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Focus On Unemployment Rates

By Nativity	
Native Born	7.6%
Foreign Born	8.1%
By Age	
Total Age 16+	8.2%
Age 16-19	24.6%
Age 20-24	12.9%
Age 25-54	7.1%
By Duration	
Less Than 5 Weeks	20.4%
5-14 Weeks	23.7%
15 Weeks +	55.9%
27 Weeks +	42.8%
By Job Class	
Construction	14.2%
Manufacturing	7.1%
Information	7.8%
Financial	5.1%
Agriculture	9.5%
Government	4.2%
Leisure & Hospitality	9.7%
By Education	
Less Than Hi School	13.0%
HS – No College	8.1%
Associate Degree	7.9%
Bachelors Degree +	3.9%
By Ethnicity	
White	7.4%
Black	13.6%
Hispanic	11.0%

SOURCE: Bureau of Labor Statistics

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U.S. Job Creation Took a Big Step Back in May

Job Growth Weak for Third Consecutive Month As Economic Recovery Falters

June 8, 2012 by William L. Pittenger, MAI, SRA

The U.S. labor market disappointed in May when payroll employment increased by only 69,000 jobs. The previous two months were also revised downward by a net total of 49,000 jobs. That leaves total job creation for the last three months at: March +143,000; April +77,000; and, May +69,000 for an average of just over 96,000 new jobs per month. Of the total 69,000 jobs added in May, 82,000 were private sector jobs. Government lost about 13,000.

The unemployment rate rose fractionally to 8.2%. Approximately 12.7 million Americans are unemployed and 5.4 million have been unemployed long term, which the Bureau of Labor Statistics (BLS) defines as 27 weeks or longer. Long term unemployed account for about 42.8% of the total and is clearly one of the more disconcerting indicators. Unlike previous recessions, where most job losses were cyclical and workers were called back to the same or similar jobs, today's losses are more permanent as a result of structural changes in both labor dynamics and in the broader economy. Clearly more Americans unemployed today are staying unemployed longer than ever before.

In addition to the 12.7 million unemployed, another 8.1 million Americans were employed part time for economic reasons meaning that they were unable to find full time employment or their hours had been reduced. In addition, 2.2 million workers were considered marginally attached to the work force. This group is in the labor force; wants full time work, had searched within the last 12 months but had not searched in the four weeks leading up to the May survey. Included among the marginally attached are 830,000 workers who are considered "discouraged" workers. These former workers are not currently looking for work because they do not believe a job is available for them.

The rise in the unemployment rate from 8.1% in April to 8.2% in May was largely the result of more people (642,000) moving back into the workforce in search of work. The labor force participation rate dropped to 63.6% in April, its lowest reading since 1981. In May, it increased a statistically insignificant 0.2% to 63.8%, still historically low. In our view, the decline is being driven by two fundamental factors. First is cyclical due to the recession and its aftermath. The second is demographic as a result of an aging population, many of whom are retiring and dropping out of the work force. Another important demographic and labor statistic is the employment to population ratio for the 25 to 54 age group. This cohort is the primary working group in the U.S. The ratio was 75.7% in May and has generally been moving sideways for more than a decade.

The Bureau of Labor Statistics calculates "Alternative Measures of Labor Underutilization." While the so-called headline unemployment may be 8.2%, the under-employment rate is nearly double that at 14.8% when marginally attached workers and those working part time for economic reasons are considered.

In other labor market indicators, the average work week declined to 34.4 hours while average hourly earnings increased slightly to \$23.41 per hour. Over the last 12 months, average hourly earnings have increased 1.7 percent.

On average, the economy added 96,000 jobs per month during the three month period ending in May. During the previous three month period – December through February – an average of 252,000 jobs were added each month. A longer - term look back shows that the economy added about 164,600 jobs monthly over the previous six months. Private sector job growth was about 169,400 per month while the government sector lost jobs. The total is far too few jobs to make the economy self sustaining or bring the economy back to pre-recession employment levels. Another five-million jobs are needed to accomplish that. At 200,000 jobs per month, that implies another 25 months to revisit pre-recession levels. That would be mid 2014. At 125,000 per month, employment recovery would stretch into late 2015. Employment change, however, is never precisely linear. Our outlook is for employment to regain some momentum but a return to pre-recession levels is still likely to be a 2015 event. More likely, however, there will be a new and higher stabilized unemployment rate.