

Is May's Job Report Reflective of the Unemployment Rate?

May's jobs report brings conflicting news. Economists' consensus forecast called for an increase of 158,000 new hires, yet the actual number came in at a scant 38,000. Expansion was most notable in the education and health services sectors. Contraction continued apace in mining and construction. Information services proved to be the spoiler cutting 34,000 jobs (the bulk arose from the Verizon union strike).

The unemployment rate fell to 4.7% in May, in spite of today's news of weak job additions. A key reason for the decrease in the unemployment rate stems from the falling labor participation rate, which fell 0.2% in May and is down 0.4% the past two months. The civilian labor force has declined from 159.3 million in March to 158.5 million a few months later; 800,000 workers departed from the workforce. Demographers will likely point out the roll that baby boomers are playing in this structural change, as approximately 10,000 reach the retirement age of 65 per day. This brings up the question - Does the government have enough resources to start picking up the tab for the newly retired vis-a-vis Medicare and Social Security?

