

October 8, 2004

SEPTEMBER JOB GROWTH IS ONLY ONE-THIRD OF AVERAGE JOB GROWTH FOR AN ECONOMIC RECOVERY PERIOD

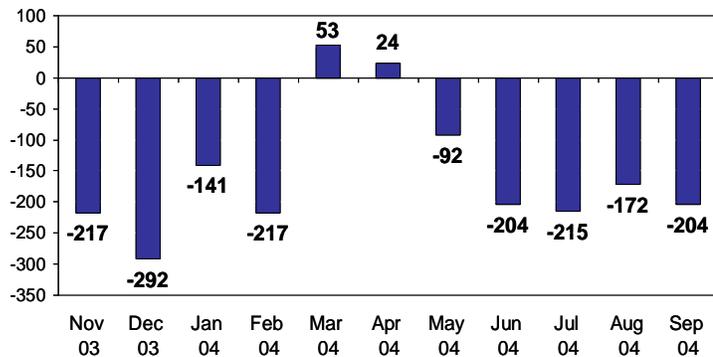
Growth Falls Well Behind What President's Economic Advisers Predicted and Characterized as Average

by Isaac Shapiro

The number of jobs grew by 96,000 in September. This is one-third the job growth of 300,000 per month that would have been achieved if job growth had occurred at the rate that is average for a recovery, according to the definition of average used by the chairman of the President's Council of Economic Advisers. This continues a pattern predominant during the past year of job growth; with few exceptions, this growth has lagged behind — and usually well behind — the pace of job growth typically associated with a recovery period.

- In the *Economic Report of the President* released in February 2004, the Council of Economic Advisers put forward a job growth prediction which assumed that non-farm payroll employment would grow by an average of 300,000 jobs per month from November 2003 through December 2004. The chairman of the CEA said that its forecast reflected a rate of job growth “That is about average for a recovery.”¹ An examination of other recoveries since the end of World War II confirms that job growth of about 300,000 per month is average for a recovery.
- The September job growth figure of 96,000 is only one-third of the 300,000 monthly figure. Recent job creation might have been

**Difference Between Actual and Average Monthly
Job Growth for a Typical Recovery**
(November 2003 - September 2004, Thousands of Jobs)



Note: Negative numbers indicate job creation below the average rate of growth for all post-World War II recoveries — an average of 300,000 jobs per month. Positive numbers indicate how much job creation exceeds the projection.

Source: CBPP calculations based on Labor Department and Council of Economic Advisors data.

¹ Reuters News Service, “White House advisor says sees big job gains in 2004,” February 10, 2004. The Administration later backed off this CEA projection somewhat. For a detailed analysis of CEA’s 2004 projection, see two reports co-authored by Jared Bernstein, Lee Price, and Isaac Shapiro, “White House Backs Off CEA Prediction of ‘Average’ Job Growth,” Center on Budget and Policy Priorities and Economic Policy Institute, February 18, 2004; and “Missing the Moving Target,” February 12, 2004, Appendix Table B.

dampened modestly by the effects of the series of hurricanes, but absent these hurricanes job growth would still have fallen well below average. As the Bureau of Labor Statistics noted when releasing its report today: “At the national level, the severe weather appears to have held down employment growth, but not enough to change materially the Bureau’s assessment of the employment situation in September.”²

- In only two of the 11 months from November 2003 through September 2004 has job growth equaled or exceeded 300,000 a month. In the other nine months, job growth fell below this level. (The economy began creating jobs in September 2003. Some 67,000 jobs were created that month; in October 2003, another 88,000 jobs were created. In both of these months, job creation thus fell far below historic norms for a recovery period.)
- Job growth has averaged 148,000 per month since November 2003, half of the 300,000 average level. This difference is little affected by today’s announcement regarding the likely very modest upward revision in the number of jobs as of March 2004. The actual revision, which could differ significantly from the preliminary estimate released today, will not be made until February 2005.³
- Had jobs grown by the amount the CEA predicted, 3.3 million jobs would have been created from November 2003 through September 2004. Instead, 1.6 million jobs were created, some 1.7 million fewer than the CEA forecast.
- Similarly, if one examines the period since job growth began in September 2003, the number of jobs created is 2.1 million fewer than the number of jobs that would have been created if the economy had added jobs at the average pace for a recovery period.

A Rise in Long-term Unemployment

After falling modestly for several months, the number of people out of work for 27 weeks or more increased in September. There were 1.747 million long-term unemployed in September, up from 1.664 million in August. The share of the unemployed who are long-term unemployed also increased, to 21.8 percent — or one of every five unemployed individuals. The labor market continues to be marked by persistent high levels of long-term unemployment.

² The Bureau of Labor Statistics, “The Employment Situation: September 2004,” October 8, 2004.

³ BLS made a preliminary estimate that “total nonfarm payroll employment will require an upward revision of approximately 236,000, or two-tenths of one percent, for the March 2004 reference month.” If this preliminary estimate is accurate, then monthly job growth averaged about 20,000 higher than reported over the 12-month period preceding March 2004. This would translate into job growth averaging 157,000 from November 2003 through September 2004, little different from the 148,000 figure used above. (Again, the 148,000 figure reflects the official data now available.)