A Closer look at the Jobs Report

From a distance the jobs report issued on Friday by the Bureau of Labor Statistics (BLS) looks pretty good: 215,000 new jobs were created by the economy in March while earnings, year-over-year, increased by 2.3 percent. The average hours worked remained stable, and the labor force participation rate rose off its recent record lows.

The numbers came from two sources: payroll numbers provided by businesses directly to the Labor Department, and household numbers provided by phone-call surveys.

In looking at the numbers, Ward McCarthy, chief financial economist at Jefferies LLC, a massive global investment firm headquartered in New York City, said that "we continue to generate a lot of jobs" without asking what kind. A closer look reveals the answer: part-timers, retailers, restaurants and other service positions, plus some government jobs made up the bulk of the gains. Manufacturing jobs slumped by 29,000, the sharpest decline in more than six years. Most of those job losses were in durable goods (such as household appliances or machinery that have a life of three or more years), which declined by 24,000 jobs. This continues the decline in manufacturing jobs, which peaked in June 1979 at 19.5 million and now stands at 12.2 million.

More than 93 million Americans still are not participating in the labor force following the slowest recovery from a recession in American history. There are also more than 6 million "involuntary" part-time workers — people who would be working full-time except that they cannot find a full-time job.

The top-line unemployment rate ticked up to 5 percent, but the "real" unemployment rate, defined by the BLS as the "total unemployed plus all persons marginally attached to the labor force, plus total employed part-time for economic reasons" remained at 10 percent. Both of those numbers (the top-line and "real" rate) would be much higher, wrote Mish Shedlock, "were it not for millions dropping out of the labor force over the past few years." Added Shedlock:

> Some of those dropping out of the labor force retired because they wanted to retire. The rest is disability fraud, forced retirement, discouraged workers, and kids moving back home because they cannot find a job.

The BLS definitions of who is working and who isn't distort the jobs report, according to Shedlock: "If you work for one hour, you are employed. If you don't have a job and fail to look for one, you are not considered unemployed; rather, you drop out of the labor force altogether…. These distortions artificially lower the unemployment rate(s), artificially boost full-time employment, and artificially increase the payroll jobs report every month."

Future jobs reports aren't likely to improve very much, either, making March's modest report the new normal. Headwinds, such as student loans that have exploded six-fold since 2009 to nearly a trillion dollars, have pushed home-ownership rates to lows not seen in 48 years. The federal food stamp program (SNAP) increased by 26 percent from 2009 to 2014, when the economy was supposedly recovering from the Great Recession. The cost of medical care and health services is running away from the modest increases in wages, having ballooned by 25 percent since the so-called Affordable Care Act (ObamaCare) was signed into law.

The economy isn't likely to get much help from other economies around the globe, either. Markit's recent survey of global business activity showed it slowing to the lowest level since October 2012.

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