

TRENDMACRO LIVE!

On the May Jobs Report

Friday, June 6, 2014

Donald Luskin

Meet the new cyclicity. 76 months to create 98 thousand jobs for 15 million new workers.

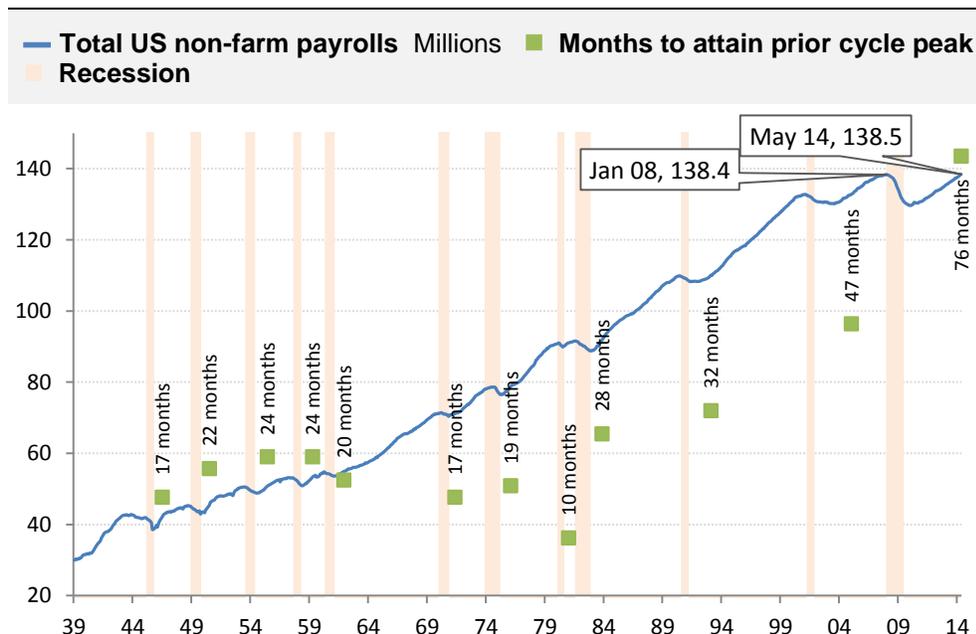
[This morning's Employment Situation report](#) was unsurprising in every respect. It is notable mostly as an historical curiosum -- this month total US payrolls finally made it above the prior peak set in January 2008 (please see the chart below).

- In 76 months we've added 98,000 jobs.
- Over the same period, the US working age population has increased by 15 million.
- To put it too simply, that means that only about half a percent of new workers got a job.
- And, at 76 months, this is longest time it has ever taken for the US economy to recover to the prior business cycle's peak payrolls (again, please see the chart below).
- As with so much that is troubling about the present labor market, none of this is really new. It is a continuation of well-established trends.
- As the US economy has become decreasingly manufacturing

Update to strategic view

US MACRO: A jobs report at expectations in every way. Payrolls finally topped the prior cycle high of January 2008 -- by 98 thousand jobs. It took 76 months to do it, the longest in the history of the data, over which time the working age population grew by 15 million. This is not only a symptom of the present business cycle, but rather a continuation of long-standing trends in the US labor market. The traditional business cycle appears to be obsolete, replaced by occasional crises. In this world the jobs market is very stable in downturns, but slow to recover in expansions.

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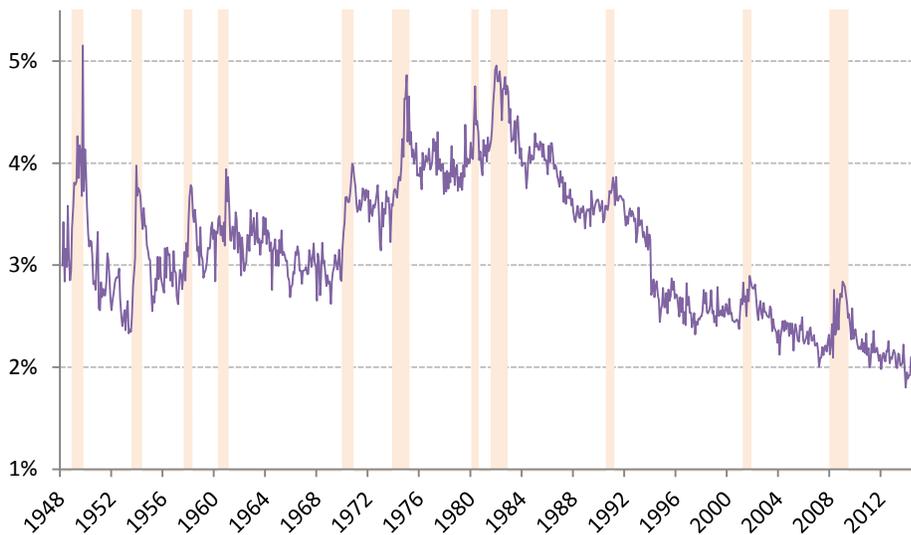


Source: BLS, NBER, TrendMacro calculations

oriented and increasingly service oriented -- it has become less cyclical. So recessions are further apart, and employment is less volatile both not only on the upside as we have just seen, but on the downside too.

- Indeed, the brighter flip-side of how terribly long it has taken to get back to peak payrolls is the fact that never before in history has job security been greater in the US. Yes, believe it or not, the probability of a given worker becoming unemployed for any reason in a given month has fallen to the lowest in history, even in the Great Recession (please see the chart below, and "[Data Insights: Jobs](#)" June 6, 2014).

— The "inflow rate" to unemployment: the probability of becoming unemployed in a given month ■ Recession



Source: [Shimer 2005](#), BLS, NBER, TrendMacro calculations

- So, as a client pointed out to us yesterday, business cycles are in some sense not "cyclical" at all anymore -- instead, they are crisis-driven.

Bottom line

A jobs report at expectations in every way. Payrolls finally topped the prior cycle high of January 2008 -- by 98 thousand jobs. It took 76 months to do it, the longest in the history of the data, over which time the working age population grew by 15 million. This is not only a symptom of the present business cycle, but rather a continuation of long-standing trends in the US labor market. The traditional business cycle appears to be obsolete, replaced by occasional crises. In this world the jobs market is very stable in downturns, but slow to recover in expansions. ▶

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Correction

"Data Insights: Jobs" this morning failed to correctly update the sector payroll data for May that appears on page 2. It has now been updated. Please see the corrected version by [clicking here](#).