



June 11, 2013

Job Growth Is Still Too Sluggish

Last Friday's employment report showed job creation continues to be far below what we should have nearly four years after the end of the recession. The Department of Labor reported an unemployment rate of 7.6 percent for May 2013, an increase of 0.1 percentage points, and an increase of 175,000 nonfarm jobs.

“At the present slow pace of job growth, it will require more than a decade to get back to full employment defined by prerecession standards.”

-- The Wall Street Journal, Op-Ed, Edward Lazear, June 5, 2013

“Real” Unemployment

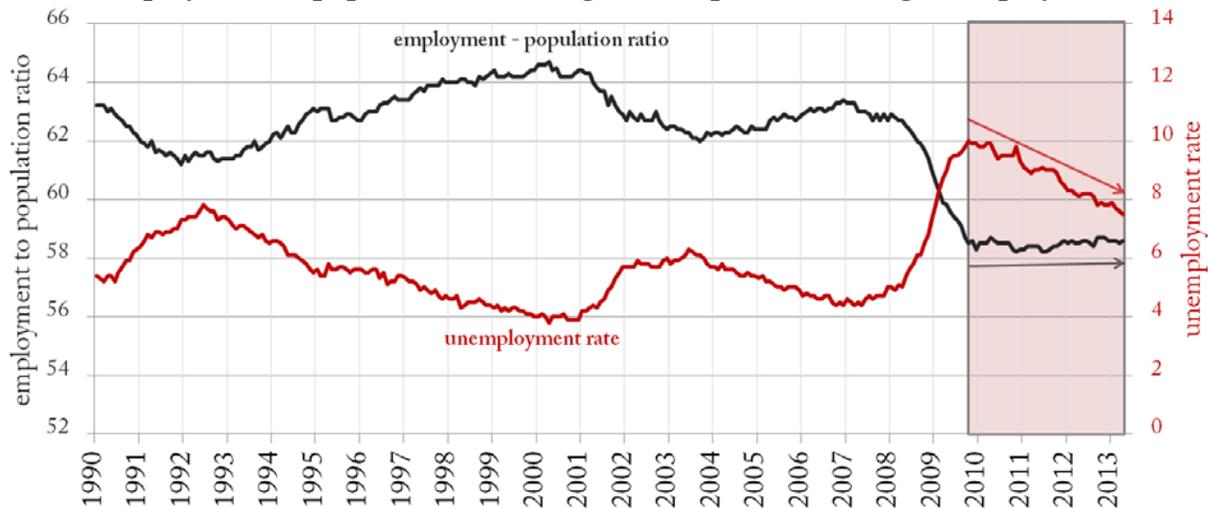
- The “real” unemployment or U-6 rate is **13.8 percent** for May 2013. This is the total percentage of unemployed and underemployed workers.
- The “real” number of unemployed Americans is **21.9 million**. These are people who are unemployed (11.8 million), want work but have stopped searching for a job (2.2 million), or are working part time because they can't find full time employment (7.9 million).

Labor Force Participation

- The share of American adults with jobs in May was 58.6 percent, roughly the same for more than three years. This is approximately five percentage points [below](#) its prerecession peak.
- As explained by [Edward Lazear](#), former chairman of the Council of Economic Advisers, historically the relation between unemployment and employment has been inverse. As the employment-to-population ratio rises, the unemployment rate falls, and vice versa. This decades-long trend has been broken following the latest recession. Over the last three and a half years, while the unemployment rate has fallen, the employment-to-population ratio has remained steady at around 58.5 percent. So while the net number of jobs over this period has increased, so too has the size of the working population. At this pace, U.S. job

growth is only slightly better than what it takes to keep the employed percentage of the working-age population steady, causing the available jobs to continue to seem scarce.

Employment to population ratio stagnant despite decreasing unemployment



- The labor force participation rate is **63.4 percent**, up 0.1 from last month, when it reached its lowest level since May 1979.
- If the labor force participation rate were the same as when the President took office, the unemployment rate would be **10.7 percent**.

Employment

- The Department of Labor [reported](#) an unemployment rate of **7.6 percent** for May 2013, an increase of 0.1 percentage points, and an increase of 175,000 nonfarm jobs. Employment figures for March were revised from 138,000 to 142,000 jobs created and for April from 165,000 to 149,000 new jobs. Combined, employment gains in March and April were 12,000 less than previously reported.
- President Obama [promised](#) an unemployment rate of **5.2 percent** by this time.
- [Concern](#) has been raised that despite positive reports in other areas of the economy, job growth continues to remain sluggish. In 2012, the economy added an average of 262,000 jobs a month. In 2013, the economy has added an average of 189,000 jobs per month, and employment growth has averaged 172,000 per month over the past 12 months.
- Employment increased in professional and business services (+57,000), food services and drinking places (+38,000), retail trade (+28,000) and health care (+11,000). Employment in manufacturing declined (-8,000) and government jobs declined (-3,000). Within government, federal employment fell by 14,000.

- The loss of manufacturing jobs takes a bite out of the President’s goal of one million new manufacturing jobs by the end of his second term. There would need to be 23,000 new manufacturing jobs per month to reach the President’s goal. President Obama continues to say that the economy has added 500,000 manufacturing jobs since February 2010, but the Washington Post has [awarded](#) the President two Pinocchios for this claim.

“Without some presidential acknowledgement that manufacturing job growth has slowed in this past year, it might be time to retire this talking point.”

Washington Post, June 10, 2013



- As noted in the [Wall Street Journal](#), “at the present slow pace of job growth, it will require more than a decade to get back to full employment defined by prerecession standards.” At 175,000 jobs per month, it will likely take until 2017 for the unemployment rate to hit 5.5 percent, the rate Federal Reserve officials deem “optimal.” According to some analysts, this jobs report does not provide the Federal Reserve the data needed to begin tapering its \$85 billion a month bond-buying program.

Weeks, Hours & Wages

- The number of Americans searching for work for more than 27 weeks is 4.4 million; this represents 37.3 percent of all unemployed.
- The average work week for private nonfarm employees increased by 0.1 hour to 34.5 hours.
- The average hourly private nonfarm payroll increased by 2 cents to \$23.89. Year over year hourly earnings have risen just 1.8 percent. Consumer Price Index is up [1.6 percent](#).