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Hiring has surged this spring, with employers adding more than half a million jobs between March and May. DAVID PAUL MORRIS/ BLOOMBERG NEWS

U.S. Job-Creation Machine Comes Back to Life

BY MATT GROSSMAN

Economists had written off the great U.S. job-creation machine. Now, it is revving back to life.

Hiring has surged this spring, with employers adding more than half a million jobs between March and May. Factories, restaurants and city halls have all shifted into hiring mode, a pivot from last year, when the healthcare industry almost single-handedly propped up job creation. - Note

Friday's May jobs report showed the labor market has now notched its best threemonth stretch in more than two years.

The momentum is a sea change from last year, when hiring was weak in many sectors. Many companies reported then that the economic outlook was too iffy for them to expand.

Meanwhile, the Trump administration was clamping down on immigration in highprofile raids, which sharply curtailed the number of people available to work and added another hurdle to strong hiring.

Now, however, President Trump isn't making as many rapid changes to tariff policy as he was last year, giving businesses an easier time planning. Artificial-intelligence companies are rushing to build data centers, creating a boom in that corner of the construction industry. Though many Americans are gloomy about high gasoline prices and rising inflation, well-heeled consumers continue to spend robustly, supported by a roaring stock market—Friday's selloff notwithstanding. Note

The resurgence poses a puzzle for economists. Many came to believe the immigration crackdown had pushed the economy into a new, more sedate equilibrium, where even a trickle of new jobs each month would be enough to employ a U.S. workforce whose growth had slowed substantially.

The country, some economists proposed, simply didn't need to create hundreds of thousands of new jobs a month anymore to keep the economy stable, a trend called a falling break-even rate of job creation. - Note

If that downshift were happening, slower job creation wouldn't lead to more unemployment— but weaker growth and a less dynamic economy would likely follow. Note

More-recent data is calling that conclusion into question. Job gains have averaged 188,000 each month over the past three months. At the same time, however, the unemployment rate hasn't really fallen. Instead, it has been steady at 4.3%

—signaling that the labor market's neutral gear might not be as low as economists had thought.

“The interesting part of the report today is that the unemployment rate didn't go down,” said Michael Reid, head of U.S. economics at RBC Capital Markets. “It does make you wonder about that break-even pace of employment growth.”

The labor market balances companies' demand for workers against the supply of people available to work. Stronger demand for workers right now is clear in broadly accelerating hiring trends—and to many economists, straightforward to explain. Companies have learned to live with the uncertainty of AI changes, tariffs and war, and see less need to put their plans on hold.

“We had a slowdown in labor demand, and now it's picked up again,” said Guy Berger, a labor economist and senior fellow at the Burning Glass Institute. Berger believes a pickup in hiring appetite explains most of the strength in this year's jobs numbers so far.

Other economists agree that demand has accelerated but also believe there might be more to the story: that it looks like there is a bigger supply of workers, too.

It is hard to know outright, at least in real time, because estimates of the size of the workforce rely heavily on a major annual update. But proponents of this theory point out that faster hiring should be pushing down the unemployment rate—that is, unless labor supply were rising, too.

After peaking at 4.5% in November, unemployment has ticked down only slightly. That is evidence that growth in the number of people working or looking for work may not be quite as limited as was thought.

There are more signs that an influx of workers could be under way. Wage growth has been sluggish. Over the past 12 months, average hourly earnings have climbed 3.4%, well below the 4% pace this time last year. If the workforce weren't growing, many economists would expect to see a faster rise in wages as companies competed with each other to lure scarce talent.

With the U.S.'s native-born population stagnating, swings in immigration trends are the major driver of population changes. So some economists are starting to suspect that foreigners who dropped out of the U.S. workforce at the height of last year's aggressive immigration enforcement are now coming back to work.

Last summer, the share of working-age foreigners who had a job or wanted one slipped to 66% as the immigration crackdown proceeded. This year, it has recovered to 67%, a long-run high, according to Haver Analytics.

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