



Written by [Bob Adelman](#) on February 3, 2017

Jobs Report: Across-the-board Growth, Except for Government

Friday's jobs report from the Labor Department's Bureau of Labor Statistics (BLS) for January surprised on the upside in almost every category with job growth of 227,000 new jobs, beating economists' predictions by more than 50,000. The report reflected numbers from the week before President Donald Trump was inaugurated, and showed growth in every major category, including manufacturing. On the flip side, government employment dropped by 10,000 jobs.



This is the best jobs report in the last four months, and exceeds 2016's average monthly jobs growth of 187,000. Construction added 36,000 jobs, retail trade added 46,000 jobs, financial services grew by 32,000 jobs, professional and business services increased by 39,000 jobs, education and health services jumped by 24,000 jobs, leisure and hospitality added 34,000 jobs, and manufacturing added 5,000 jobs.

The job market was attractive enough to entice those not in the work force to begin to look for work once again, increasing the workforce participation rate. The labor force increased by 584,000 in January while wages continued to increase, rising 2.5 percent over the past year, and long-term unemployment dropped.

The report reflected a positive change, especially in manufacturing versus government. Over the last year the manufacturing sector lost 46,000 jobs while government employment under the Obama administration jumped by 162,000 jobs. Future reports from the BLS will confirm whether the January reversal has legs.

The January report is merely a snapshot of an economy in transition, which makes it difficult to draw long-term conclusions. Part of its rosy tone may reflect anticipation of the fulfillment of Trump's promises, such as repealing ObamaCare, cutting taxes and regulations, and removing executive-order impediments that flowed from Obama's pen especially as he was making his exit.

A broader picture suggests that, as good as the report is, the underlying economy is doing even better. Baby Boomers are exiting the jobs market and retiring at an estimated 10,000 every day. That's nearly four million leaving the workforce every year. And it could continue for years as the Baby Boomer cohort exceeds 75 million.

However, there's also the factor of robotics increasingly replacing jobs as cost-cutting continues to drive automation, along with the push from minimum-wage laws. And yet the jobs report reflected a growing economy that is able to overcome those negatives.

In addition, there is the difficulty of measuring exactly how many people are working and for whom. The *Wall Street Journal* raised the issue in its recent report "The End of Employees," which said, "Never before have American companies tried so hard to employ so few people." The problem, said the *Journal*,



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is that “no one knows how many Americans work as contractors, because they don’t fit neatly into the job categories tracked by government agencies [such as the BLS].”

For example, Southwest Airlines has about 53,000 real full-time, full-benefits employees, but another 10,000 outside employees. Google’s parent Alphabet uses contract staff from various outside staffing agencies such as Zenith Talent, Filter, and Adecco, running up an annual bill for those services in excess of \$300 million. When Todd Gibbons, CEO of the Bank of New York, was quizzed on the matter, he responded, “It’s just too hard to tell exactly what’s going on with [our] head count and how people compute it and whether [we’ve] got contractors versus full-time employees.” If he doesn’t know how many people work for BNY, how would the BLS know?

What is clear is that January’s report, if it is sustained in the months ahead, reflects the new paradigm emanating from Washington: one of support and encouragement backed by real efforts to unleash the free market by removing some (many) of the impediments placed before it by previous administrations.

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