

## I. Why we care about what's going on in the labor market

A. Sluggish labor market sign of weaker growth

B. More unemployment, less consumer spending

## II. Measures of current labor market conditions

There are several measures of labor market conditions that are used to assess the strength of the labor market, some of which are considered leading indicators.

A. The unemployment rate is the most popular statistic

Measures how the number of jobs compares with the number of people wanting jobs.

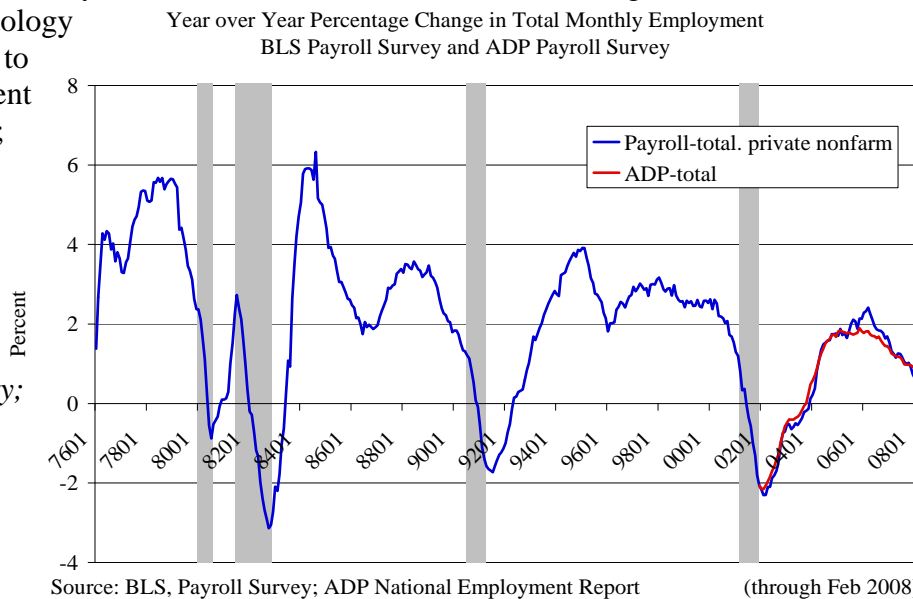


*In the past, the unemployment rate hitting the two-year high mark has been associated with recessions.*

B. Payroll and ADP employment numbers

Monthly Bureau of Labor Statistics (BLS) payroll employment is the headline employment numbers released the first Friday of every month by the BLS. The Automatic Data Processing, Inc (ADP) National Employment Report uses a methodology designed to match that of the BLS to construct an estimate of employment from a sample of their payroll data; it is released two days prior to the BLS report.

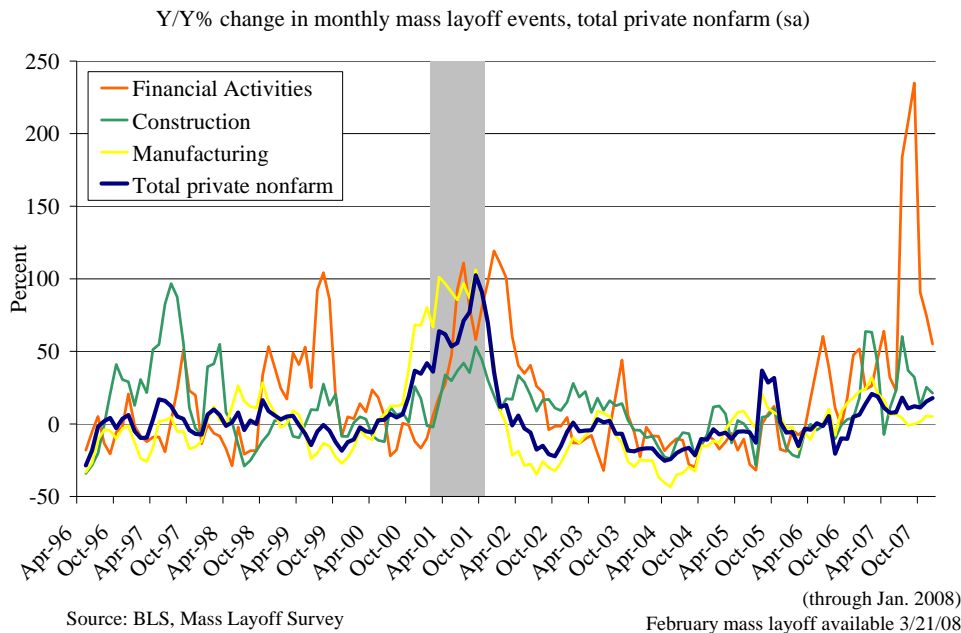
*The ADP and Payroll Survey typically follow the same path. Over the last year, they have been on the same slowing trajectory; this marks the slowest employment growth since the 2001 recession.*



## D. Hiring vs. layoffs

### 1) Mass Layoffs

These data are collected from reports from establishments who have at least 50 initial UI claims filed over a five week period of time. Weak labor markets may be associated with an increase in the number of mass layoff events. Events appear to be concentrated in the Financial Activities sector.

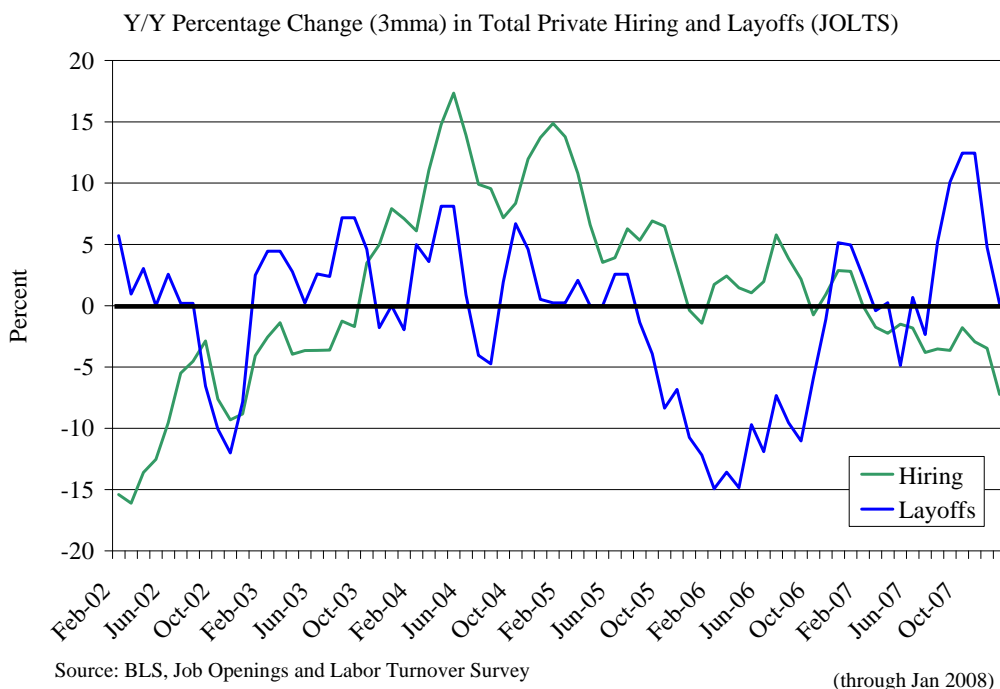


*The number of mass layoff events has risen over the last year, but are mostly concentrated in the financial sector. The overall upward trajectory is not as steep as it was going into the 2001 recession.*

### 2) Evidence from the JOLTS data

The Job Openings and Labor Turnover Survey (JOLTS) is a survey of about 16,000 businesses conducted monthly by the BLS to collect data on employment, job openings, layoffs, hires and quits.

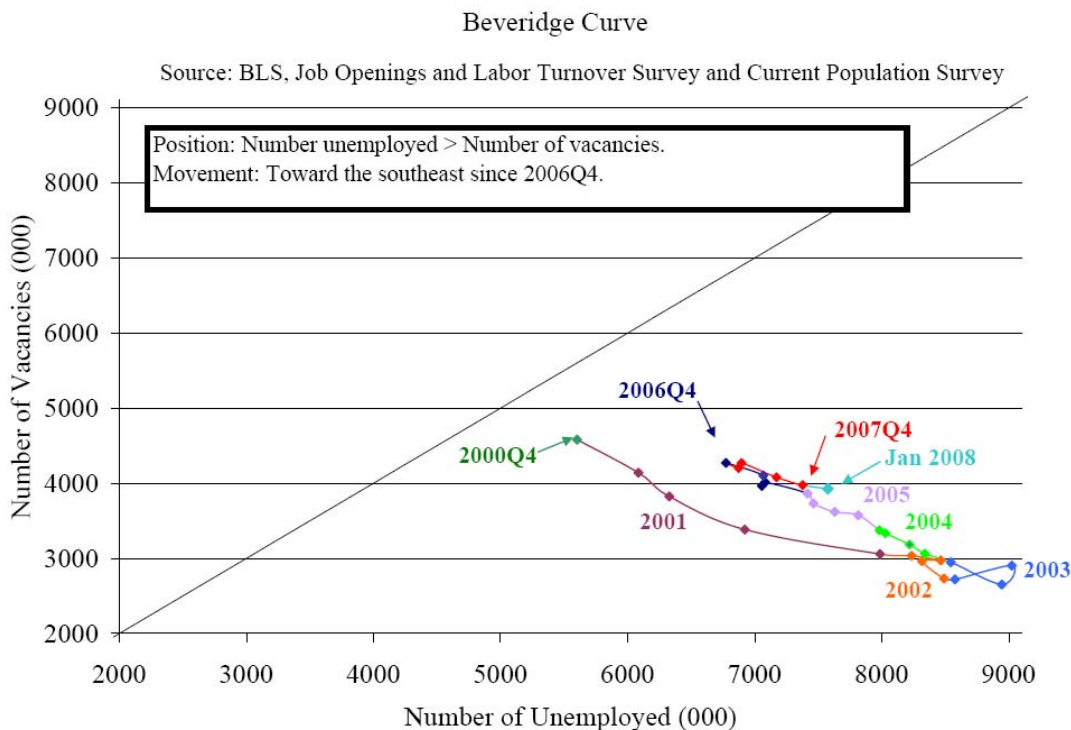
*Weakness in hiring appears to be driving decline in employment; this is the weakest growth in hiring we've seen since 2003.*



**E. The Beveridge Curve (vacancies vs. unemployed)**

The Beveridge Curve is a tool that tells us how the number of people unemployed compares with the number of job vacancies. Movement toward the northwest (southeast) reflects a tightening (weakening) labor market. Movement away from the origin reflects greater frictional or structural unemployment (both vacancies and number unemployed is growing).

*Both the decrease in the number of vacancies and the increase in the number of people unable to gain employment reflect a weakening labor market.*



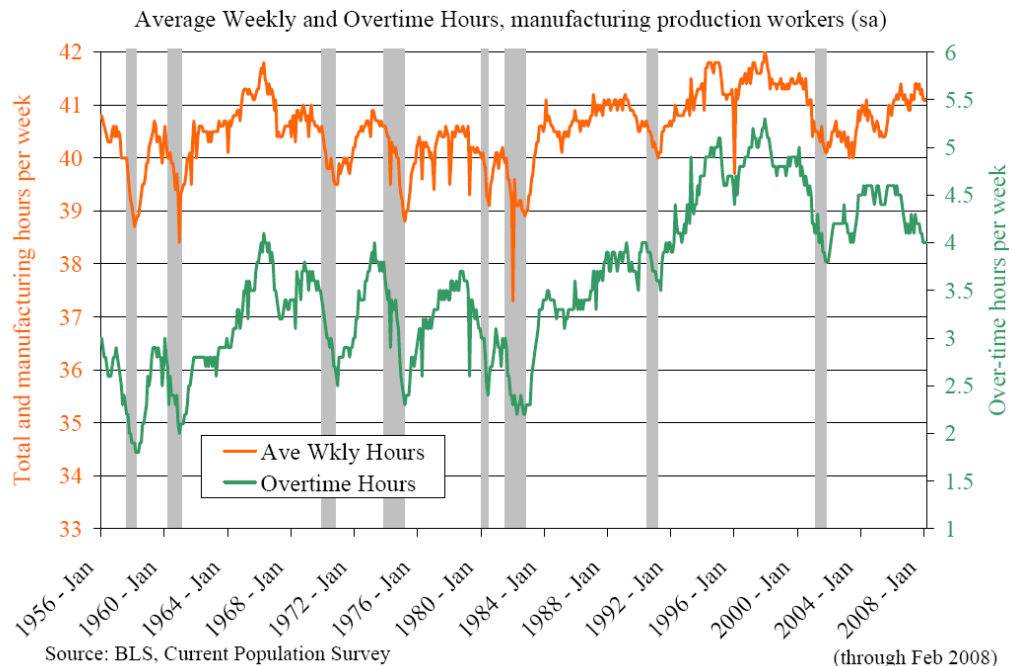
### III. Leading indicators of labor market strength

There are a number of data series that are considered to be leading indicators of where the labor market it headed.

#### A. Average weekly and over-time hours - Manufacturing

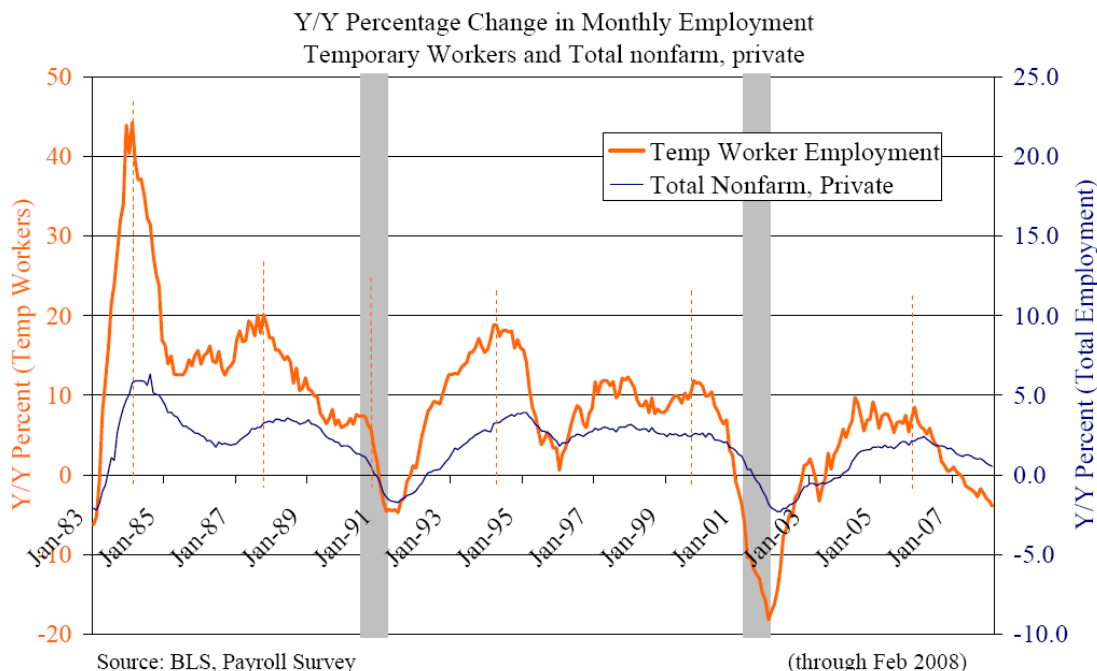
Average weekly and over-time hours in manufacturing have typically declined prior to a recession. While manufacturing over-time hours are currently declining, average weekly hours is still rising.

*Average weekly hours in manufacturing have been relatively stable over the past year. Overtime hours, however, have declined, signaling a cut back in production*



#### B. Movement in temporary worker employment

Like over-time hours, the use of temporary workers is expected to be adjusted before changes are made to more permanent employee schedules.

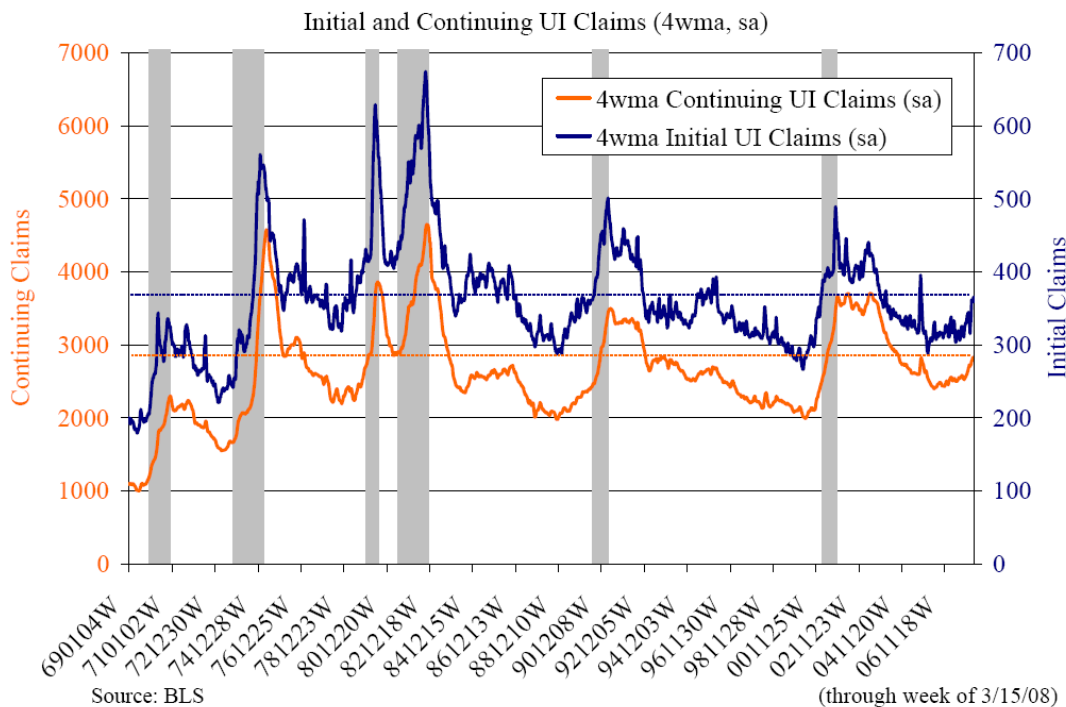


*Temporary employment has been declining for more than a year.*

**C. Initial UI claims**

Workers who lose their jobs show up on the weekly report of unemployment insurance claims before they show up missing in the payroll survey. Growth in continuing UI claims are expected to signal on-going difficulty finding a job.

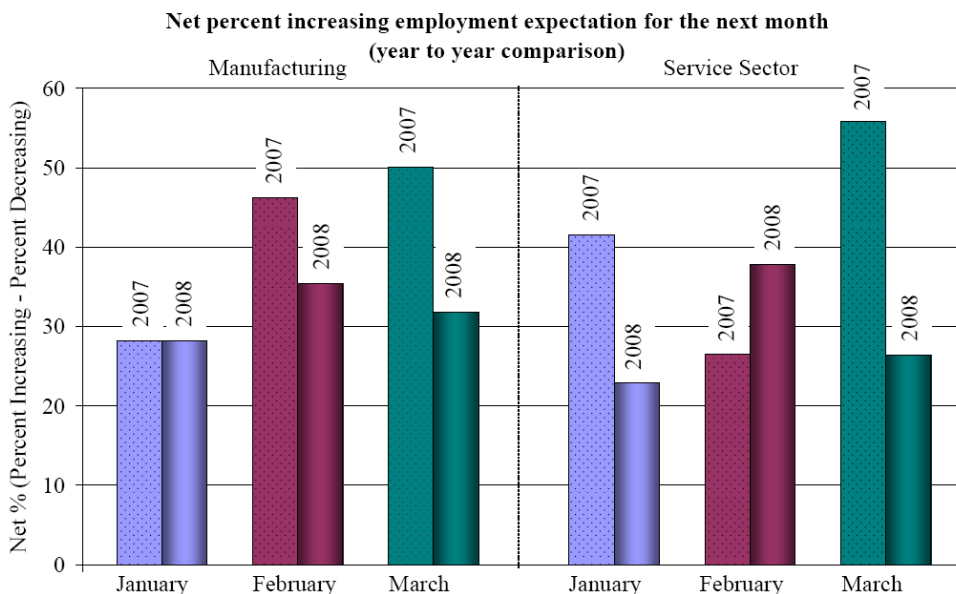
*Both initial and continuing claims have risen recently.*



**D. SHRM/Rutgers Leading Indicators of National Employment (LINE)**

The results of this survey of private sector firms (500 from manufacturing and 500 from the service sector) are released five weeks before the BLS Payroll Survey results. The survey is not designed to yield a forecast of actual employment numbers, but to give a directional indication of the trend.

*LINE's forecast: Employment expectations sharply down from March 2007.*

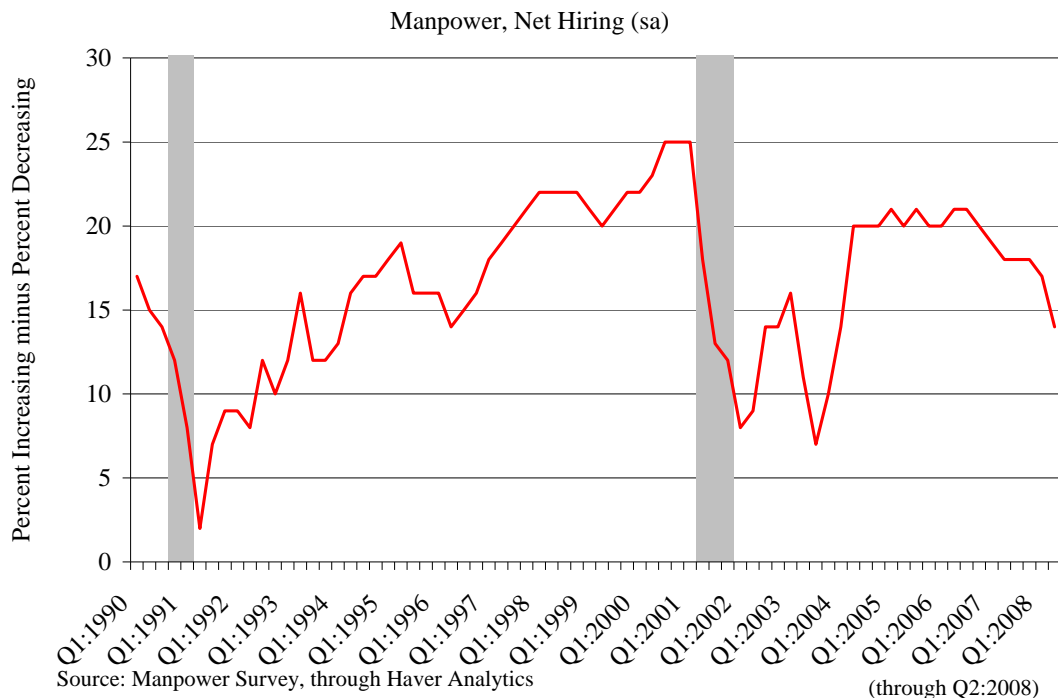


Source: LINE Survey through Haver Analytics

**E. Manpower Survey**

The Manpower Inc Employment Outlook Survey is a quarterly measurement of hiring intentions of more than 15,000 employers in 473 cities. Employers declare their intentions to increase, decrease, or maintain the size of their present workforce for the upcoming three-month period.

*The Manpower survey results indicate that the net percent of firms planning to hire has dropped sharply in recent months.*



**IV. Assessing the evidence**

*The bulk of the evidence suggests that the labor market is weak.*

| Labor Market Indicator    | Indication |      |       |        |
|---------------------------|------------|------|-------|--------|
|                           | Weak       | Soft | Solid | Strong |
| Unemployment rate         | X          |      |       |        |
| Employment surveys        | X          |      |       |        |
| Mass layoffs              |            | X    |       |        |
| JOLTS - Hiring            | X          |      |       |        |
| - Layoff                  |            | X    |       |        |
| Beveridge curve           | X          |      |       |        |
| Manuf. Hours - Ave weekly |            |      | X     |        |
| - Overtime                | X          |      |       |        |
| Temp employment           | X          |      |       |        |
| UI claims - Initial       | X          |      |       |        |
| - Continuing              | X          |      |       |        |
| LINE                      | X          |      |       |        |
| Manpower                  | X          |      |       |        |