MARKETPLACE Economy

(Transcript)

Summer slowdown for jobs

by Mitchell Hartman
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The Labor Department reported on Friday that the U.S. added 215,000 jobs in July, with the unemployment rate unchanged at 5.3 percent.

Unemployment has declined from 6.2 percent in July 2014. But, since mid-winter, job-growth has slowed — from approximately 290,000-jobs-per-month on average for the six months ending in December 2014, to 210,000-jobs-per-month from January-June 2015.

Bernie Baumohl at the Economic Outlook Group says the economy is simply not growing fast enough to encourage employer confidence in future sales and expansion. “A lot of businesses are still apprehensive about ramping up hiring,” he says, “until we get faster growth on a sustained basis.”

The global economy isn’t helping. Growth is slow in Europe, China and Japan, and the strong U.S. dollar further depresses export sales abroad. That in turn has hurt manufacturers, which have cut back on hiring. Low oil prices have hurt employment in the U.S. oil fields.

Baumohl also believes that a combination of globalization, labor-saving technology, and the deep shock of the financial crisis, have precipitated a paradigm shift in employment. “Companies have changed the whole calculus that goes into deciding how many people to hire and when to hire,” says Baumohl. Companies now try to get by with fewer employees for longer, turning to temps, domestic and foreign contractors, and robots rather than hiring new full-time workers.

Wages have also been stagnant in the past year, in spite of the unemployment rate declining steadily to 5.3 percent, close to the level considered to be full employment. Labor economist Michael Strain at the American Enterprise Institute says orthodox economics predicts that wages will rise as unemployment falls this low, because employers will face labor shortages as the pool of unemployed job-seekers dwindles. That's not happening, though.

“Firms don’t feel like they need to bid up wages in order to attract and retain employees,” says Strain, “because there’s still a lot of slack in the labor market.”

Strain speculates that there are still millions of potential prime-age workers — in their thirties, forties and fifties — who aren’t actively looking for work now, but are ready to do so if job prospects improve. That shadow labor pool increases employers’ market leverage and negotiating power; it holds down entry-level wages; and it makes people who have jobs hesitant to ask for a raise, fearful they’ll be replaced by someone who will do the job for less.

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