Global Demographics

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September Employment Report Reinforces the Need for Additional Fiscal Stimulus

Payroll employment increased by 661,000 and household employment rose by 275,000 in September. Both gains are less than half of what occurred in August and it leaves both measures of employment at less than half of where they were in February. The recovery is not stalling but the pace of improvement has slowed dramatically in response to the cessation in August of extra fiscal support for the jobless and a slowdown in the easing of restrictions as the number of Covid-19 cases upticks.

Highlights of the Household Survey:

- The **unemployment rate** fell from 8.4% in August to 7.9% in September. Although the 275,000 increase in household employment was a factor in the bigger than expected drop in the unemployment rate, the principal reason for the large decline was the 695,000 contraction in the labor force. The decline in the labor force appears to come mainly from persons who were employed in August who dropped out in September (see Chart 1). The number of persons who were unemployed last month who dropped out eased a bit but remains elevated (see Chart 2).
- **Analysis by age groups**, is mixed (see Chart 3). The biggest gain in employment was recorded by teenagers which also meant that their employment-population relative to February rose sharply to 94.1%, which is above the average (see Chart 4). Persons aged 35-54, however, recorded significant declines in employment which resulted in a drop in the employment-population ratio for prime age workers (see Chart 5).
- **Foreign-born employment** remains under increasing pressure. Although there has been some improvement in their employment-population ratio relative to native born workers (see Chart 6), the number of foreign-born persons of working age continues to shrink (see Chart 7).
- There were conflicting signals regarding the **duration of unemployment**. The positive development was that the number of persons unemployed for 15-26 weeks declined by 1.599 million which resulted in a decline in their proportion of total unemployed (see Chart 8). Long-term unemployment (persons unemployed for 27 weeks or more), however, rose by 781,000 and their proportion of total unemployed increased to nearly 20% (see Chart 9.
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Conclusion:

The recovery has not stalled but the tailwinds are fading. The fact that the probability that the unemployed will remain unemployed is rising but is not yet to the extreme that occurred after the Global Financial Crisis means that there is still time for extra fiscal support for the unemployed to reverse the process (see Chart 10). We agree with Fed Chairman Powell that Congress should err on the side of too much rather than too little.

Chart 1

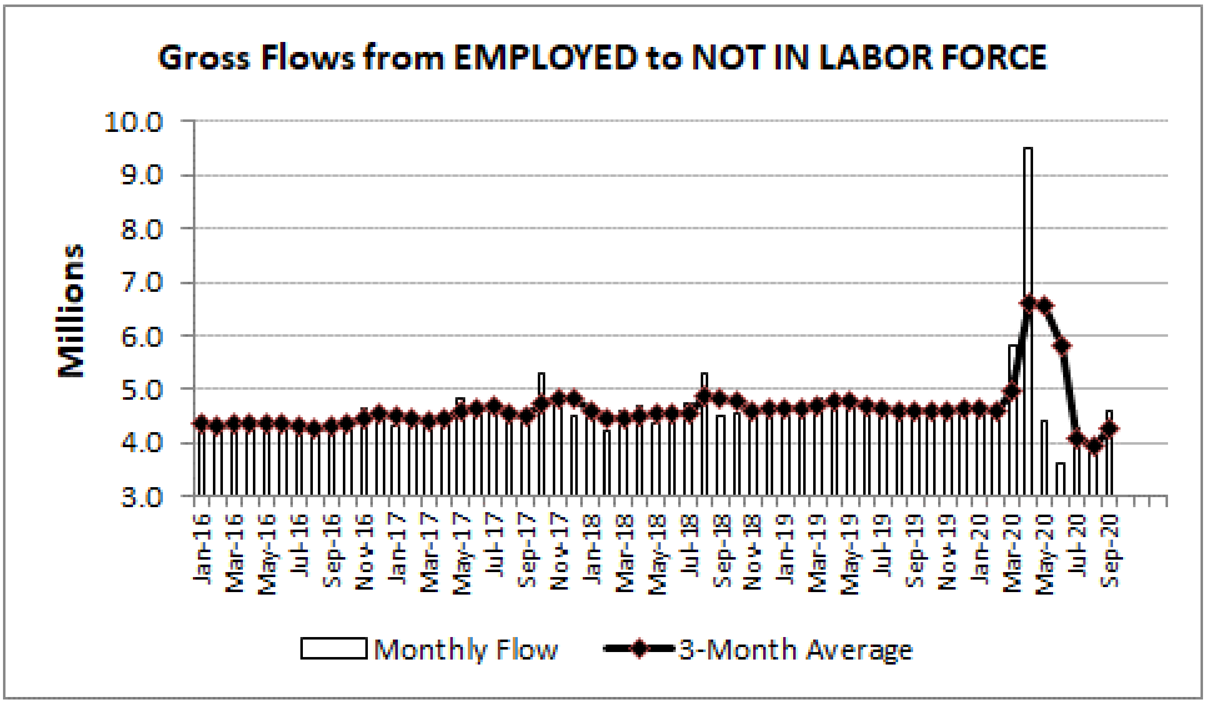


Chart 2

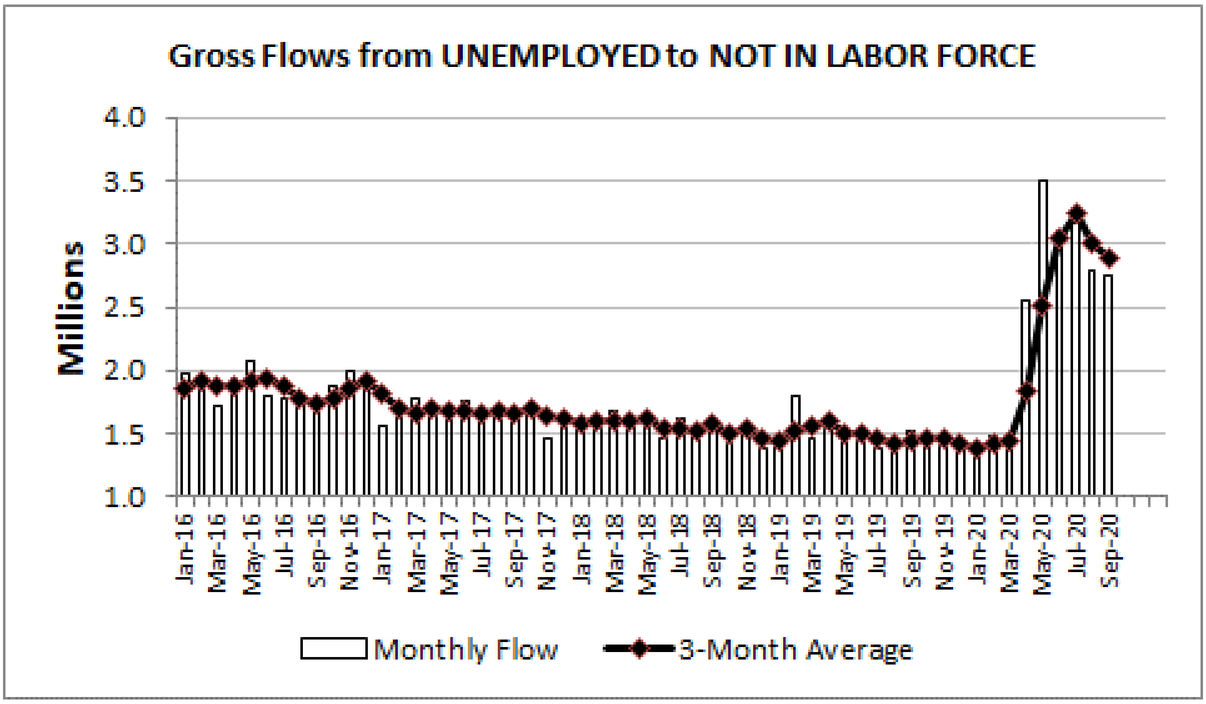


Chart 3

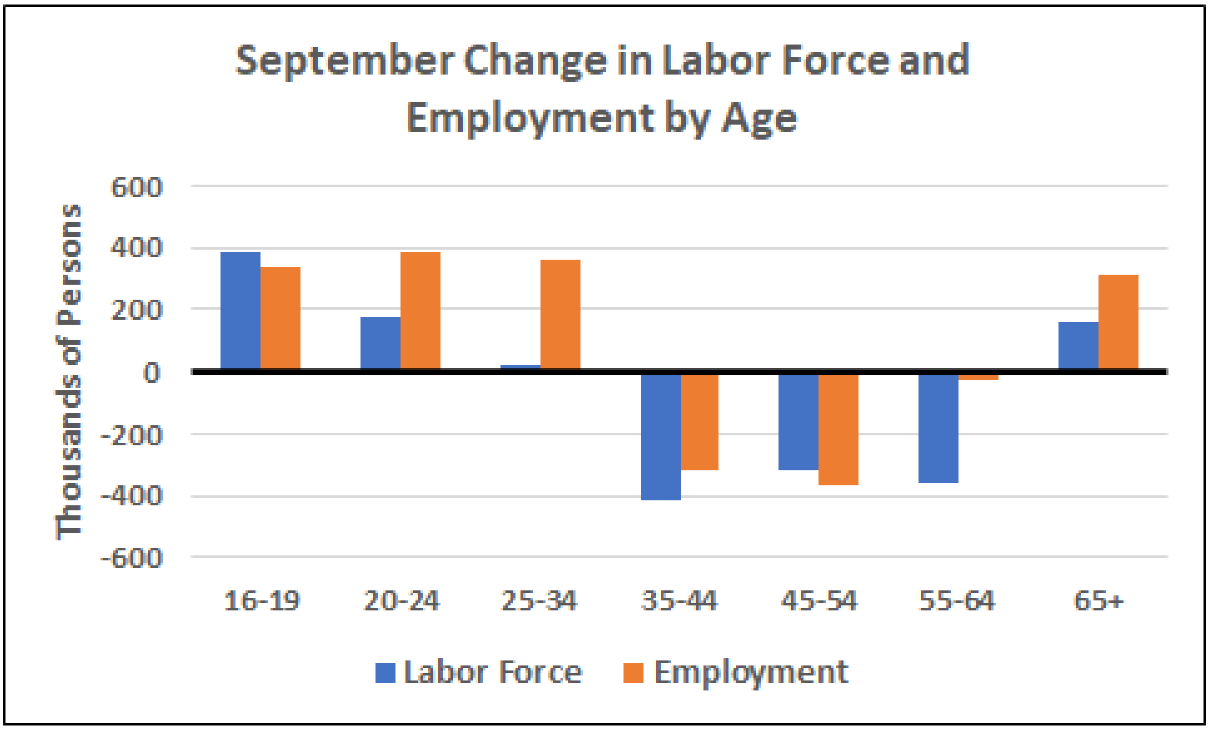


Chart 4

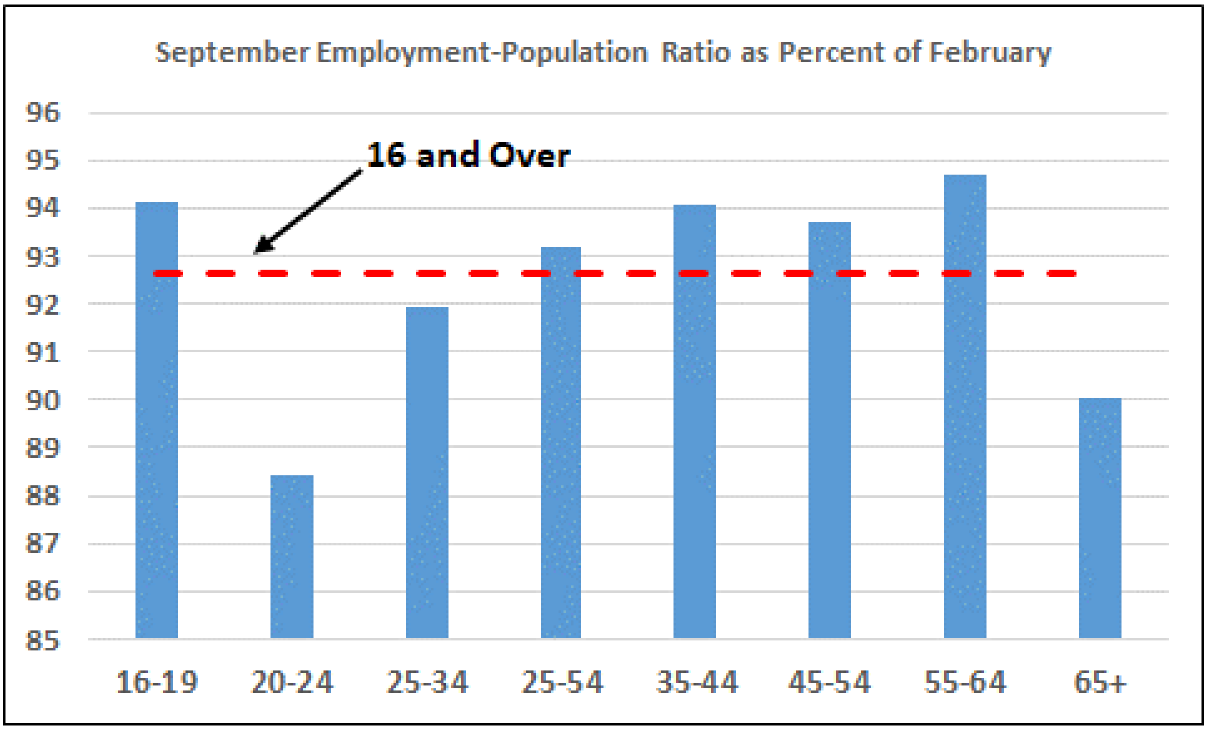
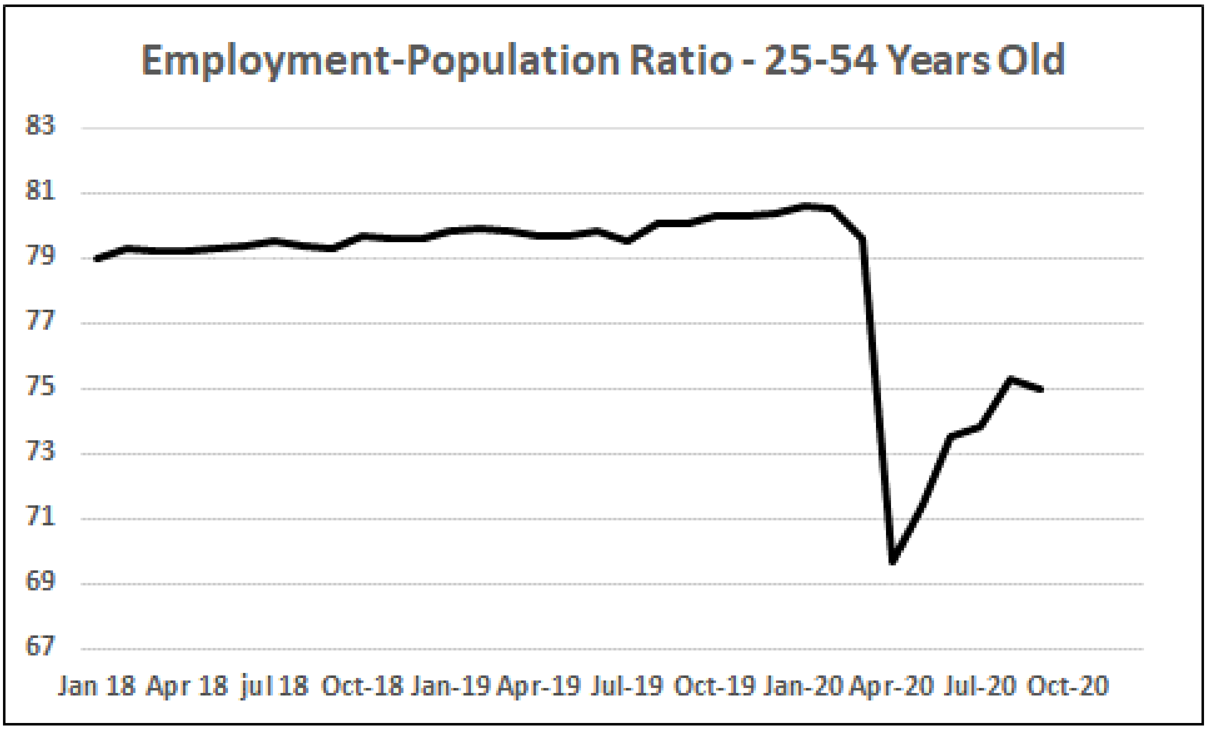


Chart 5



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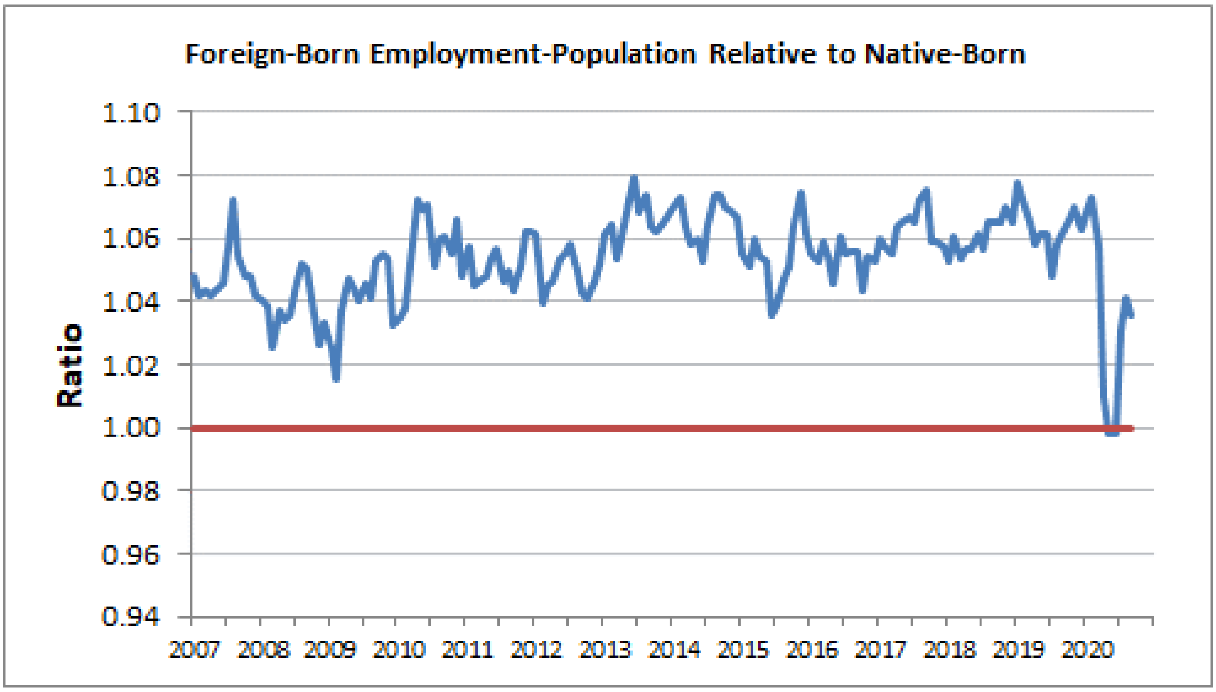

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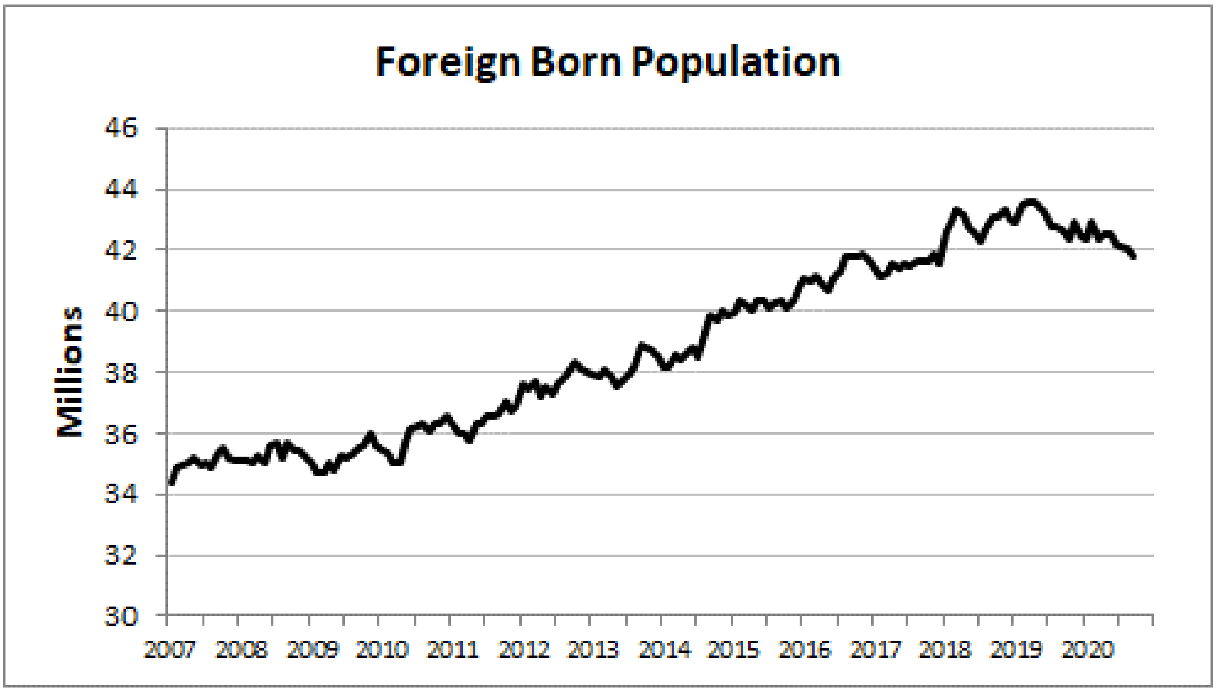

Chart 8

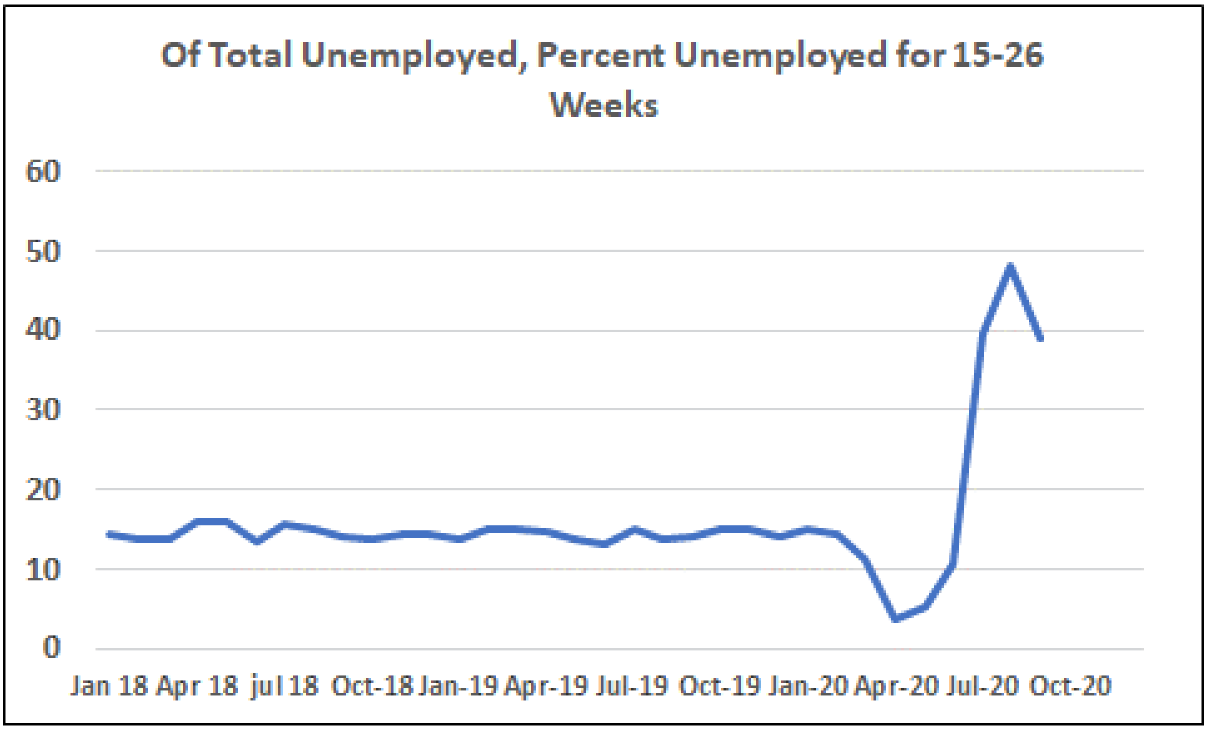

Chart 9

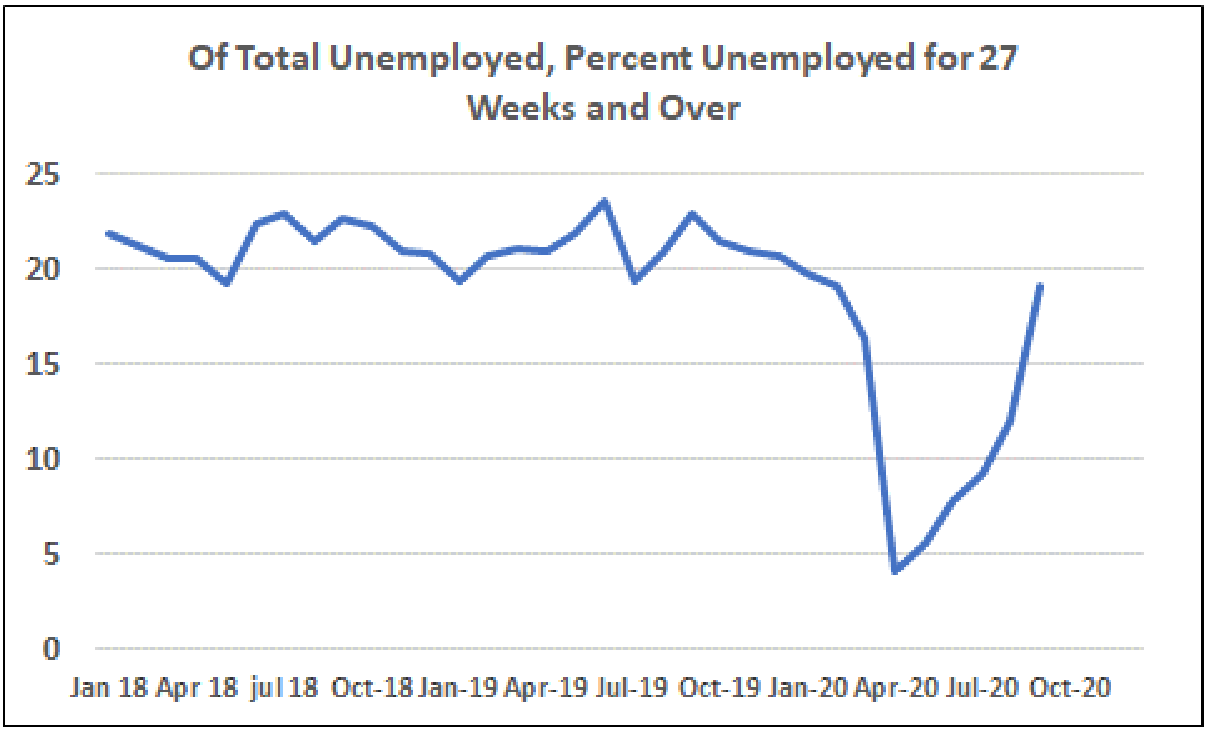

Chart 10