



May Jobs Report likely to show moderate hiring

by Mitchell Hartman

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Employers likely added 213,000 new jobs in May, according to the consensus estimate of economists cited by Bloomberg, while April's job gain was 288,000. The unemployment rate likely increased 0.1 percent in May to 6.4 percent, after sharply declining in April (from 6.7 percent to 6.3 percent).

If these expectations pan out, May's performance would confirm a return to steady, modest growth in the economy and the labor market. That follows a volatile winter with multiple severe storms that pushed the overall economy into a surprising quarterly decline in GDP. A projected increase in the unemployment rate in May would likely be caused by people returning to the workforce as job-hunters. April's drop in unemployment was attributed to a steep decline in the size of the workforce.

"We're back on track right now," says **Bernie Baumohl at the Economic Outlook Group** in Princeton, New Jersey.

The economy has now been creating an average of 237,000 jobs per month since February. First-time claims for state unemployment benefits are at a seven-year low.

"The economy is looking better," says Baumohl. "We've seen better performances in manufacturing and services and auto sales. Confidence levels are also higher among consumers and business leaders. It's going to encourage employers to accelerate hiring."

Paul Osterman at the MIT Sloan School of Management says the next signs of significant progress in the employment recovery would be improvement in workers' real wages, and an increase in the employment-to-population ratio, which measures how many adults are working compared to the total population of potential workers. That ratio fell sharply in the recession and has not rebounded significantly since.

As jobs get more plentiful at all wage levels, employers can be expected to compete to attract and retain workers. In response, they might begin raising wages.

"Over the last twelve months real wages have gone up by a little bit under 2 percent," says Osterman. "That's better than zero, but it's below productivity gains."

In other words, employees have been producing more for their bosses, driving profits up, without getting much extra in their paychecks in return.

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