



## Newest Jobs Report: There's Good News, and Then...

On the surface [Friday's jobs report](#) from the Bureau of Labor Statistics (BLS) wasn't so bad: 169,000 jobs were created in August and the unemployment rate dropped slightly, once again, to 7.3 percent. This was slightly below expectations (180,000) but about in line with the average monthly gains over the past year.

But — and it's a big but — [not everyone is participating](#), and [some of those numbers aren't real](#). Temp jobs jumped to new highs, rising in excess of four times more quickly than jobs in the general economy.

Employment in auto manufacturing rose nicely, continuing to outpace the economy in general. The oil and gas business is booming, and employment there continues to accelerate. Construction was flat for the month but has grown at twice the national rate over the last 12 months, creating nearly 650 new jobs every day.

Those with college degrees are faring better, too. While college graduates represent less than 40 percent of those aged 25 and over, they captured nearly three out of four new jobs gained in that group. So, here's the good news: Temp help, oil and gas, auto manufacturing, and construction are all adding jobs much more quickly than the economy in general. And college grads are enjoying most of them.

The bad news is that the rest of the economy is stagnant with little likelihood of improvement anywhere on the horizon. [According to Michael Strain](#), resident scholar at the American Enterprise Institute, at the rate the economy is creating jobs over the last three months (BLS numbers for June and July were revised significantly lower than originally reported), the jobs "gap" created by the Great Recession won't be closed until the year 2025 — 12 years from now.

The unemployment rate is distorted as well, since it measures only those "actively" in the work force, which number has been declining. As Strain expressed it: "A labor force that shrinks in size along with a drop in the number of employed workers is nothing to celebrate."

Buried in the BLS report were some other unnerving numbers. Those 16 and over who, for whatever reason, have decided not to seek employment, now exceed 90 million people for the first time in history. Worse, when compared to those not participating in January 2009 when President Obama took office — 80,507,000 — it's evident that nearly 10 million workers have decided to "opt out" of the workforce since his inauguration.

Economist James Pethokoukis of the American Enterprise Institute noted that the labor force participation rate fell to a 35-year low: "If it were still at 2009 levels, the unemployment rate would be 10.8%." This is a far cry from the White House estimate in 2009 that the proposed stimulus would bring





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unemployment down to five percent — by last June!

Mish Shedlock, writing at his Global Economic Analysis blog, [defines unemployment differently](#) from the BLS and consequently comes up with a much higher (and he thinks more realistic) measurement of unemployment: “You are unemployed if you want a job and do not have one.” Using that definition Shedlock then looked at just the age 25-54 cohort (to eliminate the Baby Boomer retirement anomaly) and concluded, with Pethokoukis, that the real unemployment number is closer to 11 percent.

What the BLS report does show conclusively, putting aside the matter of definitions and distortions and fudging (these are, after all, government numbers developed by government employees for government purposes), the economy is still sick abed, more than five years after the start of the Great Recession, with little to convince analysts that anything is likely to improve in the near future.

A chart that Shedlock provided [here](#) matches the growth in bank lending with sales on a per capita basis. This is pure capitalism at work, in chart form: It takes capital to develop a business that then generates products and services which it (hopefully) sells to its customers. First comes capital, then comes sales. What does Shedlock’s chart (provided by the St. Louis Federal Reserve Bank) show? Both lines are headed down, back to where they were a year ago. Confirms Shedlock: “It seems rather unlikely that private economic activity is poised to accelerate under these conditions.”

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