

Healthcare Workplace Economy February 2013

Jobs Report Summary for the Healthcare Industry Based on the BLS Report with January 2013 data

On February 1st, the BLS released yet another encouraging jobs report, as nonfarm payroll employment rose by 157,000 in January with a relatively untouched unemployment rate of 7.9%, the seventh consecutive month in which more than 100,000 jobs have been added to the national economy.

According to the report, 166,000 private sector jobs were generated last month, as a majority of private sectors hired new employees.

“The economy has now added private sector jobs for 35 straight months, and a total of 6.1 million jobs have been added over that period,” said Alan Krueger, chairman of the Council of Economic Advisers. “In 2012, private businesses added 2.2 million payroll jobs.”

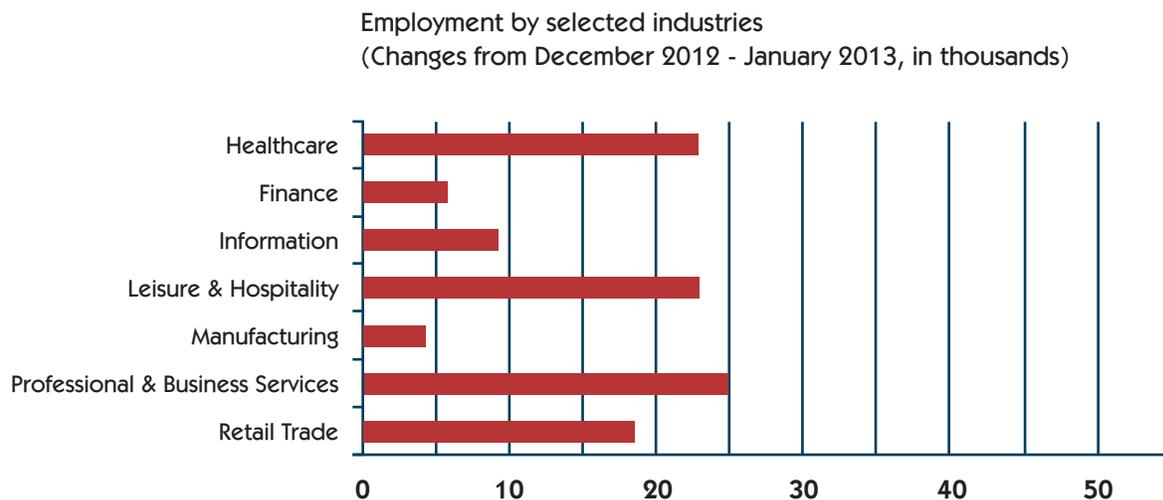
“The Employment Situation – January 2013” report also included benchmark revisions, an annual practice. As a result, 335,000 more jobs were created in 2012 than originally reported.

As joblessness decreased, income levels rose, another positive indication of the nation’s present economic situation. According to the BLS, private nonfarm payroll employees’ average hourly earnings have risen by 2.1 percent since January 2012.

A recent Department of Commerce report also published similar findings, as Americans’ personal income increased by 2.6 percent in December – the largest monthly upsurge in revenue since December 2004.

Still, 12.3 million Americans are currently without work. Nearly 5 million Americans have been unemployed for 27 weeks or more. And the national jobless rate rose slightly last month, from 7.8 to 7.9 percent.

Sector changes observed in January



Source: BLS

To significantly lower the unemployment rate, roughly 250,000 new jobs must be created on a monthly basis, according to some economists' estimates.

Although such monthly job creation will likely not be recorded in the near future, employment did rise in recent months, as 603,000 new jobs were added to the economy last quarter, according to benchmark revisions.

If this pace of job growth continues, the total number of unemployed Americans will decline to 9.9 million by the end of 2013.

For the 35th consecutive month, private sector employment upturned within the United States in January, according to the BLS' most recent jobs report.

The report found that 166,000 private sector jobs were added to the national economy, as the total number of employed Americans rose to 143.3 million.

Hiring was wide-ranging last month, as the following private sectors reported a rise in employment.

- **Healthcare:** Nearly 14.5 million healthcare professionals were employed in January, as the sector added 22,800 new jobs to the national economy.
- **Finance:** Sector hiring continued to augment in January, rising for the 12th consecutive month, as 6,000 professionals were offered new employment opportunities. Since January 2012, hiring has increased by 107,000.
- **Information:** Back in December, the sector reported a net loss of 9,000 jobs, leading some economists to believe similar figures would be documented in January. However, contrary to some projections, hiring actually rose by 9,000, as 2.7 million professionals were employed.

- **Leisure and Hospitality:** In 2012, the sector added an average of 26,666 new jobs to the national economy each month. The trend continued in January, as 23,000 professionals were hired.

- **Professional and Business Services:** As usual, sector employment continued to augment in January, rising for the eighth straight month, as 25,000 professionals were hired. In all, 18.1 million professionals were employed last month.

- **Retail Trade:** After recording a net loss of 11,300 jobs in December, sector hiring rebounded last month, rising by 32,600. A majority of the hiring occurred in clothing stores and motor vehicle and parts dealers.

Soliant Insights

Two days prior to the release of the BLS' "The Employment Situation – January 2013" report, the Bureau of Economic Analysis published its latest "advance" estimate regarding Q4 2012 GDP.

The estimate's findings shocked many financial experts. Despite a rise in personal consumption expenditures and business investment, real GDP declined by 0.1 percent last quarter, the first quarterly decrease since 2009, leading some economists to ask: why?

According to Alan Krueger, chairman of the Council of Economic Advisers, one of the direct causes of the GDP contraction was a reduction in federal defense purchases. In fact, purchases diminished at an annual rate of 22.2 percent last quarter, the highest quarterly decline since 1972.

"A likely explanation for the sharp decline in Federal defense spending is uncertainty concerning the automatic spending cuts that were scheduled to take effect in January, and are currently scheduled to take effect on March 1st," said Krueger.

Last month, the “American Taxpayer Relief Act of 2012” delayed roughly \$1.2 trillion worth of government spending cuts. The cuts, which were scheduled to begin on January 1st, will now be enforced on March 1st, unless Congress intercedes.

As a means of reducing the federal budget, government defense and nondefense spending will each be trimmed by approximately \$55 billion on an annual basis, from 2013 to 2021. With less spending power, thousands of public sector companies may be forced to cut back employees’ hours, lower salaries, or lay off workers.

For example, the Congressional Research Service has found that 2.1 million employees, including 277,000 federal civilian professionals, may lose their jobs this year if the spending cuts are enforced.

According to the National Association of Manufacturers and the University of Maryland’s Inforum, 907,000 jobs, including 152,000 direct Department of Defense civilian and military positions, may be lost if defense expenditures are reduced by upwards of \$48 billion this year.

Meanwhile, according to a report released by the National Education Association, 80,500 educational professionals may be laid off this year if Department of Education and National Head Start Association budgets are condensed.

At the same time, a reduction in the National Institute of Health’s current extramural awards expenditures may be costly for employees, potentially leading to a loss of 33,700 jobs, according to a United for Medical Research study.

Furthermore, according to Econsult Corporation and the Aerospace Industries Association, 66,000 to 132,000 job losses may occur each year, from 2013 to 2021, if the Federal Aviation Administration’s budget is lowered throughout the next nine years.

If Congress does not intervene, and the \$1.2 trillion worth of spending cuts is actually enforced, nondefense subsidies will comprise only 2.8 percent of GDP by 2021, according to the Congressional Budget Office. To compare, it has encompassed 4.1 percent of GDP, on average, in recent years.

So, how will Congress react? Will Congressional leaders vote to enforce the spending cuts, or decide to eliminate them? And what type of impact will their decisions have on the United States’ future employment situation?