



Insight

# Curveball or Snowball

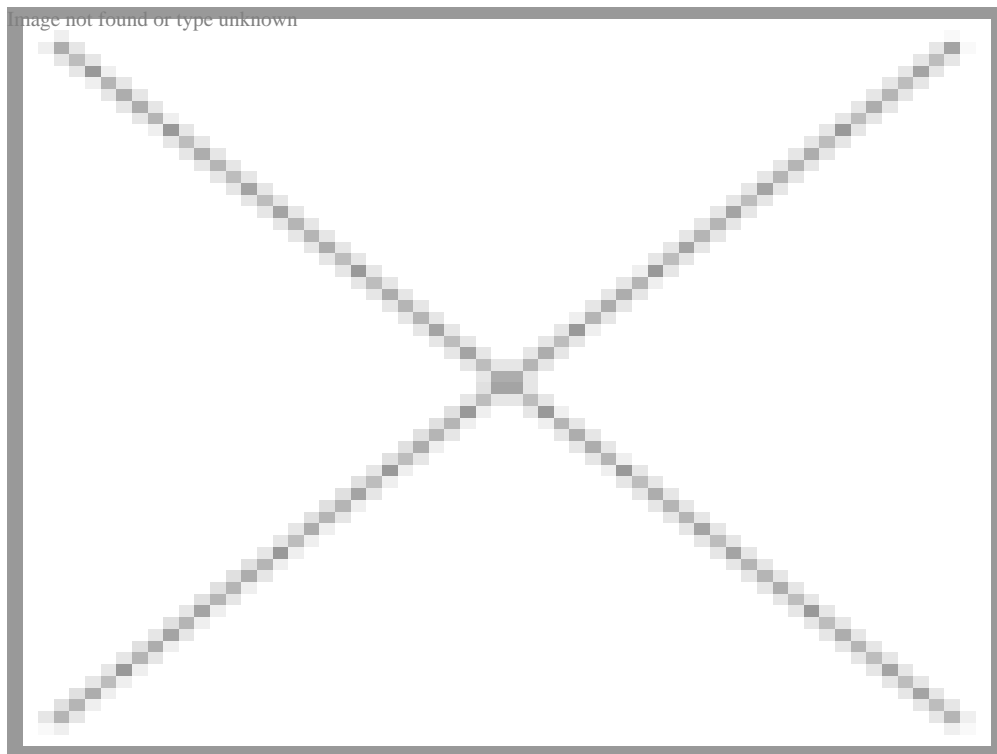
DOUGLAS HOLTZ-EAKIN | FEBRUARY 4, 2011

On the surface, the January jobs report sows nothing but confusion — bad top-line jobs but a sharp drop in unemployment. The BLS reported only 36,000 new non-farm jobs — 50,000 new jobs in the private sector. But unemployment was down from 9.4 to 9.0 percent. So what to make of this report?

*Weather, weather, weather.* One should probably discount the payroll jobs number as heavily influenced by bad weather. The BLS underplayed this in its release, but the performance of weather-sensitive sectors suggests otherwise: Construction lost 32,000 jobs, and transportation payrolls were down by 38,000. Still, the overall data had little strength in hours worked or weather-insensitive categories.

*Inside the unemployment rate.* The unemployment rate fell because (a) the labor force continues to decline, and (b) the number of people reporting being employed in the *household* survey rose by 117,000.

The labor force was flat, showing no signs of discouraged workers returning to the labor force. The cumulative decline of nearly half a million in the labor force since the recession began remains the most fundamental indictment of the economic-policy regime under President Obama.<sup>1</sup>



In December, the household survey showed 297,000 new jobs; this past month it showed 117,000 jobs.

Typically the household survey is better at picking up turning points as it catches the new-business formation that the payroll survey is slower to identify. Some will argue the household-survey numbers reflect the effects of the tax bill in the lame-duck session of Congress. That makes little sense, because it codified current policy and didn't reflect any real shift.

Instead, the most likely candidate is the arrival of the conservative House positioned to block the anti-growth excesses of the past two years.

*Revising history — more bad news for stimulus.* The BLS revised downward the month-to-month job growth for 2010 by a total of 215,000 jobs: another bad moment for the so-called stimulus efforts of the administration.

The bottom line: Taken as a whole, the January report is a net negative — few jobs, few hours, and massive labor-force departure. The glimmer of good news may be arising from a new policy climate more favorable to small business.

This article was originally published in [National Review Online](#).

1. *Thanks to Jason Furman for data corrections.*