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Staffing Solutions



NEWS ADVISORY

Steven Drexel, Staffing Industry Leader and Economist, Deciphers February 2019 Puzzling Labor Report

Employment growth fell to a paltry 20,000 positions but the unemployment rate improved to 3.8%

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Pleasanton, Calif. (March 13, 2019) — Steven Drexel, [Cornerstone Staffing Solutions](#) president and CEO, shares his February 2019 labor market observations following the Bureau of Labor Statistics' ("BLS") press releases on March 8 describing The Employment Situation. The report was alarming and puzzling at the same time as employment growth fell to a paltry 20,000 positions but the unemployment rate remained low and even improved by two tenths to 3.8%. Average hourly earnings also accelerated to an impressive 3.4 percent year-over-year increase.

As an economist and seasoned staffing industry professional, Drexel is regularly asked to participate in monthly surveys and discussions that predict key elements of labor market activity.

Drexel says February's dramatically slower jobs growth was alarming because it was foreshadowed by some weaker economic results and suggests an overall negative outlook. "The report was puzzling because the headline weak job growth was incongruent with signs of strength in the improving unemployment rate and accelerating wage growth. Job growth, while weak during February was exceptionally strong during January so, it is likely that a moving average is more defining and suggests that the labor market remains strong."

Drexel points out that the separate, smaller and more volatile BLS Household Survey indicated that job growth was a robust 255,000 positions during February. Even further, the ADP National Employment report published last week indicated that payroll grew by 183,000 positions. ADP utilizes employment change information pulled anonymously from about 400,000 customers providing a credible alternative estimate of jobs growth. Finally, Initial Claims for Unemployment, a timely indicator of labor force dynamics, remained generally supportive during February suggesting that job growth is still healthy. "On balance, while it is likely that job growth slowed somewhat during February, it is very unlikely the growth abated to the degree indicated by March 8's Employment Situation report. So, don't panic yet!," he comments.

Drexel feels it's not a coincidence that January was so strong, and February was so weak. Weather was a factor given that December through mid-January were mild while late January through February was fierce (think Polar Vortex), particularly during the survey weeks. This was evident in the state level initial claims data and the observation that the weather-sensitive Construction sector took the biggest employment hit during February. The other suspicious event was the partial Federal government shutdown which occurred during January. Intuitively, one might have thought that the shutdown would suppress employment, but it appears that some of the 300,000 idled government workers and additional private contractors found second

jobs during the shutdown which inflated January and conversely deflated February. The industry sector data was interesting in that the share of the 258 detailed industries that improved during February was 57.2 percent, down from 60.7 percent during January. "Given that job growth almost vanished, the observation that most of the detailed industries maintained some growth is reassuring," he states.

Employment Situation Retrospective

In summary, Drexel acknowledges the BLS Employment Situation Report for February was of great interest due to a high level of ongoing economic anxiety and to see if January's pace could be sustained. "The February results were deflating and contradictory but after analysis, the result indicates that the labor market remains enduringly strong for the time being. The unemployment rate is quite low and reassuringly, relatively stable over the past year. Factors like the average hourly earnings showed some growth, average weekly hours drifted down mildly, labor force/employment participation rates and duration of unemployment statistics indicate that the labor market while solid and persevering, is not overheating and has room to continue growing. All eyes will be on next month's report hoping to confirm this somewhat nuanced analysis."

The Outlook for 2019

While the broader economy is not as robust as it was during most of last year, the American consumer is in good shape with a continuing dose of fiscal stimulus (lower tax rates and increased federal spending) which supports sustained growth during 2019. The banking system is also healthy and is lending at an increasing and supportive pace. Drexel explains "The current business cycle expansion has persisted into its tenth year (compared to an average expansion of five or six years). U.S. growth will be slower than 2018, but on balance, indications suggest that the expansion should continue through 2019."

More About Cornerstone Staffing

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