

TRENDMACRO LIVE!

## On the October Jobs Report

Friday, November 6, 2009

**Donald Luskin**

**The recovery is more jobless than ever, and the Fed is pushed further to indefinite ease.**

This morning's [October jobs report](#) showed a worsening in the two under-the-radar indicators of labor conditions that we have been following with greatest interest (see ["The Case for Ambivalence"](#) June 12, 2009).

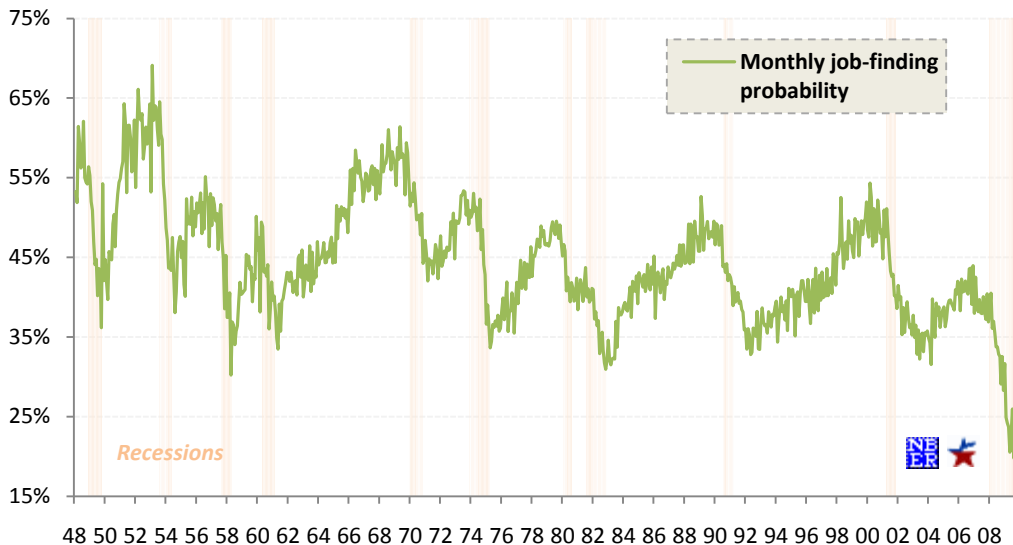
### Update to strategic view

**US MACRO, FED FUNDS:** In the October jobs report the job-finding probability fell to all-time lows and the portion of the labor force working part-time involuntarily rose to new cycle highs. The recovery from recession is increasingly jobless, and with the Fed's avowed focus on "low rates of resource utilization," this keeps monetary policy ultra-easy indefinitely.

[\[see Investment Strategy Dashboard\]](#)

The "job finding probability" -- that is, the chance that an unemployed worker will find employment within a month -- fell to new cycle lows and new all-time lows. This portrays an economy that has been unable to generate sufficient new jobs even during the last expansion, but even more so in the recession, and with no remission whatsoever since the recession's putative end (see the chart below).

Second, the portion of the employed labor force working part-time involuntarily grew to new



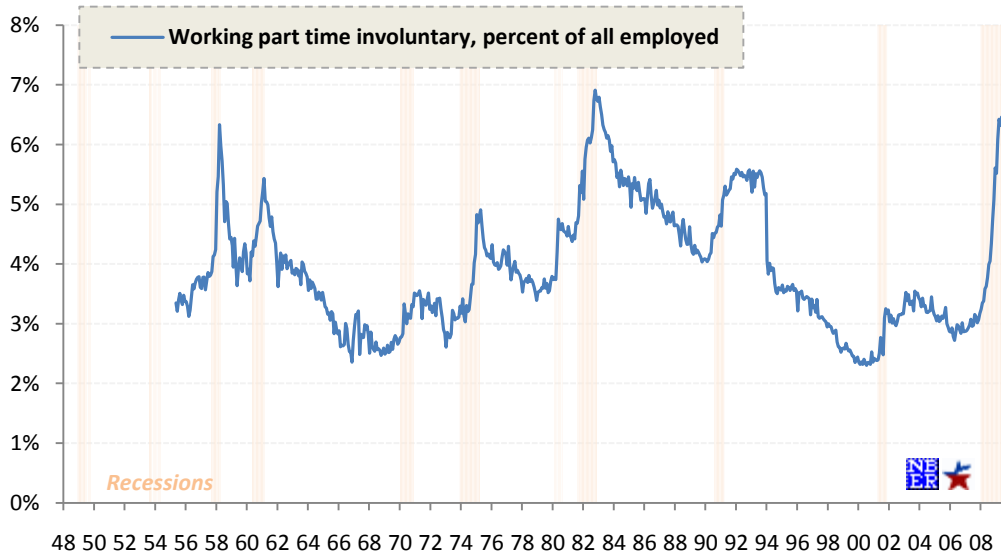
cycle highs, and probably all-time highs, too, if we discount the Department of Labor's flattering methodological changes of 1994 (see the chart on the following page). In October this was driven by the simultaneous shrinkage of overall employment and an increase in the raw number of

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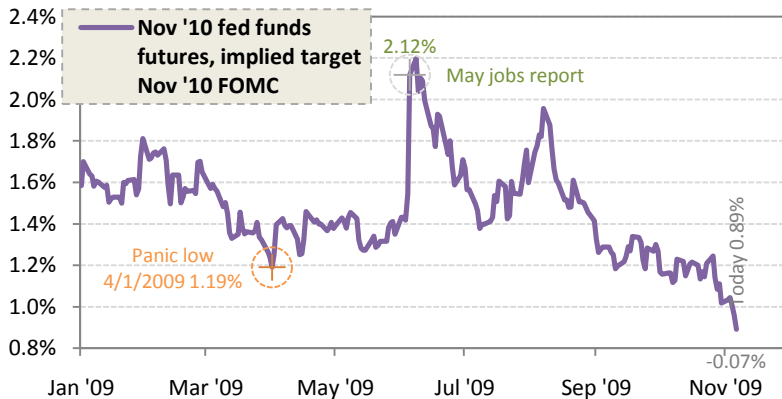
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involuntary part-timers. These workers represent a growing inventory of human capital that will have to be liquidated before the wholly unemployed can become re-employed, and each uptick here defers the day when the unemployment rate -- which does not count part-time workers as unemployed -- will fall.



This morning's jobs data underscores two key strategic themes. First, the recession is over, but the ensuing recovery is lackluster. Second, the Fed will remain in a hyper-accommodative posture indefinitely, especially with [Wednesday's FOMC statement](#) having all but

openly declared that the Fed will be targeting the unemployment rate, referring to it as "low rates of resource utilization." The expectations in futures markets for the fed funds target one year in the future were already at all-time lows -- and following this morning's jobs data, they fell steeply from there (see the chart below).



**BOTTOM LINE:** In the October jobs report the job-finding probability fell to all-time lows and the portion of the labor force working part-time involuntarily rose to new cycle highs. The recovery from recession is increasingly jobless, and with the Fed's avowed focus on "low rates of resource utilization," this keeps monetary policy ultra-easy indefinitely. ▶