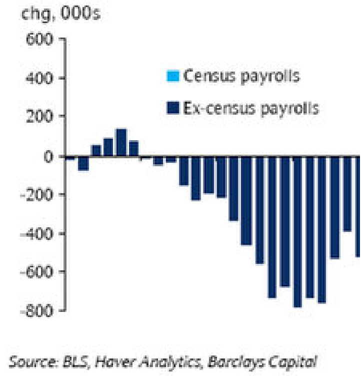
The Economist

Economics
Free exchange

Labour without force

Jul 2nd 2010, 18:36 by G.I. | WASHINGTON, DC



THE best that can be said about the June jobs report is that it doesn't signal a return to recession. Total employment fell 125,000, but this was because of an end to some temporary jobs conducting the federal census. Private payrolls rose by 83,000. That's soft, and less than expected, though better than May's revised increase of 33,000.

Unfortunately, the guts of the report aren't much more uplifting. The private work week, after rising to 34.2 hours in May, fell back to 34.1 in June. In terms of the amount of labour being used throughout the economy, that's the same as a drop of 300,000 in payrolls. Average hourly earnings actually fell, by 0.1%. That may of deflation given the already low readings on inflation. I think that's premature. Hourly have been generally rising, albeit sluggishly, and the June drop could be a one-time mo

Finally, while the unemployment rate did drop, to 9.5%, an 11-month low from 9.7%, i for the wrong reason: a lot of people stopped looking for work. This might be because a impasse led to the expiration of extended unemployment insurance benefits early in Jun number of recipients has been falling by about 200,000 per week since. Some of these p have stopped looking for work (a requirement to qualify for benefits), and thus are no lo counted as unemployed. Census layoffs may have also played a part.

For what it's worth, the household survey (used to calculate the unemployment rate) sh much bigger drop in employment, of 301,000, than the payroll survey. The rule of thum when the two differ, go with the payroll survey.

A lot of the softness in June seems related to a slowdown in the manufacturing sector. T factory payrolls rose a hair, that was far offset by a big drop in hours: the factory work w to 40 hours from 40.5, although in April it was only 40.1. This reinforces the message fr recent purchasing managers' indexes, that the inventory restocking that was fueling a V- recovery in the industrial sector is petering out. Without a follow through from househol business spending, the industrial sector won't be providing much oomph to the economy

All that said, this tells a story of moderate growth, not of a dip back into recession. As U total hours worked rose at a 3.3% annual rate in the second quarter, an acceleration fro 2.4% reading in the first. This is consistent with GDP continuing to grow at around a 3% a bit above the economy's potential growth rate. The economy already faces some head from expiring fiscal stimulus (the unemployment benefits and the home-buyer tax credit most obvious examples), and those headwinds will build over the coming six to nine mc test for the recovery is whether private demand will be strong enough to overcome thos headwinds.

(Democracy in America comments on the debate over extending unemployment benefits (http://www.economist.com/blogs/democracyinamerica/2010/07/unemployment) and t House's odd response to the jobs report (http://www.economist.com/blogs/democracyir /2010/07/unemployment_0) .)