - its current level (12%) is well below its prior peak (45.8%) (see Charts 7 and 8).

Investment Conclusion:

The fact that nearly all of the increase in the rise in the duration of unemployment is so far concentrated in “intermediate” unemployment (15-26 weeks) means that there is still an opportunity for additional fiscal stimulus to both recharge the economy and help those whose jobs might take much longer to reappear. We disagree with the assertion that the recovery has reached the point where it is self-sustaining. Fed Chairman Powell is correct - without additional stimulus, the recovery will suffer.

Chart 1

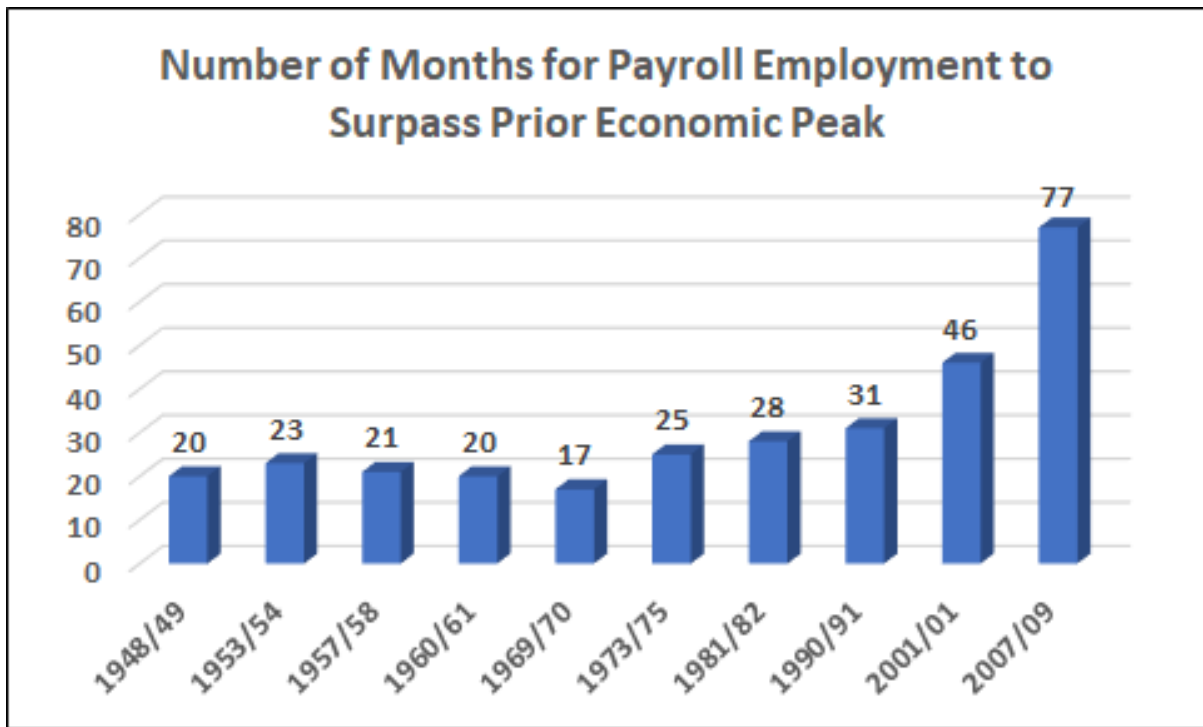


Chart 2

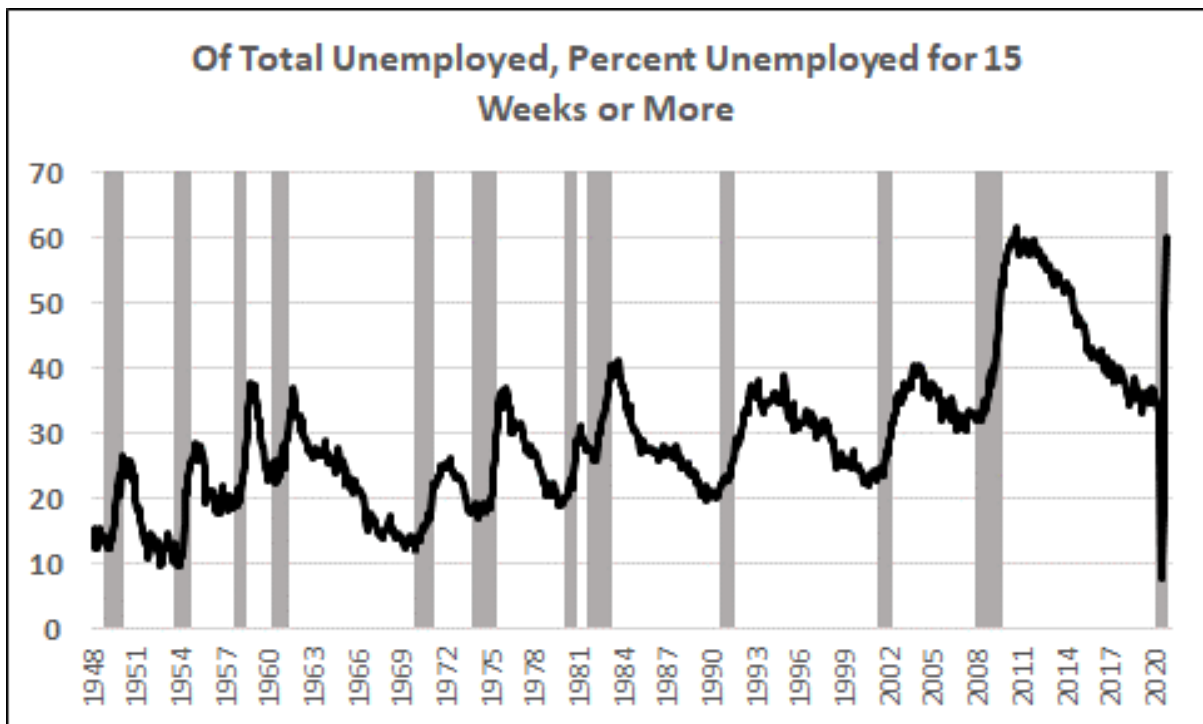


Chart 3

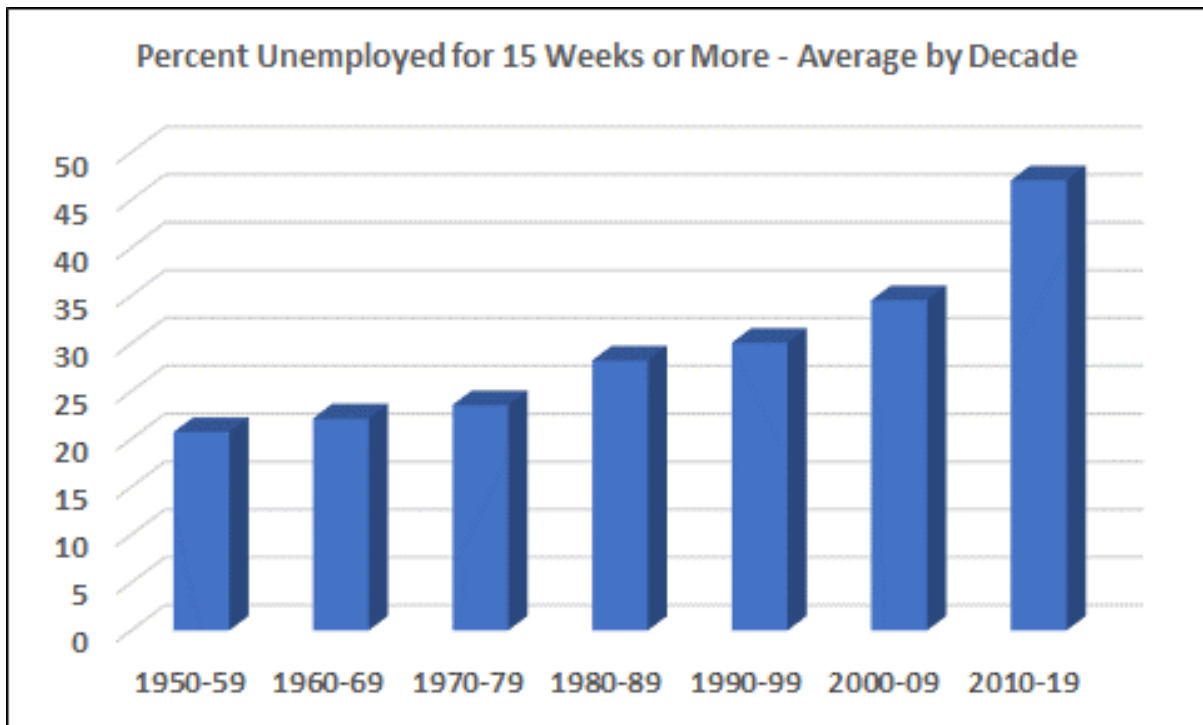


Chart 4

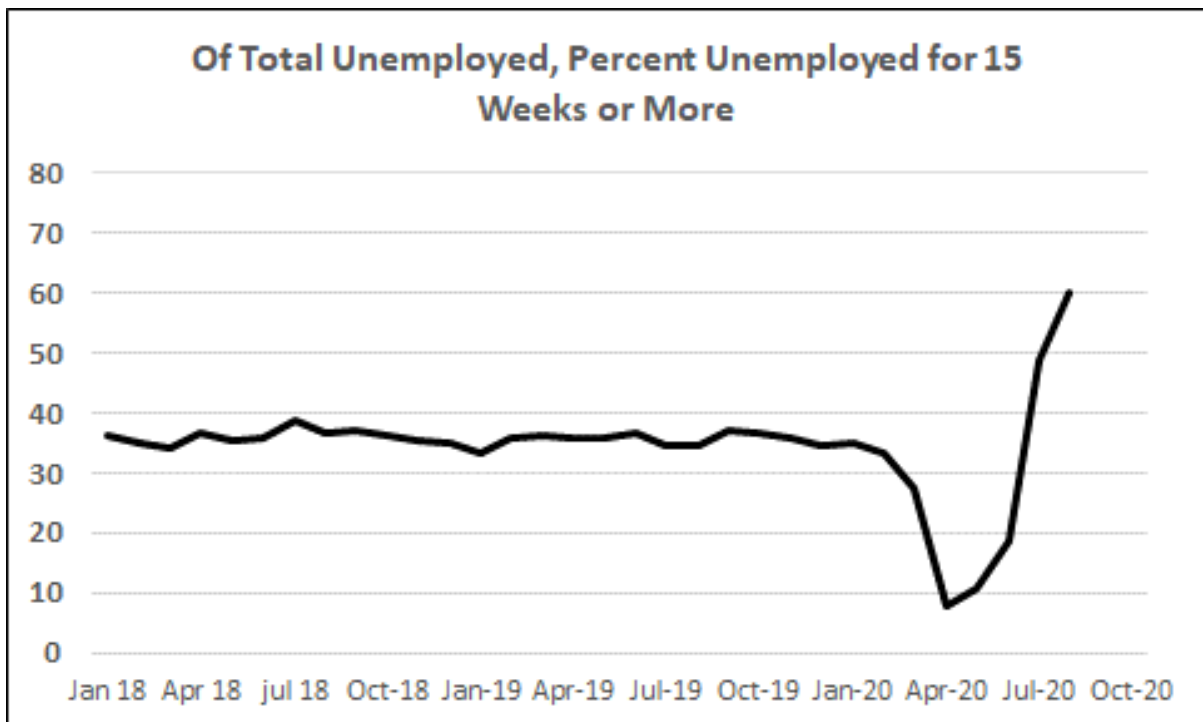


Chart 5

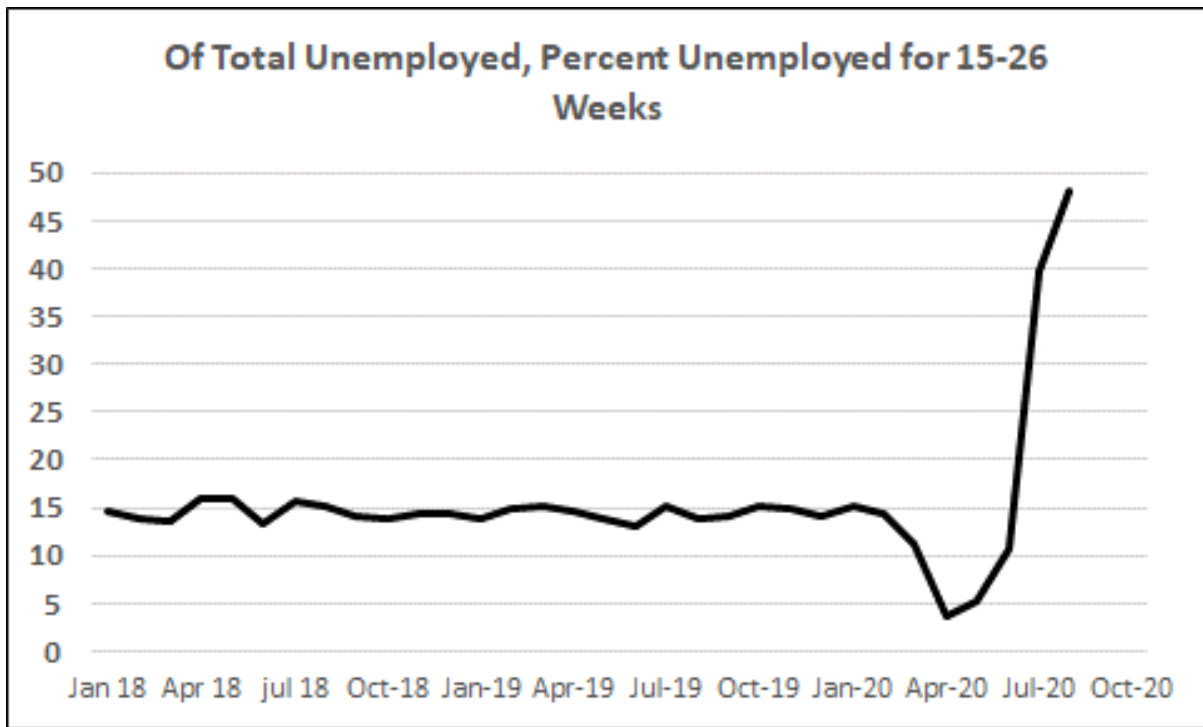


Chart 6

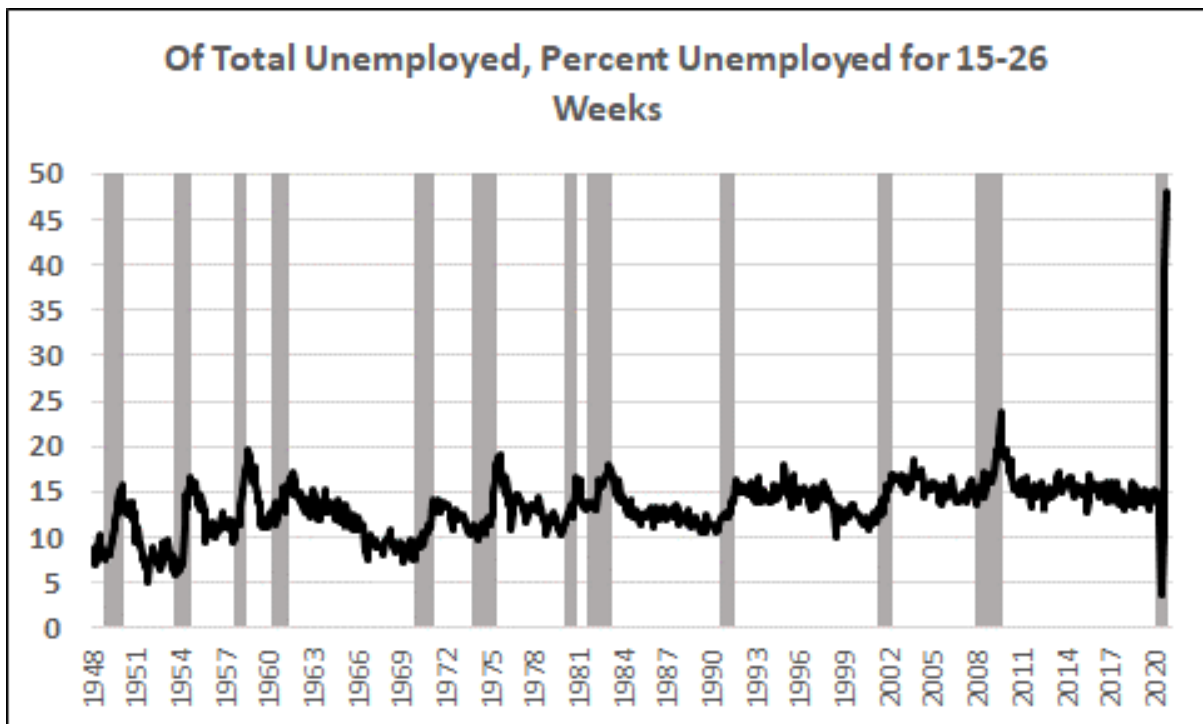


Chart 7

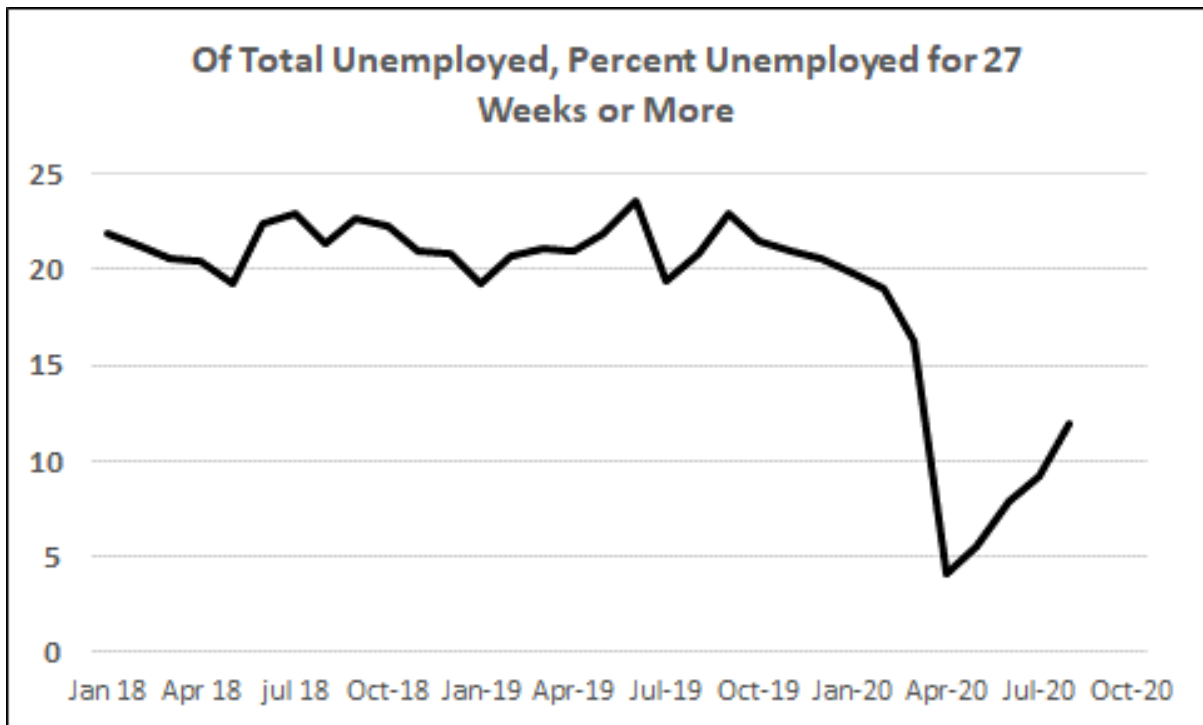


Chart 8

