



ECONOMY

How Should You Look At The Jobs Report? Try These Different Angles

MARILYN GEEWAX

June 4, 2016

The Labor Department's May jobs report, released Friday, was surprisingly bad.

Economists scrambled to explain why they hadn't seen a hiring dropoff coming. Most had predicted about 160,000 new jobs for May, but in fact, only 38,000 materialized. That was the smallest increase since September, 2010.

And job growth for March had to be revised down to 186,000, from 208,000; April's growth was marked down to 123,000, from 160,000. Such declines represent a big change from last year when employers were averaging 220,000 new jobs each month.

May's unemployment rate fell by 0.3 percentage points to 4.7 percent, which sounds good at first. But that decline actually reflects a smaller workforce. When fewer people are trying to find jobs, the rate of unemployment can appear smaller.

Here are some theories to help explain the hiring downturn:

- **Data Noise.** Perhaps the month was a fluke. For one thing, Verizon workers were on strike. That walkout is over now, so June may look better. Also, February and March were unusually warm

months, which may have shifted some May hiring to earlier in the year. In other words, maybe May was just odd. *"About 35,000 Verizon strikers were temporarily deleted from the payroll job count and need to be added back in to get a true picture of the payroll job gain in May," said PNC Chief Economist Stuart Hoffman.*

- **Political Uncertainty.** Until May, many people doubted Donald Trump could become the Republican candidate for president. And few thought Bernie Sanders, a socialist running for the Democratic nomination, would push the party's conversation so far left. But in May, employers started taking into account political developments that could lead to unusual policy shifts. *"One can surmise that employers are likely postponing hiring because of the political, not economic, climate," said Bernard Baumohl, chief economist with The Economic Outlook Group.*
- **Time For A Breather.** Economists have been seeing positive data, such as robust personal spending and booming Ford truck sales. But after a record-setting 75 consecutive months of private-sector job growth, employers are needing a breather. Business tends to move in cycles, and it just may be time to pull back for a cyclical decline. *"There has been a noticeable slowdown in temporary help hiring so far this year. Temporary help hiring is often considered a leading indicator, and the recent deceleration suggests that businesses have become more cautious about the economic outlook," said Ryan Wang, economist for HSBC Bank.*
- **Cheap Energy.** Coal miners, drillers and other energy workers have been taking a beating because of low prices for coal, oil and gas. As energy companies cut back on production, they also need fewer manufactured items, such as pipes, earthmovers and train cars. *"Mining jobs fell by 11,000, the 20th straight monthly*

decline, totaling 210,000 jobs lost. Manufacturing jobs fell by 10,000," said PNC Chief Economist Stuart Hoffman.

• **Washington Gridlock.** Many business leaders had been hoping Congress would reform corporate taxes, build infrastructure, expand trade and cut regulation. But lawmakers have tied themselves up in knots and killed off any expectations of action, leading to a gloomier outlook. *"Manufacturers, and almost all employers for that matter, are holding back on hiring because they lack confidence in the ability of Congress and the administration to put aside partisan differences," said National Association of Manufacturers President and CEO Jay Timmons.*

But Labor Secretary Tom Perez, speaking with NPR, had a different take. He says job creation is slowing because the economy is nearing full employment.

"When you are getting close to the summit of the mountain ... you tend to have lower job growth numbers," Perez said. "But that's offset by the fact that you see wages going up."

Average hourly wages are now 2.5 percent higher than a year ago and some employers say they have decreased hiring simply because they can't find workers with the right skills.

Dyke Messinger runs Power Curbers, Inc., a small manufacturing firm in Salisbury, N.C. It builds machines that make curbs and gutters. He says expanding his workforce is getting harder because of competition for labor.

"We employ mostly skilled labor," which is in great demand, Messinger said. "We've had upward pressure on pay."

###