

employment situation

Frontline Analysis by the MRINetwork Team of Global Search Experts

Employment Summary for May 2013

Unemployment in the United States remained fairly stable in May, with employers adding a better-than-predicted 175,000 jobs last month, according to the Bureau of Labor Statistics (BLS). Despite employment rising across a number of industries, including retail and professional services, the jobless rate for May now stands at 7.6 percent - up from 7.5 percent in April. The addition of jobs surpassed analysts' expectations by approximately 10,000. Job gains for both March and April were revised downward by an overall total of 12,000, with March's increase adjusted to 142,000 from 138,000 and April's to 149,000 from 165,000. Following a report by payroll processor ADP that businesses were expected to add only 135,000 jobs in May, some economists had lowered their estimates prior to the jobs report by the BLS.

The report was considered to be a good indicator for the overall economy in light of the government sequester, as well as the new healthcare law's mandate for businesses kicking in and the 30-year mortgage rate rising above 4 percent for the first time in a year during the last week of May.

Dean Maki, chief economist at Barclays, told CNBC that May's jobs report does little to clarify the Fed's next policy move even though Chairman Ben Bernanke had said he would reduce bond purchases in the next few months if employment levels stayed strong.

"I think this will be seen as a report that's not convincing either way in terms of tapering," said Maki. "We think not until March of 2014. Our view is that the labor market and GDP will be slow enough that the Fed decides it's not worth tapering at this point...and it's because we do not expect the bounce back to 3 percent (GDP growth) that they are expecting."

Across industries, professional and business services added 57,000 positions in May with many employers added temporary workers. The leisure and hospitality sector gained 38,000 jobs last month with employment in the food services and drinking segment continuing to expand. The retail trade sector increase by 28,000, which is slightly above the monthly industry average of 20,000 jobs over the

past year. Within the healthcare sector, employment also continued to trend up to an overall 11,000 with home health services leading the way at 7,000 positions, followed by outpatient care at 4,000. However, the growth was offset by some losses as hospitals cut 6,000 positions last month. Other major industries, including wholesale trade, transportation and mining, construction and manufacturing, all experienced little or no change. Federal payrolls shrank by 14,000.

Workers with higher education levels also continued to fare better than those with a high school diploma or less, with the unemployment rate among these individuals at 6.8 percent, well below the national average.

The number of people employed part-time, or involuntary part-time workers, remained unchanged in May at 7.9 million, while the number of people who were marginally attached to the workforce, or those who had stopped looking for a jobs in the four weeks prior to the report, stood at 2.2 million, down from 2.4 million in May 2012. This subgroup was not counted as unemployed. Among the marginally attached, 780,000 were counted as discouraged workers who suspended their job search because they believed there was no work available for them. Hourly wages for those in private nonfarm jobs was up 1 cent to \$23.89. Wages for private sector production and nonsupervisory employees also rose a penny to \$20.08.

Chart 1. Unemployment rate, seasonally adjusted, May 2011 – May 2013



Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, May 2011 – May 2013

