



Now It's up to Trump to Keep Jobs Momentum Going

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March 10, 2017

The February jobs report showed steady improvement in job creation and wage growth. Now, economists say, it's up to the Trump administration to keep that positive momentum going.

"Right now, business confidence and general confidence in the economy are pretty high. People feel pretty good about where the economy is at," said LinkedIn economist Guy Berger.

"The economy is riding this wave of post-election optimism," said Andrew Chamberlain, chief economist at Glassdoor. "I think that still seems to be playing a role."

The 235,000 jobs the labor market added in February were broadly distributed.

"On virtually every dimension the report is positive," said Harry Holzer, professor of public policy at Georgetown University. Construction saw a boom, with 58,000 jobs added; manufacturing jobs increased by 28,000 and healthcare jobs rose by 27,000.

Healthcare Under Threat

Those healthcare gains could be threatened by the GOP's push to dismantle the Affordable Care Act, Chamberlain said.

"Healthcare is like the 800-pound gorilla in the labor market right now," he said. "It's one of the biggest industries in the U.S. There's so much potential, but if healthcare reform is not done correctly, it puts that at risk."

February's labor force participation rate ticked up to 63 percent, which some experts interpreted as a sign that lower-skilled workers sidelined by outsourcing and automation of blue-collar jobs were re-entering the labor pool.

With an unemployment rate of 4.7 percent, even wage growth — a metric that lagged throughout much of the recovery, even as employment rebounded — finally began picking up steam, reaching nearly 3 percent on an annualized basis.

"One thing this data shows — workers are available, and they need to be paid more to come back into the labor market," Berger said. "Apparently when they're motivated, they can do it."

Holzer suggested that the robust pace of hiring could indicate that less intervention in the form of fiscal stimulus might be prudent.

"It may not be the right time to embark on a big new stimulus program," he said. "Things look good right now — don't necessarily step on the accelerator."

Immigrant Impact on Labor Markets

Labor market experts also are keeping a wary eye on the Trump administration's pledge to deport undocumented immigrants. A policy that takes a significant number of workers, especially low-wage workers, out of the labor market could have unforeseen consequences that drag on business growth.

"When you're in a strong labor market, there's much less argument to be about limiting immigrants, especially because a lot of these immigrants have work right now," Holzer said.

"Unless we legislate that those jobs are going to pay a lot more, there's a real risk that Americans who are not participating in the labor force won't want those jobs," said John Challenger, CEO of Challenger, Gray & Christmas. "People are upset that those jobs are being taken by immigrants but they're looking at the wrong thing. They're scapegoating the immigrants, but what they really want is for those unskilled jobs to pay double what they pay now."

Perhaps most worrisome, many economists noted, is that the February's improvement seemed to be based in confidence rather than fundamentals.

"The single biggest question for me is, how long can this go on?" Berger said.

Show Me the Money

With a GOP majority in Congress and a Republican president, businesses are acting in anticipation of lower taxes and regulatory rollbacks. Any indication that these campaign promises are delayed or derailed could throw cold water on this optimism.

"If we buy the premise that businesses are hiring based on the expectation of a growth friendly policy... I wonder whether they're just being too optimistic," said Dan Mitchell, a senior fellow at the Cato Institute. If Congress leaves for its August recess without a clear road map for tax reform, corporate confidence could evaporate, he warned.