

Harsh Realities: 85K Jobs Lost in December, "Real" Unemployment Rate at 17.3%

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The December payroll report was disappointing, with 85,000 jobs lost last month vs. expectations for a flat reading and "whispers" of a gain of as much as 40,000. The unemployment rate held steady at 10%, as expected.

The December figures raise the stakes for President Obama, who is scheduled to speak about economic issues today at 2:40 p.m. ET. In the aftermath of Friday's jobs report, some observers are calling on the administration to do more to help the unemployed and spur job creation. Whether President Obama has the political capital to do more than jawbone remains to be seen. (Click here for more on [the President's legislative challenges](#).)

Beyond Friday's lackluster headline payroll figures, the "real" unemployment rate (or U6) rose to 17.3% and the average hourly work week remained near record lows at 33.2. In addition, the average duration of unemployment rose to 29.1 weeks as the ranks of the long-term (or "permanently") unemployed continue to swell. Furthermore, the household survey showed a decline of 589,000 employed persons to the lowest level since 2003, according to Miller Tabak.

In sum, fewer people are working, more Americans are dropping out of the labor pool and those who are working are working fewer hours: Average hourly earnings up just 2.2% vs. a year ago in December, lowest rate since 2004 and vs. an average gain of 3.3% over the prior decade, according to Miller Tabak.

"Net-net, we are not in your typical WWII recovery and major headwinds still remain," writes Miller Tabak equity strategist Peter Boockvar.

Still, there were a few positives buried in the report:

- **November payrolls were revised up to show a gain of 4,000** the first positive month since the recession officially began in December 2007.
- **Temporary jobs rose for a fifth-consecutive month**, and there were improvements in the categories of professional and business services, and education and health services.
- **The trend is still improving:** 85,000 jobs lost is a big improvement vs. the more than 700,000 decline at the start of 2009. Also, it's normal for payrolls to move in a rocky fashion vs. a straight line at the beginning of a recovery.
- If you're an advocate of more government stimulus or just the Fed keeping rates at zero, a weaker-than-expected jobs report really is "good" news, not bad. "Those betting that the hawks at the Fed will win over the doves and raise interest rates sooner rather than later should rethink their position," writes Mesirow Financial chief economist Diane Swonk. "The Fed will continue to support the economy in any way it can, with unemployment close to or above the 10% threshold - and it looks like that will be the case for much of the year."

Reflecting that sentiment, [stocks fell Friday morning](#) but the early declines were muted.

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