

SANTA'S ELVES JUST GOT FIRED

Remember the “good” jobs report last week? As Dean Baker explained, many of the new jobs were actually the “couriers” who delivered your holiday presents.

The sharp drop in the unemployment rate over the last four months (from 9.1 percent to 8.5 percent) is not consistent with the job growth reported in the establishment survey. The survey reported 200,000 jobs in December; however, this figure is skewed by the 42,200 job gain reported for couriers. There was a similar gain in this category reported for last December, which was completely reversed the next month. Clearly this is a problem of seasonal adjustment, not an issue of real job growth. Pulling out these jobs, the economy created 158,000 jobs in December, in line with expectations.

Pulling out the courier jobs, growth has averaged 145,000 per month over the last four months. This is somewhat better than the 90,000-100,000 a month needed to keep pace with the growth of the labor force, but certainly not rapid enough to explain a 0.6 percentage point drop in unemployment. At this pace, we would not get back to pre-recession levels of unemployment until 2027. [my emphasis]

Now Baker’s predicted reversal in those jobs has started to appear, with initial jobless claims up 24,000 this week.

More Americans than forecast filed applications for unemployment benefits last week, raising the possibility that a greater-than-usual increase in temporary holiday hiring boosted

December payrolls.

Jobless claims climbed by 24,000 to 399,000 in the week ended Jan. 7, Labor Department figures showed today in Washington. The median forecast of 46 economists in a Bloomberg News survey projected 375,000. The number of people on unemployment benefit rolls rose, while those receiving extended payments decreased.

Hiring by package delivery companies and retailers during the holidays to meet demand for gifts may now be giving way to an increase in dismissals.

These words—"couriers" and "package delivery companies"—are very cold. What we're really talking about are Santa's Elves, the wondrous people who make your holidays magical, particularly given how they help you avoid crowded malls by allowing you to shop online. In all the cartoon Christmas specials, those elves spend the off-season making more toys for the next Christmas. Not so our "modern" economy. Now, we benefit from their services, enjoy our holidays, and then <<BAM!!>> the Elves are on the street again, looking for work.

Merry Christmas!