

June Jobs Numbers Are Worse than You Think

By [James Hickman Follow](#) | 07/02/15 - 02:33 PM EDT



NEW YORK ([TheStreet](#)) -- An anemic [June jobs growth number](#) is being characterized as "[healthy](#)," "[solid](#)" and ... fill in your favorite euphemism. As we [stated in May](#), when jobs numbers were being represented as evidence of a [strengthening economy](#), one month does not a trend make. Then and now, there is little evidence to suggest the U.S. economy is accelerating. Moreover, the May jobs estimate was revised downward.

The decline in the official unemployment rate to 5.3% from 5.5% was entirely due to a decline in the already historically-low labor force participation rate to levels last seen in the late 1970s (62.6%). In the absence of people giving up the search for work in the last month, the official unemployment rate would have actually increased by a small fraction.

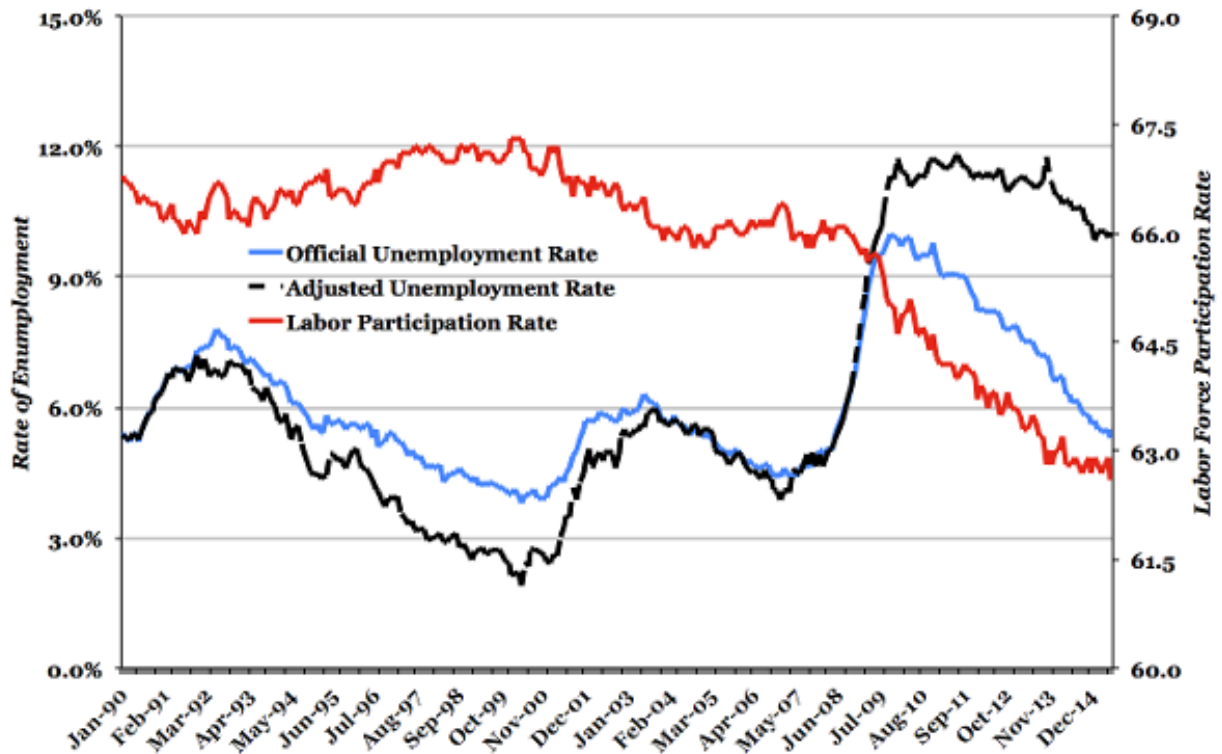
As a percentage of total jobs -- the only way to assess jobs growth in a historical context -- new jobs added in June ranks 479th strongest out of the 905 reports since 1940. Not exactly a banner month.

Historical data show that [unemployment of 5.3% or less is generally necessary for sustained wage growth](#). The official unemployment rate now sits at that critical marker of labor scarcity, but [wages were unchanged in June](#). Household income remains at circa 1995 levels.

The truth is, it would take 50 months of jobs growth at the June pace to absorb the 7.9 million unemployed civilians necessary to reach full employment when appropriately adjusting for normal labor force participation rates -- [accounting for the baby boomer retirement-effect](#). On that basis, unemployment increased in June to 10.0% from 9.9% in May.

The Fed is likely to delay beyond September, but regardless of when it raises rates and by how much, [long-term bond yields will not be rising meaningfully before 2016 or later](#).

Chart 1: Employment Adjusted for Normalized Participation Rates



This article is commentary by an independent contributor. At the time of publication, the author held no positions in the stocks mentioned.