



# LEADING THINKING

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## Stronger Job Growth\*

### Findings:

- **While 2015 job growth was above the average of recent recoveries, it was actually below average if we adjust for labor force changes**
- **This discrepancy may be one reason why people perceive the economy as worse than statistics would indicate**
- **For the presidential election, the incumbent party should aim for 185,000 jobs per month, with an average for reelected parties at 310,000 per month**

This is the recovery of discontent. We are in the midst of one of the longest periods of economic growth in American history, and the job market is close to full employment. The economy is now consistently creating hundreds of thousands of jobs per month. And yet...

Two-thirds of Americans believe our country is on the wrong track. Over half describe the economy as "bad." Even the Democratic candidates looking to succeed President Barack Obama tailor their talk about the economy to a grumpy electorate and avoid positioning themselves as a continuation of current policies.

So what is actually going on in the economy and the job market more specifically? How can we square improving economic numbers with

lagging confidence by people really living in the economy day-to-day?

Two of the major driving forces in the labor market over the course of the recovery and the past decade have been shifting demographics and changes in participation. We have seen the end of labor force growth due to women entering the

labor force, and we have seen the beginning of the impact of baby boomer retirements. At the same time, we have seen problems with labor force participation due to skills mismatch

and other issues.

All of these dynamics are important to think about as we analyze the job market. Adjusting jobs data to account for labor force shifts can help shed some light on voters' economic angst, even as we see good headline statistics.

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## Labor Force Adjusted Job Growth

To understand how the recent upswing in job growth might feel for the American worker, we need to put the growth in context. Workers don't experience statistics; they feel market forces. With demographic changes, the statistics today mean something a little different than they meant in the past.

After all, adding 200,000 jobs in an economy of 80 million workers feels a lot different than adding 200,000 jobs in an economy of 160 million workers. But we can scale historical job numbers by the size of the workforce such that they are comparable to job numbers in 2015. The adjusted jobs data reveal one reason why Americans aren't popping champagne over the recent increase in job growth.

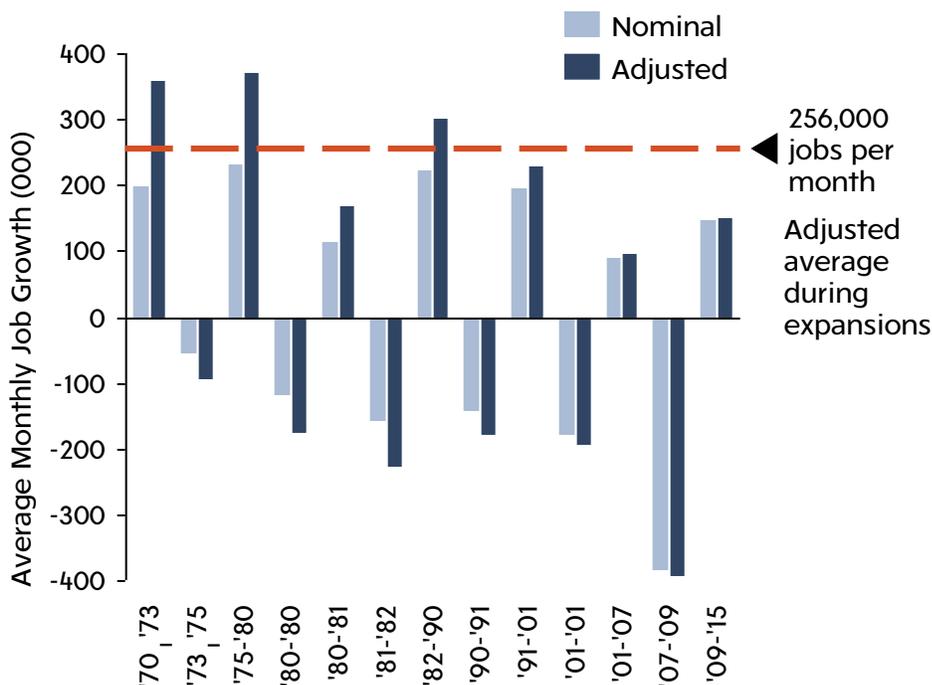
During expansions from 1970 to the present, the economy grew jobs by a bit over 175,000 per month. The current expansion has averaged below that rate. Since jobs started growing again in 2009, we have averaged about 150,000 per month.

In the past two years, those numbers have improved. We just got the job report

**2015 actually had lower than average job growth if we adjust for the change in the size of the labor force.**

**Fig. 1: After Adjusting Previous Expansions By The Size Of The Labor Force, Current Growth Is Less Impressive**

Average Monthly Job Growth During Business Cycles



Source: U.S. Bureau of Labor Statistics. Job numbers adjusted by December 2015 labor force.

for December, and over the course of 2015, we saw job growth average 221,000 per month, a little below the rate of 2014, but above the average rate of previous expansions. The problem is that

the workforce has also expanded during the past several decades. If we adjust the job growth to account for the increased number of workers, the

average job growth per month during prior expansions since 1970 was actually 256,000 per month.

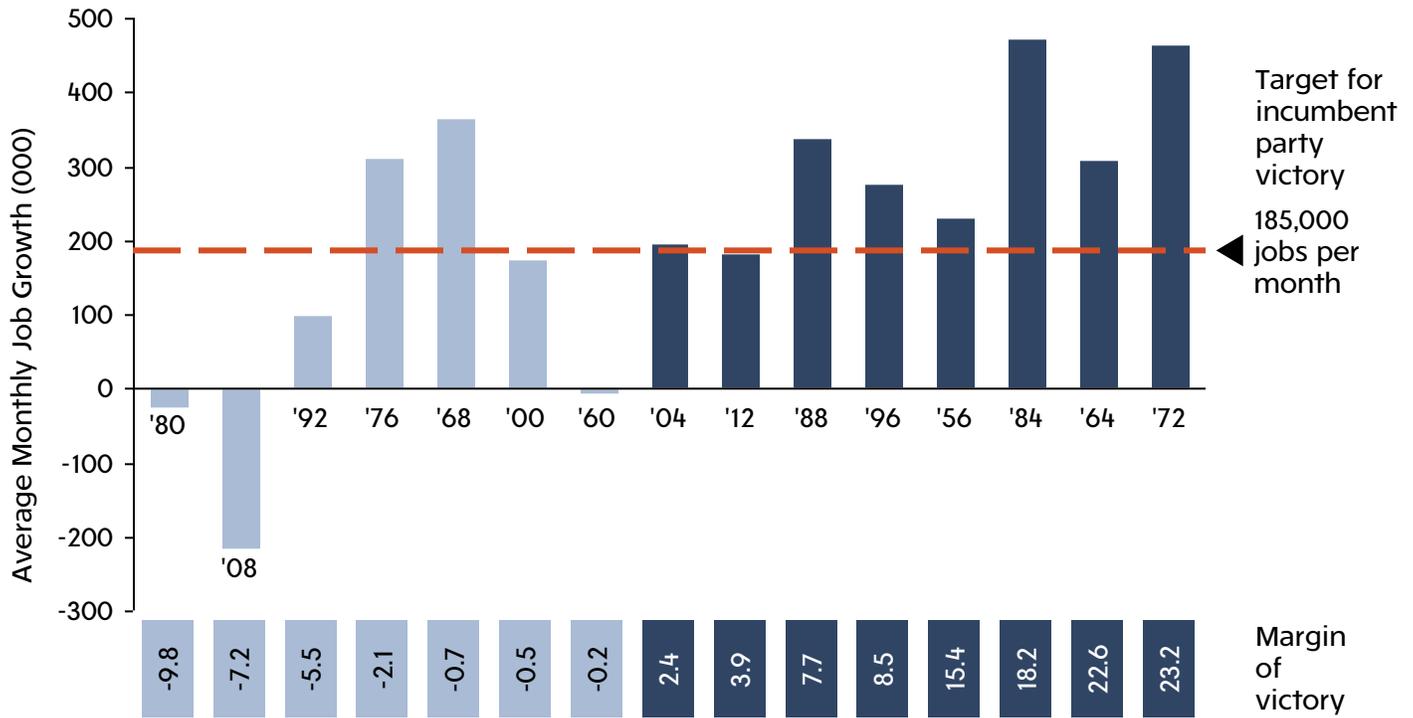
Though 2015 was a good

year in terms of job growth during the current recovery and had higher-than-average job growth as compared to recent recoveries, 2015 actually had lower-than-average job growth if we adjust for the change in the size of the labor force.

Workers who joined the labor force after 1999 have experienced below-average job growth for 11 out of 16 years. And for workers who joined the labor force before 1999, the recent "upswing" in job growth pales in comparison to earlier eras. Every other recovery in recent decades had stronger adjusted job growth than the two most recent recoveries (Fig. 1).

## Fig. 2: Incumbent Parties With Better Pre-Election Job Growth See Better Odds Of Victory

Monthly Average Job Growth Before An Election,  
Jan. – Oct., Adjusted By Labor Force



Note: Margin of victory defined between first-and-second place candidates.

Source: U.S. Bureau of Labor Statistics. Job numbers adjusted by December 2015 labor force.

### Election Year Job Growth

If today's job numbers are not impressive when compared to historical averages, what does this mean for the 2016 election cycle?

When we look at the adjusted data from the last 15 presidential elections, not surprisingly, high job numbers are usually a harbinger of an incumbent party victory (Fig. 2).

These findings echo previous studies on the relationship between job growth and election outcomes. While a single variable cannot completely predict an election, and presidential campaigns are a limited data

set, job growth is one of the variables that most closely aligns with an incumbent party's margin of victory.

Victorious incumbent parties have benefited from an above-average 310,000 jobs per month, while losing incumbents saw a below-average 100,000 jobs per month in labor-force adjusted terms.

In terms of a bare minimum, modern incumbent parties have never won an election with less than an adjusted average of 184,000 jobs per month, though it was Presi-

dent Obama who achieved that just four years ago. The only elections when an incumbent party lost with job growth above that level were dominated by Vietnam and Watergate.

**modern incumbent parties have never won an election with less than an adjusted average of 184,000 jobs per month**

To benefit from the economy, Democrats should be looking for monthly job growth above 185,000 per month. This

won't guarantee victory for the Democrats, and lower growth won't guarantee victory for Republicans, but it's a helpful benchmark to evaluate the monthly statistics during 2016. []