



Businesses Add 209,000 Jobs in July

The last time employment gains averaged more than 200,000 for six straight months was in 1997

By Katherine Peralta – August 1, 2014

By U.S. employers added 209,000 jobs in July, marking the sixth straight month of 200,000-plus gains and further evidence of a strengthening economy, the Labor Department reported Friday. The reading was down from 298,000 in June, which was higher than previously estimated.

The figure fell short the median estimate of Bloomberg-surveyed economists, who called for a payroll gain of 230,000. The jobless rate rose to 6.2 percent from 6.1 percent in June, as more people entered the workforce to look for jobs. The participation rate, which measures the share of adult Americans either working or actively searching for a job, climbed to 62.9 percent from 62.8 percent in June.

The U.S. labor market has not experienced six straight months of job gains over 200,000 since the first half of 1997. The creation and filling of jobs could lead to even lower unemployment in coming months and could stimulate wage growth. More money in the hands of consumers means they're able to spend more, and household spending makes up the biggest part of the U.S. economy.

"Unambiguously, the labor market is recovering pretty rapidly," Jim O'Sullivan, chief U.S. economist at High Frequency Economics, said before the report. "We will start to see wage numbers move up. For spending power, it's not just jobs added but how much [people make]."

In July average hourly pay increased 1 cent to \$24.45. Over the past year, hourly earnings have risen by 2.0 percent, roughly in line with the cost of living. The average length of the workweek was 34.5 hours for the fifth straight month.

One thing that may concern economists is growth in low-wage, lower-skilled positions.

"Workers with skills that are in demand have good leverage and get good roles, however the demand for unskilled workers is still pretty anemic," Guy Lebas, chief fixed-income strategist at Janney Montgomery Scott LLC, said before the report. "So we're seeing wage pressures among higher income earners and not so much among lower income earners."

The number of adults working part-time for economic reasons, also known as involuntary part-time workers, was 7.5 million in July, unchanged from June. These individuals work part-time either because their hours have been cut or because they were unable to find full-time work. While the portion of these workers has declined over the past year, it's still nearly double pre-crisis levels.

Some critics say the Obama administration's health care legislation could be behind the rise in part-time workers as businesses reduce hours to keep workers under the 30-hour-per-week threshold, after which point the employer must provide health insurance benefits. But like many other experts, **Bernard Baumohl, chief global economist at The Economic Outlook Group LLC**, says that's "a very small factor."

"Bear in mind, and I think this is good to keep in perspective, [the number of involuntary part-time workers] has been coming down in recent years, and it's lower than a year ago," **Baumohl** said before the jobs report, adding that the portion of workers whose hours have been cut -- the bigger share of the involuntary part-time -- has been declining "quite a bit," while the smaller part, those who just can't find full-time work, has risen.

The count of people unemployed long-term, or more than 27 weeks, was essentially unchanged at 3.2 million in July. Over the past 12 months, this share of the unemployed population, which makes up 32.9 percent, has declined by 1.1 million.

In a statement wrapping up its two-day policy meeting in Washington, the Federal Open Market Committee noted improvements in labor market conditions such as the declining unemployment rate, but that "there remains significant underutilization of labor resources."

The committee also said that the likelihood of inflation running persistently below its 2 percent target has diminished, a sign that unemployment is returning to healthier levels. Despite the Fed's cautious tone, investors fear the improving job market and wage pressures will lead the Fed to raise rates sooner rather than later. That fear contributed to a sharp selloff in the stock market Thursday, including a more than 300-point selloff for the Dow Jones Industrial Average.

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