

## New Career: Trashing Jobs #'s

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There must have been thousands of new jobs created in the past few years just to comb through the minutiae of the employment data looking for negative nuggets. All someone needs is access to the Bureau of Labor Statistics website and a calculator. Then, you go through the jobs data and find some stuff to spin negatively.

The job doesn't pay that well, unless you have a radio or TV show or website with advertising. But, it's politically rewarding on both the right and the left to prove how bad the economy is, even when the jobs data are improving month after month. The right gets to badmouth the President; the left gets to argue for more government spending.

This past month was no different. Payroll jobs rose 288,000 in June. Private sector jobs were up 262,000 – the 52<sup>nd</sup> consecutive monthly gain. From January through June this year, private sector jobs rose 1.33 million, the most job growth in the first six months of any year since 1998.

The unemployment rate fell to 6.1% in June – down from 7.5% a year ago. The median duration of unemployment fell to 13.1 weeks in June – it was 17.1 weeks in December 2013. Average hourly earnings rose 0.2%, and are up 2.0% from a year ago – this is not rapid wage growth, but average hourly numbers do not include benefits, tips, bonuses or sales commissions – in other words, this wage data is not the final word on income.

Finally, one of Janet Yellen's favorite gauges of labor market strength, the quit rate – those voluntarily leaving jobs – rose to 9.0% of all unemployed last month. This is the highest quit rate since September 2008 and a sign of rising confidence in the jobs market.

Those who are negative about the economy have focused on four areas. 1- labor force growth 2 – part-time jobs 3 – wages 4- productivity.

The labor force has contracted by 128,000 in the past year. This does not erase, eradicate, or make irrelevant the positive job growth, but it's clearly helped pull down the unemployment rate. Some note the number of adults “not in the labor force” is up 2.39 million in the past year. But this is largely due to aging Baby Boomers. And, even without aging Boomers, as the population grows it's normal for the non-labor force population to grow, too. With only one exception (2006), the number not in the labor force has grown in every year since 1997.

Part-time jobs rose sharply last month, but total part-time employment was 27.4 million in June, which is down from 27.6 million for the full-year 2009. In other words, despite month-to-month volatility, job growth in the past five years has been full-time jobs.

We already mentioned wages, but even the flawed measure of average hourly earnings does not paint a picture of anything close to recession. Average hourly earnings are up 2.0% in the past year, while total hours of work are up 2.1%. In other words, total earnings (hours times earnings) are up 4.1%, which is enough to keep spending on an upward trend.

Some fret about a slowdown in productivity growth during Q1 (declining GDP with rising jobs), but this is a one-off issue. We forecast real GDP likely grew at a 3% annual rate in Q2. In addition, measures of productivity are woefully flawed.

What we find most interesting is that a vast majority of those who work so hard to be negative about employment data support Republican politicians. They have been relentless in using any negative economic news in an attempt to gain political advantage over the past five years.

But, they ought to start taking credit for policies that have helped accelerate job growth and cut the unemployment rate. The improvement so far in 2014 is directly related to the end of extended unemployment benefits. By ending the 99-week payment of unemployment benefits, many were encouraged to find jobs, while others, who only said they were looking for jobs in order to get benefits, dropped out of the labor force.

Five years into an economic recovery was past time to end those benefits, and the improvement in the job market this year was predicted by free market economic models. By trashing the improved data on jobs, those on the political right are dismissing the benefits of their own policies. We don't understand this, but then again we are just economists, not brilliant political strategists.

The bottom line is that our constituents are investors, not Republicans or Democrats. As a result, we look at the data and assess its impact on markets. The June employment report was a very positive and optimistic one. Stay cool, stay long, and stay optimistic. The Plow Horse Economy is trotting just a little bit, and should continue to do so.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
7-8 / 2:00 pm	Consumer Credit– May	\$20.0 Bil	<b>\$18.1 Bil</b>		\$26.8 Bil
7-10 / 7:30 am	Initial Claims – July 6	315K	<b>315K</b>		315K