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The Low-Hire, Low-Fire Labor Market

President Trump trumpets the U.S. economy as the best ever, but most Americans disagree, judging from consumer and political surveys. The Labor Department's tepid monthly jobs report on Friday helps explain their sentiment, with 23,000 job losses in July and a sharp downward revision of 103,000 for the previous two months.

Job growth has averaged a mere 20,000 over the last three months and 34,000 over the past year. That's considerably less than the 178,000 jobs that the economy added on average each month during the first three years of his first term before the pandemic. It's also a slowdown from the last year of the Biden Presidency (103,000).

The good news is that the private economy on net is still adding jobs, with gains last month in construction (22,000), healthcare (22,000) and professional and business services (18,000) and even manufacturing (5,000). But declines in retail (-19,400) and leisure and hospitality (- 40,000) may indicate that consumers are pulling back as inflation eats away at their wages. Average hourly earnings were flat last month, which means that incomes after inflation likely declined.

Local government education shed 49,600 jobs in July, which may be a consequence of federal pandemic largess for schools drying up. A decline in government employment can be healthy for the economy if Americans can find more productive private employment. But the Labor Department's household survey suggests many workers are quitting the labor force. One explanation is the aging workforce as more baby boomers retire, and mass deportations may be another.

The labor force participation rate has fallen to 61.4% from 62.2% over the past year, as the number of Americans who have left the workforce increased by 2.8 million. This explains why the unemployment rate has fallen slightly over the past year (to 4.1% from 4.3%). Full-time employment has declined by 1.3 million over the past year while part-time employment increased by 311,000.

All of this suggest a low-hire, low-fire labor market with employers reluctant to add jobs, perhaps because of Mr. Trump's whipsawing tariffs and uncertainty about the impact of AI. The Institute for Supply Management service and manufacturing surveys increased last month, suggesting the economy is reaccelerating.

But the blah labor market may be one reason a mere 30% of Americans approve of Mr. Trump's handling of the economy, down from 43% a year ago. Only a third of Americans back his tariffs, one of the great self-inflicted policy wounds in recent history.

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