US jobs report shows lower than expected hiring in December

By Tom Hall
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The December jobs report from the Bureau of Labor Statistics (BLS) showed that the American economy added 156,000 jobs last month, less than the 175,000 expected by economists.

The BLS's breakdown of the figures showed that by far the largest share of job growth was from the service industry, with 132,000 jobs added, especially in the healthcare and social assistance sector which added 70,000 jobs.

Economists acknowledged the generally tepid character of the report. PNC chief economist Stuart Hoffman called it "a 'vanilla pudding' jobs report that keeps the Fed on a gradual rate hiking path."

Secretary of Labor Thomas Perez went further, releasing a statement declaring that "[t]he US economy again demonstrated its strength in December."

Manufacturing, while adding 17,000 jobs, remained slightly below employment levels from the previous December. The construction industry and mining and logging shed 3000 and 2000 jobs, respectively.

Average hourly wages rose 0.4 percent in December, or roughly 10 cents per hour compared to November. This meant a total increase in nominal wages of 2.9 percent through all of 2016, the largest annual wage increase since the end of the recession in 2009. Reports in the press presented this as balancing out the weaker than expected job growth.

However, the increase in wages last year is still well below the more than 3.5 percent annual wage growth that the Economic Policy Institute (EPI) estimates would have to be sustained for several years in order for American workers to recoup the wages they lost as a result of the Great Recession. Annual wage growth remains far below the levels from before the recession. In November 2007, the month before the official beginning of the recession, year-on-year wage growth rate was 3.89 percent.

Significantly, year-on-year monthly wage growth (according to figures from the EPI) *during the recession* was higher than at any point during the recovery, and never fell below the 2.9 percent being hailed as a sign of a strong jobs market today. This is consistent with the character of the "recovery" itself, with a return to profits based on predominantly low wage, part time or casual jobs, focused on lower-paying sectors such as the service industry.

The labor force participation rate remains at the near-historic lows which it has hovered around since the recession, rising slightly from 62.6 percent in November to 62.7 percent in December. This is largely driven by the millions of workers who, discouraged by poor job prospects, have given up looking for work and have dropped out of the labor force altogether.

The EPI estimated that there were 2.33 million "missing workers," in December, or people who were not employed but were not seeking work due to "weak job opportunities" and are therefore not counted in the official unemployment rate (which, driven by the slight increase in labor force participation last month, rose slightly from 4.6 to 4.7 percent). If it included these workers, the EPI noted, the unemployment rate would be 6.1 percent.

The structural shift in the labor market means that the traditional statistics used to measure the jobs market mask a more dire underlying reality. This was acknowledged by the head of the Gallup polling agency in 2015 when he called the official unemployment rate a "Big Lie" of contemporary American politics.

An alternate measure of joblessness compiled by the BLS, referred to in the press as the "real unemployment rate," which includes those "marginally attached" to the labor force and those working part time jobs involuntarily, was 9.2 percent last month.

The fact, promoted by Perez in his official statement, that the American economy has had 75 consecutive months of job increases belies the fact that the recession resulted in the steepest job losses in decades. On top of this, the “recovery” of total employment figures since the official end of the recession in June 2009 is by far the slowest on record.

According to a report by the Center on Budget and Policy Priorities, the American economy took more than six years to recover all of the jobs lost as a result of the recession. The overwhelming majority of the jobs that have been created since the recession have been in low wage sectors such as the service industry.

In spite of the generally tepid character of the report, the Federal Reserve is increasingly concerned that the labor market is beginning to “tighten,” which would result in upward pressure on wages. The U.S. central bank is determined to stop such a development.

While the Fed is currently committed to a policy of a gradual rise in interest rates, a tightening jobs market could convince them to accelerate interest rate rises to prevent rising wages. This was acknowledged by the Fed following its Open Market Committee meeting last month, when it declared, “Some participants noted that if the labor market appeared to be tightening significantly more than expected, it might become necessary to adjust the Committee’s communications about the expected path of the federal funds rate, consistent with the possibility that a less gradual pace of increases would become appropriate.”