



Inside the April Jobs Numbers

The U.S. Bureau of Labor Statistics reported that the total nonfarm payroll employment increased by 160,000 in April and that the unemployment rate was unchanged at 5%. Job gains occurred in professional and business services, health care and financial activities. Job losses continued in mining.

The unemployment rate held at 5% and the number of unemployed persons was little changed at 7.9 million. Both measures have shown little movement since August of 2015. The labor force participation rate decreased to 62.8% and the employment population ratio edged down to 59.7% (Chart 1).

In April, 1.7 million persons were marginally attached to the labor force, down by 400,000 from a year earlier. These individuals, who wanted to work, were available for work and had looked for a job sometime within the prior twelve months, were not actually in the labor force. They were not counted as unemployed, however, because they had not searched for work in the four weeks preceding the survey.

Among the marginally attached, there were 568,000 discouraged workers in April, down by 188,000 from a year earlier. Discouraged workers are persons not currently looking for work because they believe no jobs are available for them. The remaining 1.1 million persons marginally attached to the labor force in April had not searched for work for reasons such as school attendance or family responsibilities.

The stock market dropped sharply after the announcement but quickly rebounded by the end of the day. It was a great example of how emotional swings occur temporarily in stocks, swings that rarely matter to long-term investors saving for retirement or investors relying on a broadly diversified portfolio for retirement income (Chart 2).

According to the Bureau of Labor Statistics' Job Openings and Labor Turnover Survey (JOLTS), there were 5.757 million openings in March. According to Bloomberg, economists had estimated that there were 5.45 million job openings. The March number is second only to the high of 5.788 million recorded for July of 2015.

"The number of job openings is not a reliable short-term leading indicator of payrolls, but it does suggest that employers remain very keen to hire, consistent with our view that the below-consensus April payroll number will prove a fluke," said Pantheon Macroeconomics' Ian Shepherdson.

Openings were fewer in retail trade, education and wholesale trade. Hires fell slightly to 5.3 million and there were 5 million total separations including quits, layoffs and discharges.

The JOLTS report, one of Federal Reserve chair Janet Yellen's favorites on the labor market, also included the quits rate, which held steady at 2.1%, just under the decade high of 2.2%.

With all this said, the utilization rate still remains low in the 63% range which signals that there is room for expansion and that full employment as well as wage inflation are still a ways off. The problems occur with matching job skill sets and getting the right skilled labor in the correct regions to close the utilization gap which leads to more GDP output.

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Chart 1



Source of Chart: FactSet

Chart 2



Source of Chart: Yahoo Finance

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