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Low Pay Clouds Job Growth

Unemployment Rate Falls but Hiring Growth Slows; Quality of Positions a Concern

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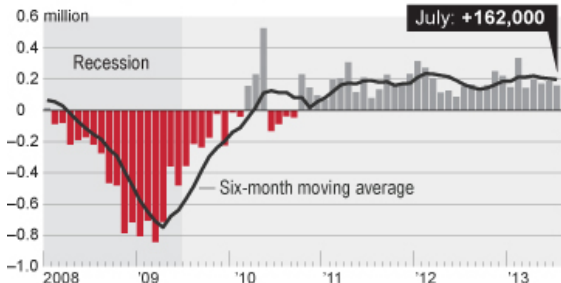
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By BEN CASSELMAN

Job growth is slower

Monthly change in nonfarm payrolls and the six-month trend



Note: Seasonally adjusted data Source: Labor Dept. The Wall Street Journal

The U.S. labor market's long, slow recovery slowed further in July—and many of the jobs that were created were in low-wage industries.

Employers added a seasonally adjusted 162,000 jobs in July, the fewest since March, the Labor Department said Friday, and hiring was

also weaker in May and June than initially reported. Moreover, more than half the job gains were in the restaurant and retail sectors, both of which pay well under \$20 an hour on average.

"These jobs count as jobs in the jobs reports, but there's very little attention paid to the kind of jobs these are," said Arne Kalleberg, a sociology professor at the University of North Carolina and the author of the book "Good Jobs, Bad Jobs." "They tend to be low-wage jobs, they tend to be in retail and personal-service-type sectors, many of them are part time."

Yet even as job growth slowed, the unemployment rate fell to 7.4% from 7.6%, the lowest level since December 2008.

Employers added fewer jobs than expected in July. This could keep the Fed from tapering later this fall, Greg McBride, senior financial analyst at Bankrate.com says on MoneyBeat.

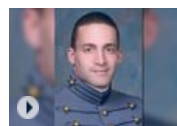
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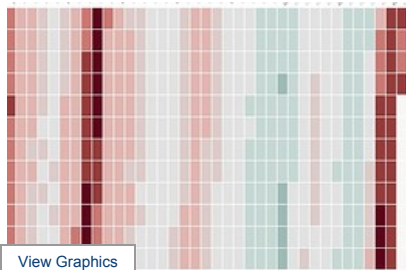
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The U.S. unemployment rate ticked down to 7.4 percent in July, while 168,000 non-farm payrolls were added to the economy. WSJ's Phil Izzo, Victoria McGrane and Rolfe Winkler break down the numbers. Photo: Getty Images.

A Historical View

U.S. unemployment since 1948



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Mesirow Financial chief economist Diane Swonk points out that, despite a lower unemployment rate for July, the number of part-time jobs being created versus full-time positions is likely worrisome to the Federal Reserve. Photo: Getty Images.

about the direction of Fed policy, said Douglas Handler, chief U.S. economist for the forecasting firm IHS Global Insight.

U.S. stocks rose, capping their sixth straight weekly gain. The Dow Jones Industrial Average rose 30.34 points to 15658.36, marking its 30th new high this year. Bond prices also rose, with the yield on the benchmark 10-year U.S. Treasury note falling to 2.601%.

The falling jobless rate reflects to some degree a pace of hiring that, though slow, has remained steady over the past year even as the broader economy has grown in fits and starts. The U.S. has added an average of 192,000 nonfarm jobs per month so far this year, hardly a robust pace but more than enough to keep up with population growth.

But the drop in the unemployment rate is also the result of a job market that remains too weak to draw back workers who have dropped out of the labor force. Some 6.6 million workers say they want a job but don't count as unemployed because they aren't actively looking, a number that has barely budged in the past year. The number of Americans working or looking for work fell by 37,000 in July; as a share of the population, the labor force remains near a three-decade low.

The conflicting job-market signals complicate the job of the Federal Reserve as it considers when to begin winding down its \$85 billion-a-month bond-buying program meant to spur growth. The Fed has said it expects the unemployment rate to be about 7% when it stops buying bonds, a mark that could now be within reach by year's end. Yet Fed policy makers have also stressed that they are keeping close watch on other measures of labor-market health—such as the share of the population that's working and the length of the average workweek—many of which have shown less improvement.

"Given the mixed bag of information in this report, I don't think very many people will be changing their opinions"

Further complicating the picture: Hiring

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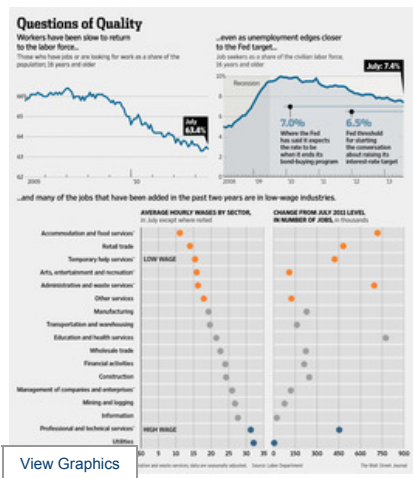
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Retirement Investing Mistake #7: Too Much in your IRA

Questions of Quality



has been stronger in recent months than economists would expect given the slow pace of economic growth, a disparity that's unlikely to continue long term. Most economists, including those at the Fed, expect growth to accelerate modestly in the second half of the year. If they're wrong, hiring could slow as companies meet rising demand by asking more from existing workers rather than expanding payrolls.

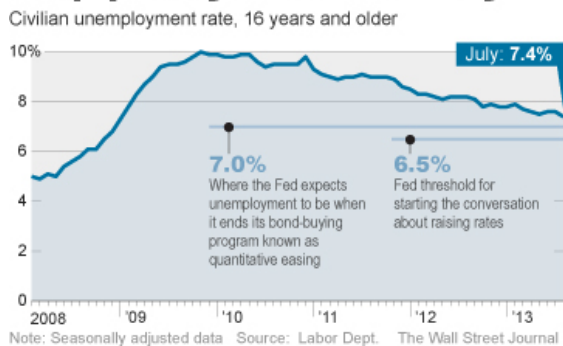
"In an economy that grows less than 2% we don't have a lot of hiring needs because our productivity exceeds that," said Alexander Cutler, chief executive

of Eaton Corp., a global maker of electrical and hydraulic equipment. The company's global workforce, adjusted for acquisitions, is about the same as it was a year ago.

Companies that are hiring tend to be in industries that can't as easily boost sales without adding workers. Such sectors typically pay lower wages. Over the past year, lower-paying sectors such as retail, restaurants, hotels and temporary-help agencies accounted for more than 40% of job growth. Many of those jobs are part time; the share of Americans working part time, which spiked during the recession, has shown little improvement and has been trending upward for much of this year.

President Barack Obama has stressed the need for good jobs, including during a visit this past week to an Amazon.com Inc. facility in Chattanooga, Tenn., where he called for "a better bargain for the middle class."

Unemployment edges closer to the Fed's target



The day before the president's visit, the Internet retail giant said it was adding more than 5,000 full-time jobs in its distribution centers across the country. Many of the jobs pay \$11 an hour or less, although the company said workers will qualify for health insurance and

other benefits, including stock grants and tuition subsidies.

"In our viewpoint these are great jobs," Amazon spokeswoman Kelly Cheeseman said.

But the proliferation of low-wage jobs is leading to anemic growth in incomes. Average hourly wages were up by less than 2% in July from a year earlier, continuing a pattern of weak wage growth in the recovery. A broader measure of income released by the Commerce Department on Friday showed that inflation-adjusted incomes actually fell slightly in June.

Heidi Shierholz, an economist with the left-leaning Economic Policy Institute, said

such trends are likely to continue as long as unemployment stays high and hiring remains weak.

"There's nothing putting upward pressure on wage growth," Ms. Shierholz said. "Your employer doesn't have to pay you big wage increases when they know you don't have outside options."

There are signs Americans are becoming increasingly frustrated with job and wage growth. In recent days, hundreds of fast-food workers across the country walked off the job in short-term strikes to protest low wages, a campaign coordinated by the Service Employees International Union.

Morris Cornley was among the strikers. A 57-year-old great-grandfather in Kansas City, Mo., Mr. Cornley lost his job as a truck driver in 2011. About a year ago, he landed a job as a delivery driver for the sandwich chain Jimmy John's, where he works alongside his 21-year-old granddaughter. Though he enjoys the job, Mr. Cornley said it's a struggle to make ends meet on \$7.35 an hour.

"Nobody can live on that," said Mr. Cornley, a former soldier who also receives a small disability pension from the Army. "It's not like I'm not looking for other work. It's just that there's not any other work out there for me."

—James R. Hagerty and Matt Jarzemsky contributed to this article.

Write to Ben Casselman at ben.casselman@wsj.com

A version of this article appeared August 2, 2013, on page A1 in the U.S. edition of The Wall Street Journal, with the headline: Low Pay Clouds Job Growth.

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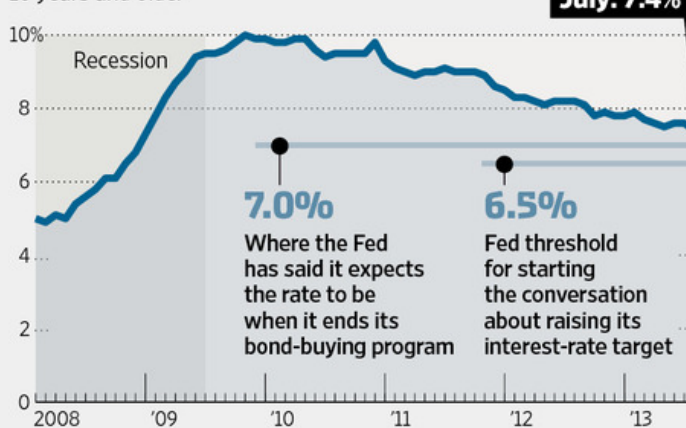
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Those who have jobs or are looking for work as a share of the population; 16 years and older



...even as unemployment edges closer to the Fed target...

Job seekers as a share of the civilian labor force, 16 years and older



...and many of the jobs that have been added in the past two years are in low-wage industries.



*As of June Note: Temporary services is a subset of administrative and waste services; data are seasonally adjusted. Source: Labor Department

The Wall Street Journal