



Job seekers waited in line for a job fair in Chicago last week. JAMIE KELTER DAVIS/ BLOOMBERG NEWS

## Job Growth Likely Weaker Than It Looks

Hiring pace slows even as layoffs are fairly low and wage increases stay decent

BY JUSTIN LAHART

American jobs growth is less than meets the eye.

The U.S. has been adding jobs at a respectable clip, though the pace has been slowing. Economists expect Thursday's monthly jobs report from the Labor Department will show that the economy added 110,000 jobs in June.

This year through May, the U.S. added an average of 124,000 jobs a month. That is down from last year's average of 168,000 a month—a reflection in part of how stop-start tariffs, government layoffs and an immigration crackdown could be catching up to the job market. More fundamentally, slow population growth and an aging workforce make it harder for the U.S. to add jobs like it did before.

The good news has been that layoff activity has remained relatively low, with employers hanging on to workers despite economic worries. And wage growth remains decent. But uncertainty has slowed the pace of hiring.

People who have jobs are keeping them, but those who want jobs are having a tough time finding work. That includes recent high-school and college graduates, people who are back on the job hunt after an absence, and those who have been fired.

That has created a stagnant market, where there is little movement even when new jobs are added. It is an environment where a bit more hiring could rekindle job growth, while a slight pickup in layoffs could make the labor market more stuck.

And the line between slow and no growth could be closer than it looks: Evidence is mounting that the headline jobs number could be overstated and that the pace of job growth has been significantly slower than what the monthly jobs employment report has shown.

Consider the regular revisions the Labor Department makes to its jobs report. Thursday's release will focus on June data but will also revise previously released jobs numbers for April and May.

For January through April, the Labor Department has so far revised down the monthly employment gains by an average of 55,000 jobs. March went from a headline of 228,000 jobs added when it was first announced, to 185,000 when it was first revised, to 120,000 when it was revised again.

Pantheon Macroeconomics economist Samuel Tombs reckons that is because a lot of employers don't respond in time to this survey. Employers that do respond quickly are more likely to be large, well-capitalized and well-run.

The late responders are more likely to be small and to lack the deep pockets and know-how to weather challenges such as high tariffs and a slowdown in the supply of immigrant labor. As responses from those laggards come in, the jobs picture dims.

The Labor Department also twice a year releases data about "benchmark" revisions to a whole year's worth of jobs figures. A preliminary estimate comes out in August, with a final revision in February.

Those revisions are based on the Labor Department's Quarterly Census of Employment and Wages, or QCEW.

The QCEW for the fourth quarter was released in June and showed the U.S. gained far fewer jobs from March to December than what headline figures show. Adjusting the QCEW data for seasonal swings, Barclays economist Jonathan Millar calculates it shows the U.S. added 607,000 jobs over those nine months—or fewer than half the 1.4 million jobs initially reported in the monthly figures for that period.

One potential problem with the headline number is its blind spot. To get this figure, the Labor Department surveys businesses on their number of employees. Newly started companies are out of its sample, and, conversely, it takes time to determine if a company has closed or just stopped responding to the survey. The Labor Department does use a "birth-death" model to account for this, but it can be off.

The Labor Department does a separate survey, of households, to calculate the unemployment rate.

The two surveys are complementary, with each answering questions the other cannot. But they can also disagree, and that is the case now. The survey of businesses—what economists call the establishment survey—shows that the U.S. added about 1.7 million jobs over the 12 months ended in May. But comparable numbers from the household survey show a smaller gain of about 1 million jobs.

To be fair, economists usually prefer the establishment survey for counting jobs. That, after all, is what it is designed to do. Still, the household survey is another yellow flag. Unlike the survey of employers, it can account for businesses that have just opened or closed. Someone who works at a company that just opened its doors will still count as employed, for example.

ADP also releases a monthly report on U.S. jobs. And though it doesn't cover government employers, it has been showing a sharp slowdown. Its data suggests that smaller companies, in particular, have ratcheted down hiring.