What the Latest Jobs Reports Really Mean

There were three jobs reports released last week: two from the Labor Department's Bureau of Labor Statistics (one based on its "household" survey, the other on its "establishment" survey), and one from ADP based upon its payroll data.

ADP's numbers came in first on Thursday, showing job growth in December exceeding forecasters' predictions at 250,000. This was followed by the Bureau of Labor Statistics (BLS) report on Friday, showing 148,000 new jobs in December. They both said that the unemployment rate held steady at a record low 4.1 percent.

Mark Zandi, the establishment economist at Moody's, was "disappointed" in Friday's numbers from the BLS and thinks they're going to get worse going into the New Year. First, he admitted that the 148,000 jobs growth number from the BLS was "well below expectations and inconsistent with every other statistic on the strength of the job market and [the] broader economy during the month." He further stated that that number is likely to be adjusted upward by the BLS in coming months thanks to Trump's tax reform bill that is putting billions of dollars back into workers' paychecks. In addition, Zandi said that the unemployment rate "will continue to decline" and "mid-3 percent unemployment is very possible by this time next year."

So what's his beef? Isn't low unemployment, people coming back to work after being involuntarily laid off following the Great Recession, and the present record-breaking six million open job offerings all good things that bode well for the future? Not according to Zandi: "Hopes that lots of prime-aged [35-54] workers sidelined since the Great Recession will re-enter the workforce to take these open job positions will likely be frustrated," he declared.

Why? Zandi says that baby boomers are retiring in numbers that offset millennials moving into the workforce. And those on the sidelines still looking for work (or better, looking to upgrade their pay checks by applying for better-paying jobs) face, according to Zandi, unsurmountable problems that are "very difficult to overcome, including opiod [addiction]s, incarceration and disability." In other words, through the eyes of this establishment naysayer, most of the potential workforce needed to fill those six million open jobs are either on drugs, in jail, or on disability welfare.

Most important, says Zandi, the "stimulus" from tax reform is only going to be "temporary," causing future "job growth … to slow sharply." He blames President Trump, stating:

> With no more unemployed or underemployed to hire, fewer immigrants coming into the country to work, and the boomers retiring, job growth will significantly throttle back.

Zandi's worldview shows how people can look at certain reports and come up with diametrically opposite conclusions — for instance, that the impact of tax reform is likely to be temporary, that fewer immigrants will mean employers won't be able to find low-skilled low-paying workers, and that boomers will continue to leave the workforce, causing stagnation and resulting in an economy that flatlines.

Free-market economists, on the other hand, can hardly keep up with what the freshly unleashed economy is doing. Their worldview holds that when government's heavy hand of regulation and taxation is lifted, albeit even slightly, entrepreneurs seize the day, make plans, and invest new capital into new ideas that previously were dormant, all of which stoke the economy.

For the record, all three jobs reports last week showed that low-paid temp jobs had the least growth, and that the real growth was in mining, manufacturing, and construction. They revealed that wage growth is keeping ahead of inflation with many free-market observers predicting that businesses will be forced to raise wages further in order to attract the kind of highly skilled and highly motivated people they need as the economy accelerates. These free-market observers are suggesting that Trump's tax-reform bill will add at least a third of a percentage point to the economy's growth rate in 2018, pushing it closer to the 4 percent GDP growth that the president promised (and for which he was highly and repeatedly criticized).

There is more to these jobs reports than just the employment and wage numbers. They are a surface indicator of something much deeper, more profound, and more long-lasting that is shaping the new economy. First, these are "old" numbers: backward-looking long before tax reform became a reality. Second, they reflect a willingness of business owners to add significant permanent overhead to their businesses based upon increasingly improving expectations that such investments in labor will improve their profitability permanently. That's why so many are moving their part-time employees to fulltime positions. This has a positive psychological effect, also measured by sentiment indicators: workers, investors, and business owners are more optimistic about their futures than they have been in years.

There's another psychological — some say spiritual — benefit to more and higher-paying jobs being created. The Holy Scriptures, in Colossians 3:23, command that "whatever you do, work at it with all your heart," while Proverbs 12:11 says that "those who work their land will have abundant food, but those who chase fantasies [welfare benefits?] have no sense." Proverbs 13:4 goes further: "A sluggard's appetite is never filled, but the desires of the diligent are fully satisfied." Proverbs 14:23 adds: "All hard works brings a profit, but mere talk [idleness?] leads only to poverty."

There's the meeting of inherent responsibility by those with families through working, says the Apostle Paul to his "son" Timothy: "Anyone who does not provide for their relatives and especially for their own household has denied the faith and is worse than an unbeliever." And, best known and perhaps best applied, is this command from Paul (2 Thessalonians 3:10), "If anyone is not willing to work, let him not eat."

A very practical and yet real positive impact is being felt in social welfare schemes: As workers come off the sidelines and start working, the need for welfare declines. Along with that decline comes a decline in dependency. Put another way, a job builds not only self-esteem for the worker now able to provide for himself and his family, but personal responsibility as well.

Zandi is dead wrong. The economy is just beginning to get traction.

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