



Insight

Ouch!

DOUGLAS HOLTZ-EAKIN | JULY 2, 2010

Ignore the top line numbers, the June employment report shows a bigger leak in the labor market than the Gulf spill.

- The top-line numbers showed a decline of 125,000 jobs – predictable because of layoffs of temporary Census workers – and an unemployment rate of 9.5 percent.
- The Obama Administration will try to talk about the 83,000 private sector jobs and the decline in unemployment to 9.5 percent, but that glimmer is buried by a tidal wave of weak numbers:
 - o The household survey indicated employment fell by 301,00; unemployment fell only because 652,000 workers gave up and quit the labor force.
 - o Average weekly hours of work fell.
 - o Aggregate hours of work fell.
 - o Overtime hours of work fell.
 - o Average hourly earnings fell.
 - o Average weekly earnings fell.
 - o Employment remains 7.9 million below December 2007.

This report is consistent with weak growth over the remainder of the year. The economy is recovering but underlying income growth is too weak to feed a rapid recovery. Discouraged workers and unemployment will remain stubbornly high.

The bottom line: Voters are framing their perspectives for the fall elections. Today's report is bad news for the economy and worse news for the Democrats.