

A DROP IN US UNEMPLOYMENT RATE IS AN EARLY SIGN OF COMING LABOR SHIFT



A drop in US unemployment, so far into this year, may be an early glimpse of what's to come as the workforce ages. The jobless rate, which was 9.4 percent in December of 2010, declined to 8.6 percent last month, according to the Labor Department data that was issued on December 2. The report also showed that payrolls have climbed by 132,000 a month on average in 2011, around the pace most economists say would keep the rate stable as the population grows. At play is a decline in the share of the working-age population, also known as the participation rate, meaning that the economy needs to create fewer jobs to bring down unemployment. According to economist Dean Maki, while some of the decreasing has been caused by discouraged workers dropping out of the labor force, another driver is that the baby-boom generation is starting to move into retirement. "Demographic forces are the single biggest factor pushing the participation rate down," said Maki, who is the chief US economist at Barclays Capital Inc. in New York and a former economist at the Federal Reserve. "This is a bit of a slow-moving drama but it's likely to become more important in coming years." Stocks were little changed today amid concern Standard & Poor's will downgrade debt issued by the European bailout funds. The S&P 500 (SPX) Index dropped 0.3 percent to 1,253.69 at 9:52 am in New York. Yesterday, a report showed that the euro region economy expanded 0.2 percent in the third quarter from the previous three months and 1.4 percent from a year earlier. The data in Germany from Tuesday indicated Europe's biggest economy may weather the upcoming sovereign-debt crisis. The Economy Ministry in Berlin said yesterday that German factory orders surged 5.2 percent in the month of October, the most its been in 19 months. With this debt crisis hanging over the global economy, Australia executed its first back-to-back interest-rate cut since 2009. The job report from last week showed that the payrolls in the US climbed by 120,000 workers in November after a 100,000 gain in the prior month. While the hiring "will step up somewhat in 2012," said Maki, the current pace is enough to cause a "persistent decline" in unemployment in the long term. Maki projected that the jobless rate will end 2012 at 8 percent. Last month's drop in the unemployment rate from October's 9 percent showed a 594,000 decrease in the number of people saying they were out of work. Also, the labor force shrank by 315,000, prompting a decrease in the participation rate to 64 percent from 64.2 percent. The share of the workers who are leaving the labor force because they are discouraged over job prospects may getting smaller, indicating more are departing for other reasons, including retirement.

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