



JOINT ECONOMIC COMMITTEE DEMOCRATS



REPRESENTATIVE PETE STARK (D-CA) – SENIOR DEMOCRAT

POLICY BRIEF

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THE ADMINISTRATION'S LATEST SNOW JOB ON THE ECONOMY

Treasury Secretary John Snow recently predicted that about 2 million payroll jobs would be created between the third quarter of this year and the third quarter of next year, or roughly 200,000 jobs per month over the next 12 months. Leaving aside the fuzzy math (200,000 jobs per month is 2.4 million jobs in a year; 2 million jobs in a year is 167,000 jobs per month), there are two remarkable aspects to this prediction. First, it represents a substantial scaling back of expectations from what the Administration was predicting earlier this year. Second, it implicitly concedes that President Bush's record on job creation is going to be the worst of any President since Herbert Hoover.

Lowering the Bar

In February of this year, when the Bush Administration was arguing that another round of tax cuts was the best way to stimulate the economy, the President's Council of Economic Advisers (CEA) issued a report predicting that in the 18 months between the second quarter of 2003 and the fourth quarter of 2004, the President's "Jobs and Growth" initiative would add 1.4 million payroll jobs to the 4.1 million jobs that it projected would be created even if no new tax cuts were passed. That's a job creation pace of over 300,000 per month—and 50 to 75 percent higher than the 170,000 to 200,000 jobs per month now appearing in Secretary Snow's crystal ball.

Just focusing on the period of Secretary Snow's prediction, a rough estimate from the chart accompanying the CEA report indicates that in February the Administration was expecting about 3½ million jobs to be added to payrolls between the third quarter of this year and the third quarter of next year. That's 75 percent more jobs than Secretary Snow is currently predicting.

The Democratic staff of the Joint Economic Committee has estimated that, because the labor force is growing, somewhere between 135,000 and 170,000 jobs per month need to be added to payrolls just to keep the unemployment rate from rising (see the **Box** for an explanation of different employment concepts). At the lower end of this range, the addition of 2 million jobs would mean a reduction in the unemployment rate of about 0.2 percentage points over the next 12 months (from 6.1 to 5.9 percent). At the upper end of the range, the unemployment rate would be essentially unchanged.

The Job Creation Hall of Shame

Secretary Snow's new employment projections may represent a substantial scaling back of the Administration's earlier projections of job growth, but even those modest gains would be a welcome turnaround from the dismal job record the Bush Administration has achieved so far. They would not be large enough, however, to keep the Bush

presidency from having the worst job creation record since Hoover and for the current jobs slump to be the most protracted jobless recovery since the 1930s.

Worst job creation in a Presidency. Whether one looks at total nonfarm payrolls (**Chart 1**) or private nonfarm payrolls (**Chart 2**), President Bush currently has the worst job creation record of any President since Hoover, and his presidency is the only one since Hoover with net job losses.

Herbert Hoover has by far the worst job creation record of any President in the last 70 years. All other Presidents have left office with payroll employment higher than when they took office. Between Hoover and Bush, the presidency with the worst job creation performance was the President's father's, with total payroll job growth of only 0.6 percent per year and private job growth of only 0.4 percent per year.

Thus far in his term, President Bush has seen total payroll employment fall at an average annual rate of 0.7 percent and private payroll employment fall at an average annual rate of 1.1 percent. If job creation is sustained at Secretary Snow's predicted pace of 170,000-200,000 jobs per month over the 16 months from October 2003 to January 2005, the President may end the term with positive job creation, but just barely. Based on the following statistics, however, President Bush will most likely maintain his place in the job creation Hall of Shame with the worst record of job creation of any President since Hoover:

- Nonfarm payroll employment would have to grow at a rate of 161,000 jobs per month over the next 16 months to recover the 2.6 million jobs lost since President Bush took office in January 2001.
- Private nonfarm payroll employment would have to grow at a rate of 199,000 jobs per month over that period to erase the current private-sector jobs deficit.
- Nonfarm payroll employment would have to grow at a rate of 361,000 jobs per month over the next 16 months for the growth rate of payroll employment under this President Bush to exceed the paltry rate of 0.6 percent per year achieved under his father.
- Private nonfarm payroll employment would have to grow at a rate of 313,000 jobs per month over that period for the growth rate of private sector jobs under this President Bush to exceed the paltry rate of 0.4 percent per year achieved under his father.

Most persistent jobs slump since the 1930s. President Bush will not only break the modern (post World War II) record for job creation futility currently held by his father; he will smash it by a wide margin.

In September 2003, the number of nonfarm payroll jobs was 2.7 million lower than it was when the recession began in March 2001, and the number of private nonfarm payroll jobs was 3.2 million lower. Typically, the jobs lost in a recession are recovered in about two years, and job growth is strong by that point (**Charts 3 and 4**). Since the 1930s, the longest it has taken for nonfarm payrolls to recover to their level at the start of the recession was 31 months in the 1990-91 recession and subsequent jobless recovery of the first Bush Administration. The longest it has taken for private payrolls to recover was 33 months in that same 1990-91 recession and subsequent jobless recovery.

This month is the 31st month since the start of the recession in March 2001. Clearly, job growth in October (which will be reported on November 7) will not erase the current nonfarm payroll employment deficit of 2.7 million jobs. Indeed, if Secretary Snow's estimate of 200,000 jobs per month proves to be on target, nonfarm payrolls will remain below their March 2001 level until November 2004—44 months after the start of the

recession. At 3.2 million jobs, the private nonfarm employment deficit is even larger than the overall jobs deficit. At a pace of 200,000 private sector jobs per month, it would take from October 2003 until January 2005—46 months after the start of the recession—to erase that deficit.

Conclusion

Secretary Snow may have thought that he was being upbeat about the economy when he stated that he expected about 2 million jobs to be created over the next year. In fact, he was substantially scaling back the Administration's predictions. Moreover, he was implicitly acknowledging that the Bush Administration's poor record on job creation was likely to be historic.

Measuring Employment, Unemployment, and Jobs

The country's main statistics on employment, unemployment, and jobs come from two surveys, and those statistics are released at the beginning of each month by the Bureau of Labor Statistics (BLS). The *household survey* is a monthly survey of about 60,000 households and is the source of data for calculating the unemployment rate. The *establishment survey* is a monthly survey of about 400,000 worksites and is the source of data for calculating payroll employment.

Employment and unemployment in the household survey. The household survey asks people whether they are working or looking for a job. The *labor force* is defined as the total number of people who are working or looking for a job; household *employment* is the total number of people who have jobs; the *unemployment rate* is the number of people who do not have jobs but are actively looking for work expressed as a percentage of the labor force.

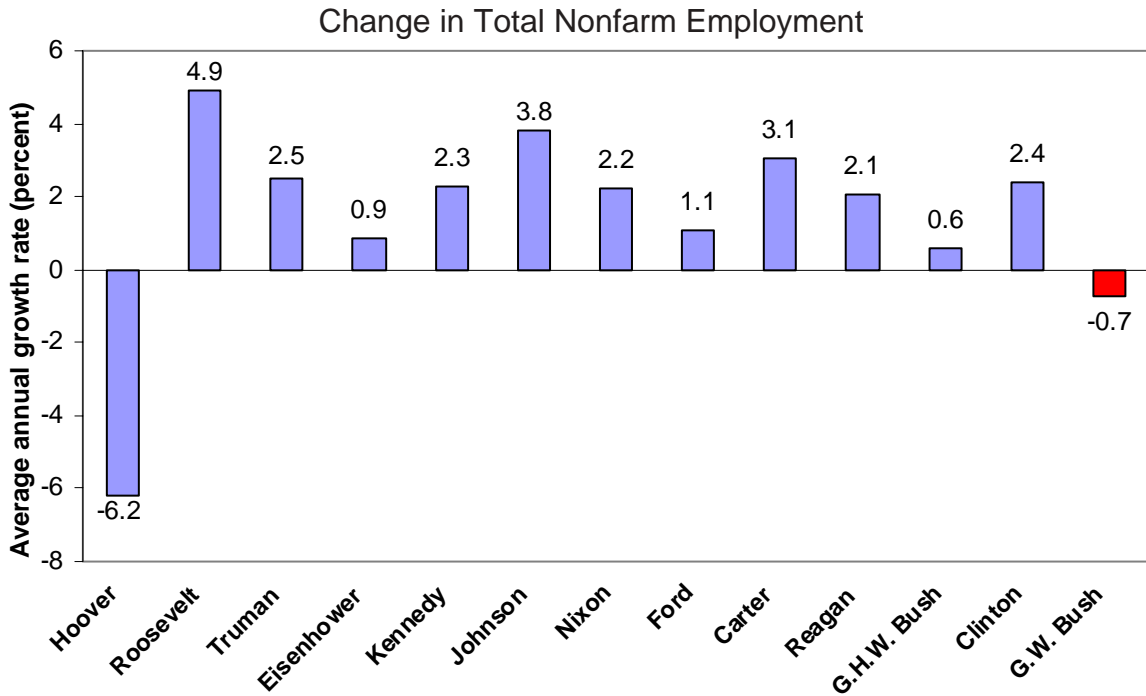
Employment in the establishment survey. The establishment survey asks employers how many workers they have on their payrolls and is a measure of the number of jobs in the economy. *Nonfarm employment* is the most comprehensive measure of jobs derived from the establishment survey; *private nonfarm employment* is nonfarm employment excluding jobs in the government sector.

Which is the best measure of job creation? The household survey and the establishment survey measure different things and cover somewhat different populations. For example, the household survey includes farmers and the self-employed, while the establishment survey does not. Moreover, the employment measures from the two surveys have shown somewhat different trends since the start of the recession in early 2001. These differences have created confusion about which is the best measure of job creation.

Some analysts have tried to argue that the payroll data are not capturing new job creation accurately, but the views of the Commissioner of the BLS and the Congressional Budget Office are more typical of informed opinion. For a variety of reasons, they argue that the payroll data give a more accurate picture of trends in job creation than do the household data. Nonfarm payroll employment is the more comprehensive measure, but policy is usually aimed at stimulating job creation by private businesses. Thus, private nonfarm payroll employment is probably the better indicator for judging the effectiveness of policy.

Chart 1

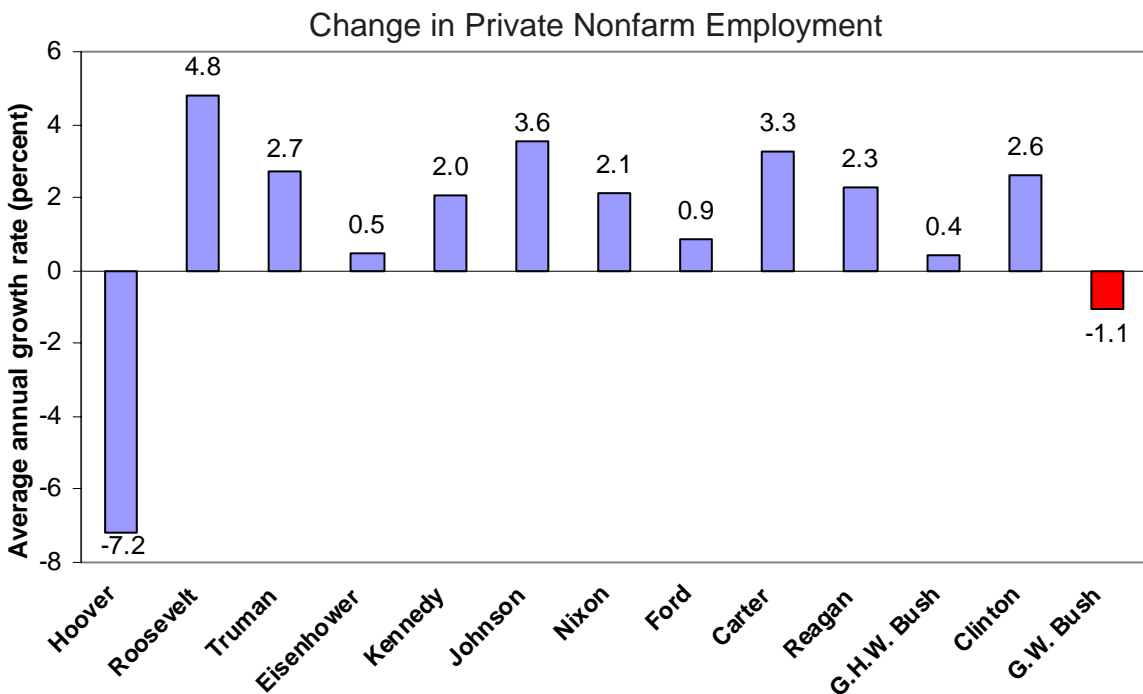
Only Administration in 70 Years with Decline in Total Jobs



Source: Bureau of Labor Statistics, U.S. Department of Labor.

Chart 2

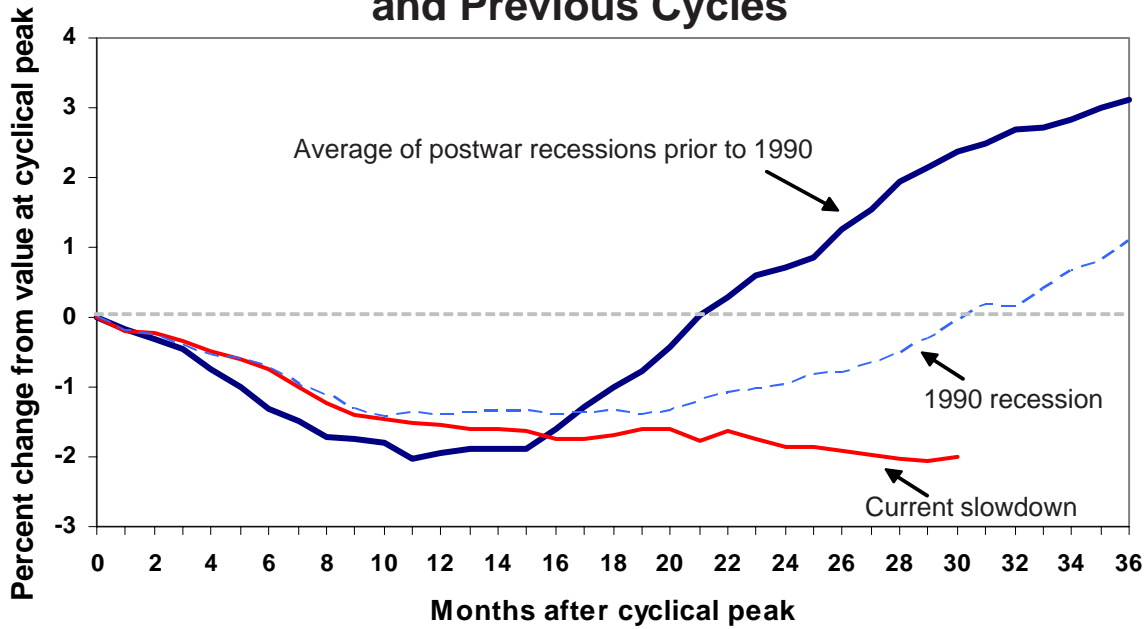
Only Administration in 70 Years with Decline in Private Sector Jobs



Source: Bureau of Labor Statistics, U.S. Department of Labor.

Chart 3

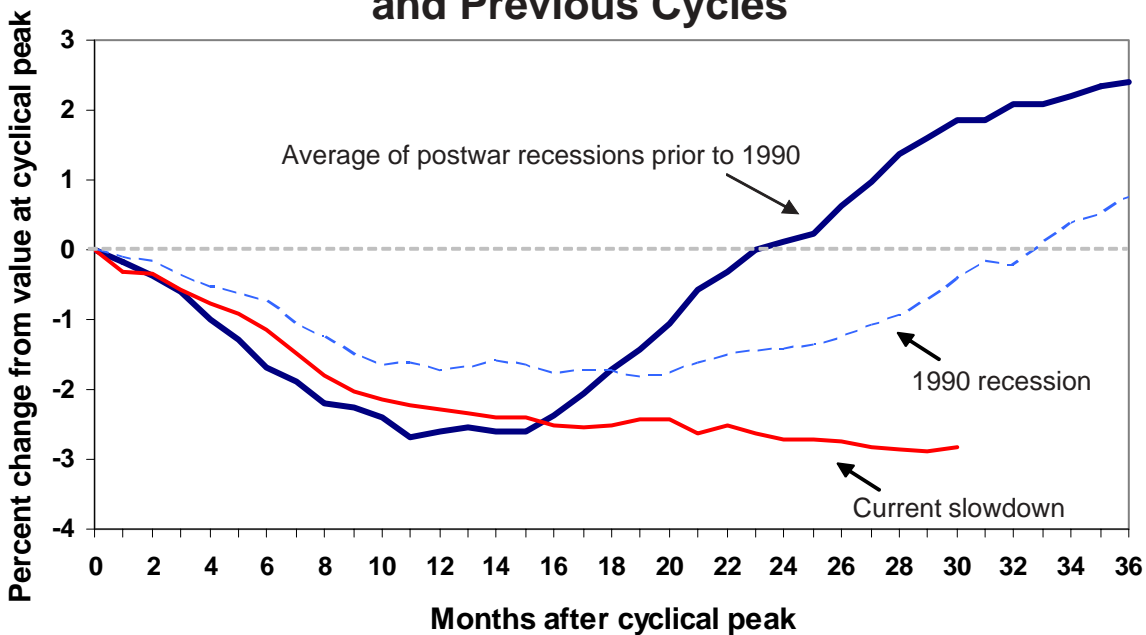
Decline in Total Nonfarm Payrolls in the Current and Previous Cycles



Sources: JEC Democratic Staff calculations using data from the U.S. Department of Labor and the National Bureau of Economic Research.

Chart 4

Decline in Private Nonfarm Payrolls in the Current and Previous Cycles



Sources: JEC Democratic Staff calculations using data from the U.S. Department of Labor and the National Bureau of Economic Research.