



## **The US Labor Market is Better than Perceived**

Investor angst regarding the December decline in payroll employment overlooks two very positive developments captured in the household survey. The first and most important is that the foreign-born population of working age increased for the first time in more than a year (see Chart 1), resulting in an increase in their share of the total working age population (see Chart 2). The other positive development concerned aspects of the number of employed persons. Although the number of jobs declined (the payroll survey), the number of employed persons increased. Although the increase was meagre (+21,000), the composition was positive – the number of persons employed full-time increased by 397,000 while the number of persons employed part-time for economic reasons declined by 471,000. Not all of the results from the household survey, however, were positive. Long-term unemployment (persons unemployed for 27 weeks or more) continues to be an increasing proportion of the unemployed (see Chart 3).

Although there is increased frustration regarding the pace of the recovery in employment, the reality is that it is continuing the trend of the more recent past. People seem to have forgotten that it took more than 6 years (77 months to be exact) for payroll employment to surpass its level in December 2007, the peak preceding the Global Financial Crisis (see Chart 4). The nature of unemployment has changed. In the more immediate postwar period, recessions tended to be more cyclical in the sense that most of the unemployed were unemployed for a relatively short time, e.g. 5 weeks or less (see Chart 5). Since then, recessions have tended to be more structural in the sense of an increased duration of unemployment (see Charts 6,7 and 8). That is especially true for long-term unemployment.

### **Conclusion and Investment Implications**

The December decline in payroll employment was to be expected as it reflected a resurgence in Covid-19. It is likely to be repeated with the January numbers. We hope that the increase in the foreign born population of working age will continue further fueling the economic recovery. Regarding unemployment, we reiterate our opinion that there needs to be a significant improvement in unemployment benefits to soften what is turning out to be a prolonged delay in the return to the pre-pandemic world.

Chart 1

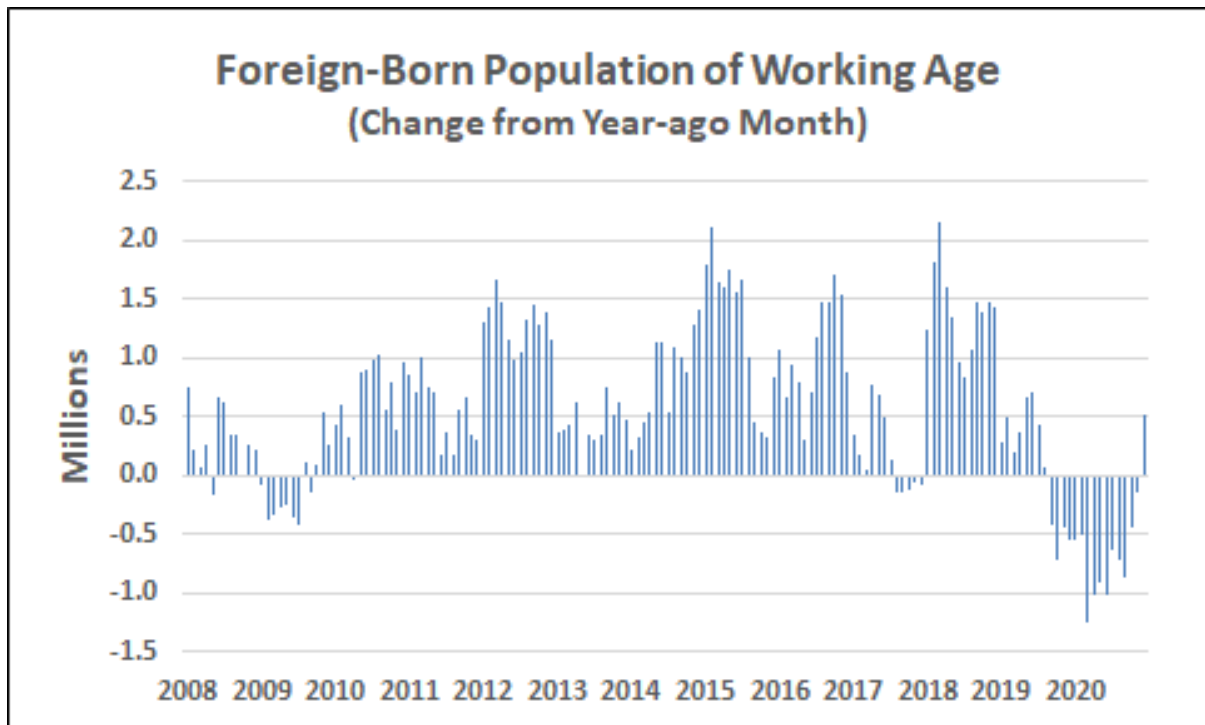
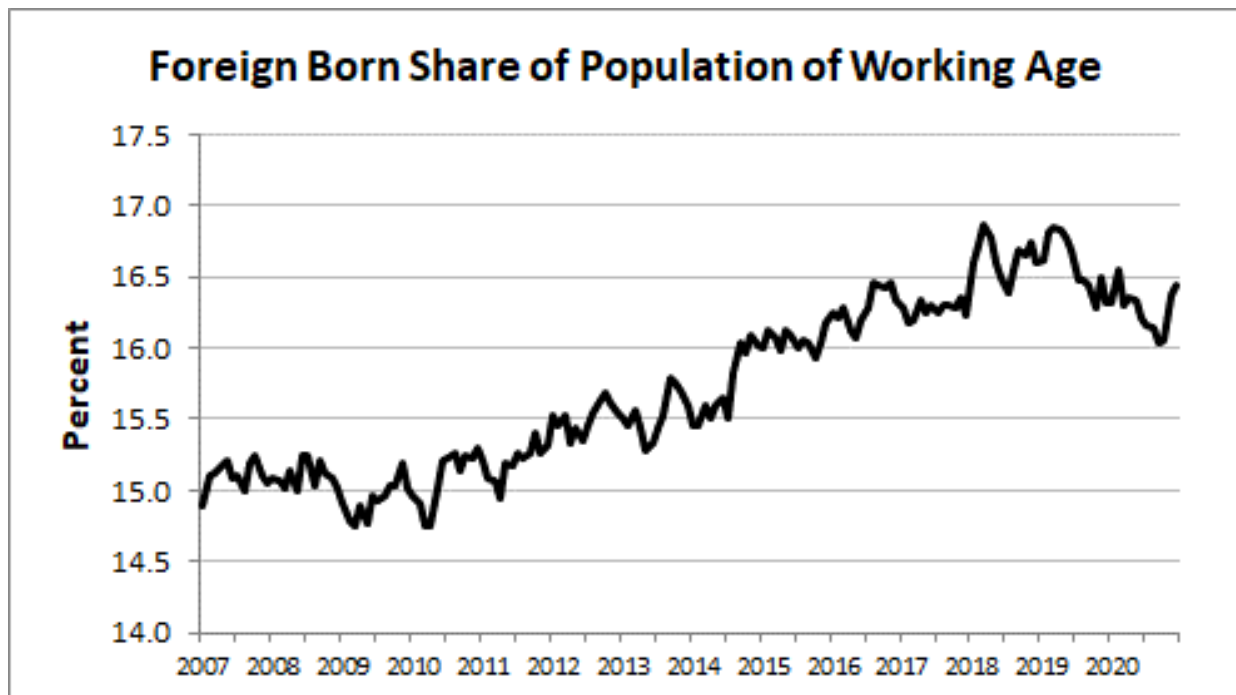
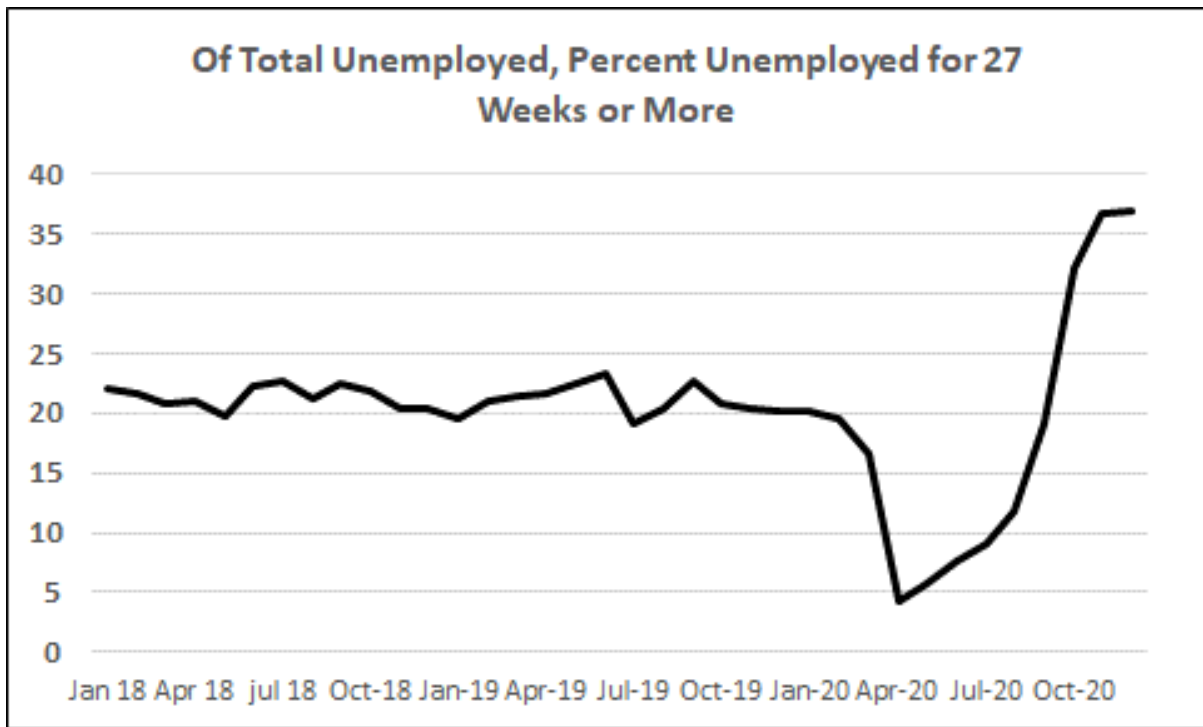


Chart 2



**Chart 3**



**Chart 4**

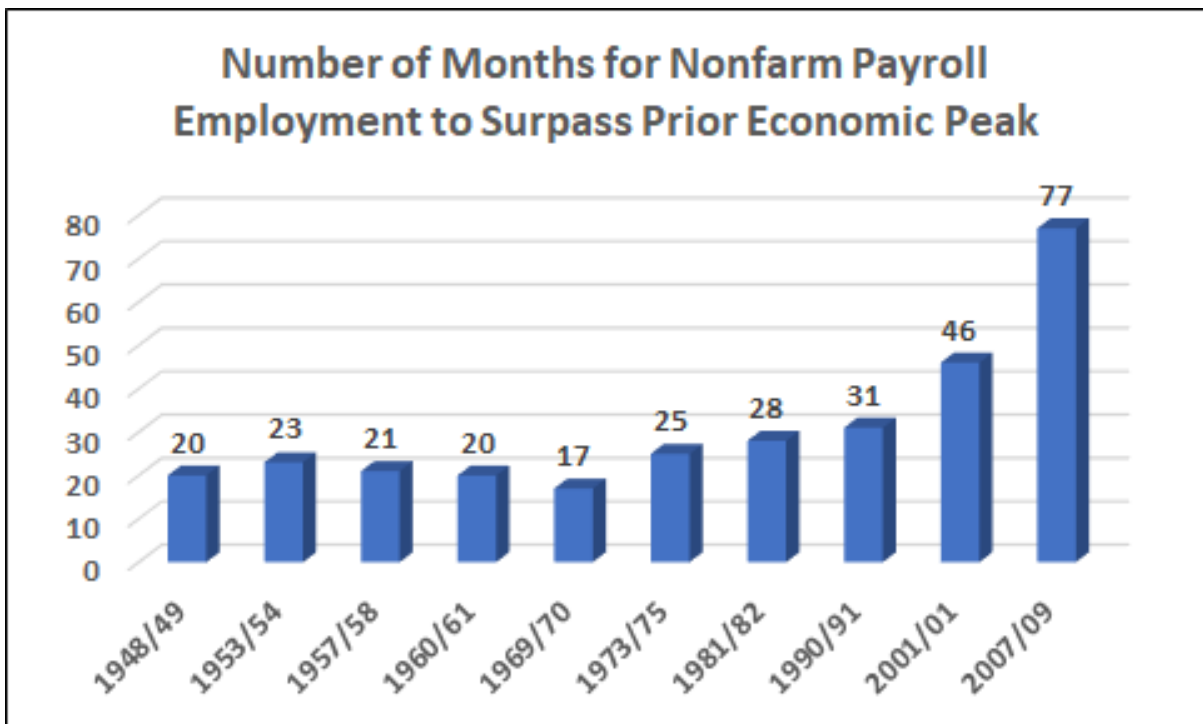


Chart 5

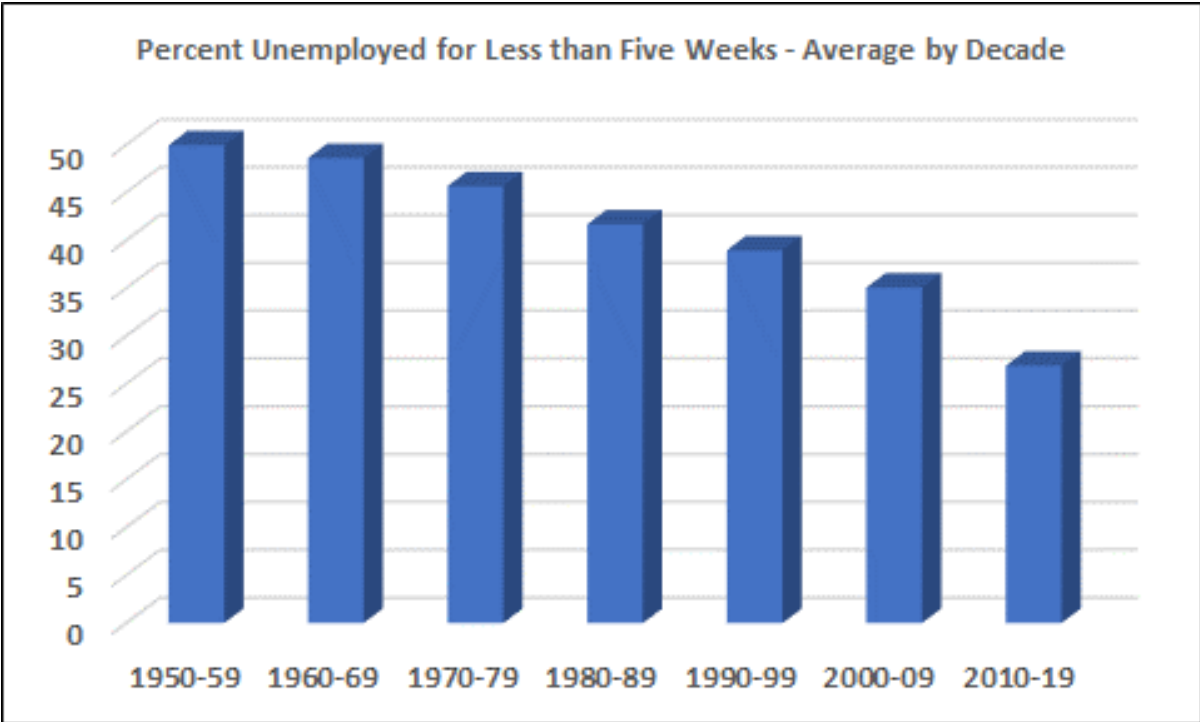
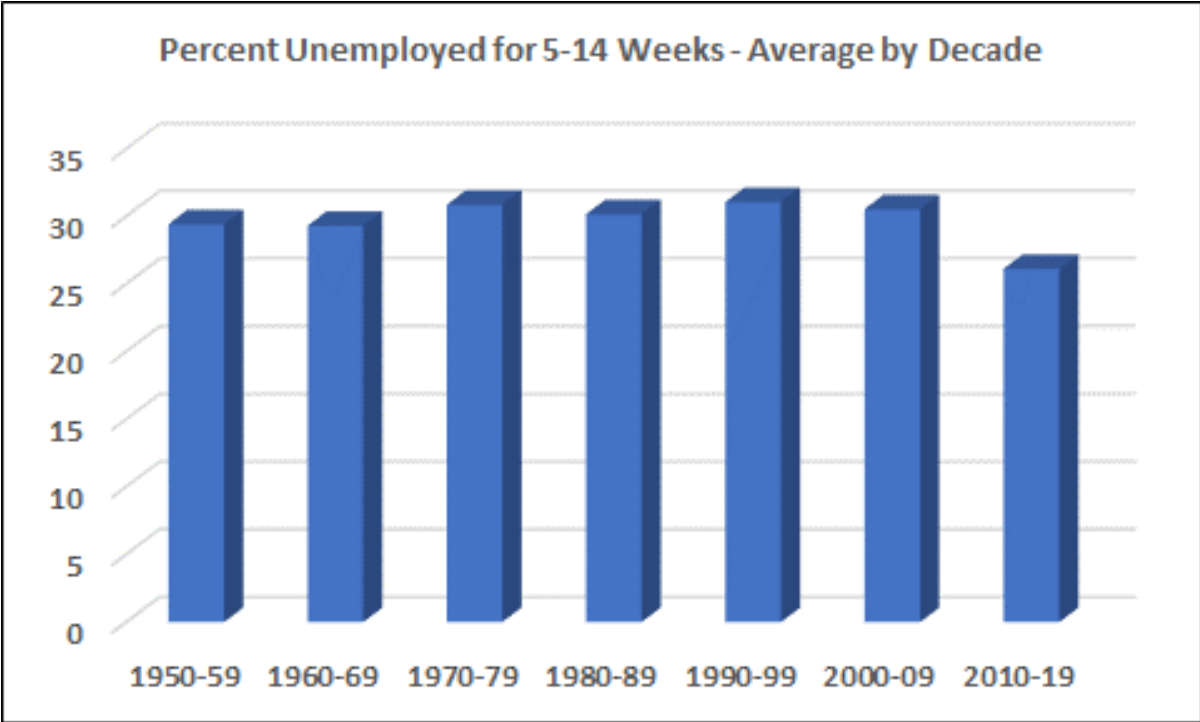
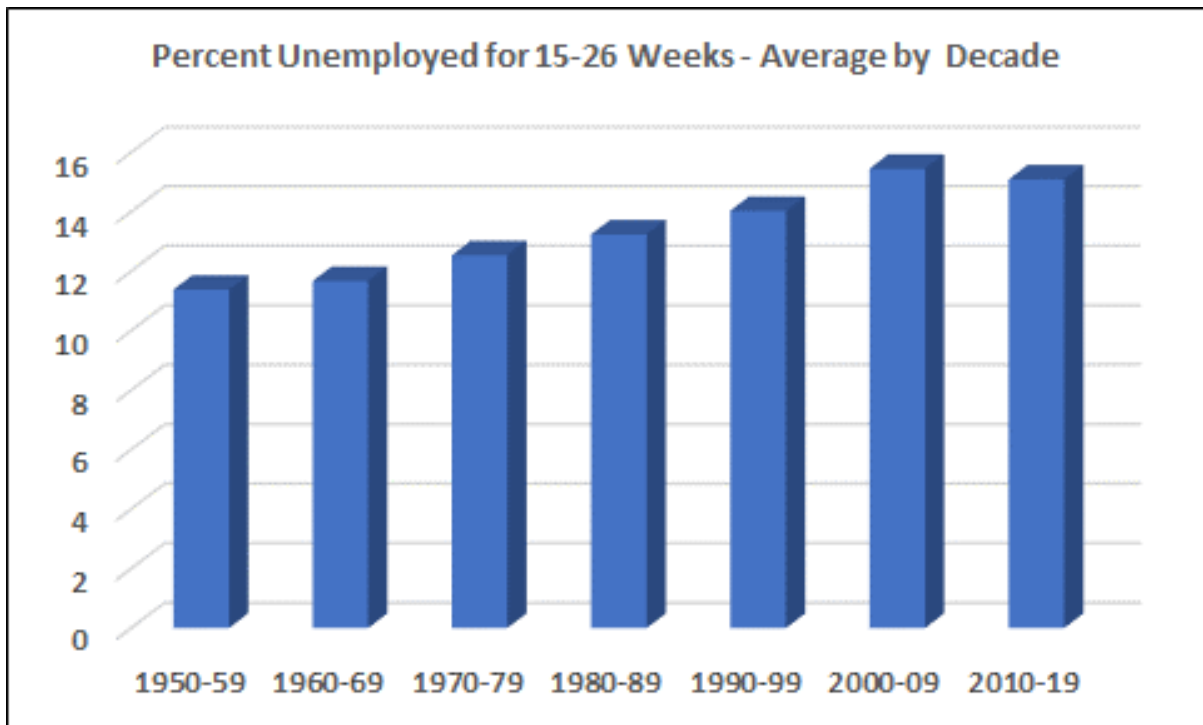


Chart 6



**Chart 7**



**Chart 8**

