Rosy Jobs Report Fails to Mask Economy's Continuing Weakness

The headlines from Friday's jobs report from the Bureau of Labor Statistics (BLS) were rosy: Employment rose by 288,000 (exceeding expectations), while the unemployment rate fell by 0.4 percent, ending at 6.3 percent, just above the figure dating back to September 2008.

The talking heads from the administration looked at only those headlines and took credit for the gains. Jason Furman, chairman of Obama's Council of Economic Advisors, claimed that Congress is standing in the way of even better performance:

> The President continues to emphasize that more can and should be done to support the recovery, including acting on his own executive authority to expand economic opportunity, as well as pushing Congress for additional investments in infrastructure, education and research, an increase in the minimum wage, and a reinstatement of extended unemployment insurance benefits.

Parsing the numbers, however, reveals that the labor force participation rate actually dropped by 0.4 percent, down to 62.8 percent. In a healthy economy, people would be actively looking for work while those working would be getting paid more. Neither is happening.

In fact, rather than the gain in jobs reported by the BLS and touted by the White House, the household survey done by the BLS showed that the economy actually lost 73,000 jobs in April. And those jobs allegedly gained in the BLS's establishment survey were largely part-time or low paying service jobs in restaurants, retail businesses, and bars. Real jobs in manufacturing and housing, on the other hand, have barely increased at all over the past 12 months, according to the BLS. Construction jobs, for example, have increased by only 189,000 over the last year — a scant 15,000 per month.

Earnings, after being adjusted for inflation, have stayed flat, if not slightly negative, over the past 12 months, while the average workweek has remained constant. In a thriving economy, the average workweek would be increasing, along with wages.

Over the past year the U.S. population rose by 2.3 million while the labor force increased by only 62,000. The number of people dropping out of the work force (some 806,000 according to the BLS) accounts for the decrease in the unemployment rate. As Mish Shedlock notes in his Global Economic Trend Analysis,

> The official unemployment rate is 6.3%. However, if you start counting all the people who want a job but gave up, all the people with part-time jobs who want a full-time job, all the people who dropped off the unemployment rolls because their unemployment benefits ran out, etc., you get a closer picture of what the unemployment rate is. That number is … much higher at 12.3%.
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> Both numbers would be way higher still, were it not for millions dropping out of the labor force

> over the past few years.

There are numerous factors keeping people out of the work force. Some people have stopped looking for work, or simply can't find work, and others are either staying in school longer hoping opportunities will improve or going back to school hoping additional education will help them find work. And of course, there are those who have figured out a way to live off the government in one or more of its 80 programs designed to help people out of work.

Shedlock concluded: "All things considered, this is not a good [BLS] report."

Nathan Mehrens of Americans for Limited Government agreed:

> The unemployment rate dropped by 0.4 percent, but that is owed almost entirely to 1 million people leaving the labor force. 73,000 jobs were lost, according to the Bureau's household survey.
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> This is not a good report. We're not creating jobs, and the only reason the rate dropped is because so many people gave up looking for work.
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> This coupled with weak first quarter growth calls into question continued stimulus policies by the Federal Reserve, and Obama's regulatory stranglehold on job creators.

The National Bureau of Economic Research claims that the Great Recession began in December 2007 and ended in June 2009. And yet, nearly five years later, unemployment, labor participation, and wages have failed to reflect any significant rebound.

The headlines from the BLS report for April are an attempt to mask those facts.

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