First Trust
Monday Morning OUTLOOK
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Don't Deny The Jobs Recovery

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You would think that after 63 straight months of growth in private sector payrolls, the longest streak since the 1930s, everyone would agree that the job-market recovery is for real. But, that ain't the case. A quick Google search still uncovers a whole bunch of pessimistic appraisals of jobs and the economy.

Analyzing these pessimists shows they have four major complaints about any supposed strength in the job market.

The first complaint is that the job growth is all or mostly part-time. The numbers on part-timers come from the civilian employment survey, which is very useful over longer periods of time (like a year) but very volatile from month to month.

What does this report show? That in the past year, part-time employment is up 196,000, while overall jobs are up about 3 million. So, guess what? The share of the workforce in part-time jobs has continued to fall – not rise.

Remember, these monthly numbers can be very volatile. So, at least a couple of times per year, the numbers will show that "all" of the jobs in some certain month were part-time. This brings the pessimists out of the woodwork. Rush Limbaugh will talk all day about part-time jobs and Obamacare. But, then, the data go back to normal and we don't hear from the pessimists again (on this issue) until it happens again. Meanwhile, they ignore the opposite trend month after month, while finding something else to complain about.

The second misleading story is that the number of adults not in the labor force (neither working nor looking for work) is at or near a record high. The problem with this claim is that it's both 100% true and 100% irrelevant. The reason it's irrelevant is that because of population growth, the number of non-working adults is usually rising whether we're in recession of not. For example, it grew by more than six million during the economic expansion from 1991 to 2001.

The third misleading pessimistic story about the job market is that the "true" unemployment rate is 10.8%, not the 5.5% the government says. There are multiple problems with this claim. First, what's called the "true" unemployment rate is reported by the government in its monthly jobs data, so it's not like the Labor Department is trying to hide anything.

This more expansive "true" unemployment rate (called the U-6) includes all those counted as unemployed by the regular jobless rate as well as people working part-time who say they'd prefer to work full-time, plus "discouraged" and "marginally-attached" workers. In other words, it is <u>always</u> higher than the regular unemployment rate. Traditionally, in good times or bad, it's about 80% higher. (So when the regular jobless rate was 4.4% back in March 2007, the so called "true" or U-6 unemployment rate was actually 8.0%.)

Today, the "true" unemployment rate is 10.8%, while the regular unemployment rate is 5.5%. This is slightly above the normal relationship between the two measures, but back in 2009, the "true" unemployment rate was 17.1% - so both measures are lower than they were – the labor market is better no matter what data you use.

The last misleading story, which is still widespread, is that there might be more jobs but wages aren't rising. Average hourly earnings are up only 2.3% from a year ago. But with lower energy prices, overall consumer prices are barely higher than a year ago, which means "real" (inflation--adjusted) wages are up about 2% per hour since last year. That easily beats the trend over the past several decades.

The pessimists would be more believable if they said, the economy and jobs would be better with a more free-market set of policies. Lower tax rates, less regulation, and less government spending (particularly on entitlements) would all spur faster growth. But to say things are "awful" is misleading. Investors need to be wary of narratives that use the data to try to trick them into thinking the recovery isn't there at all. It's important for investors to separate politics from economics.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
6-11 / 7:30 am	Initial Claims – June 6	275K	**275K**		276K
7:30 am	Retail Sales – May	+1.2%	**+1.3%**		0.0%
7:30 am	Retail Sales Ex-Auto – May	+0.8%	**+0.8%**		+0.1%
7:30 am	Import Prices – May	+0.8%	**+2.3%**		-0.3%
7:30 am	Export Prices – May	0.0%	**+0.2%**		-0.7%
9:00 am	Business Inventories – Apr	+0.2%	**+0.2%**		+0.1%
6-12 / 7:30 am	PPI – May	+0.4%	**+0.3%**		-0.4%
7:30 am	"Core" PPI – May	+0.1%	**+0.1%**		-0.2%
9:00 am	U. Mich Consumer Sentiment- Jun	91.2	**91.2**		90.7