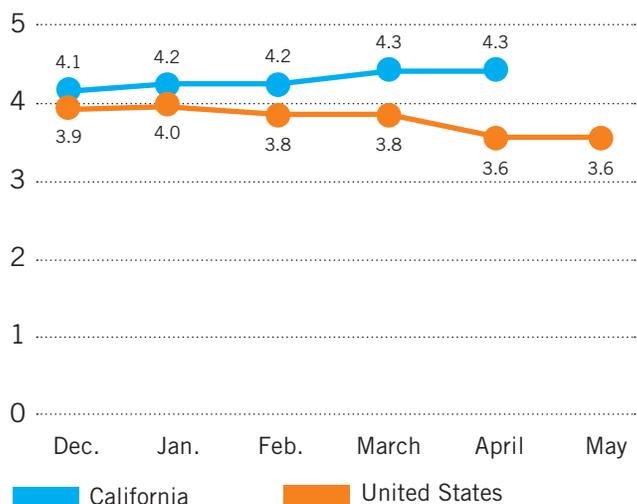




Employment Trends Report

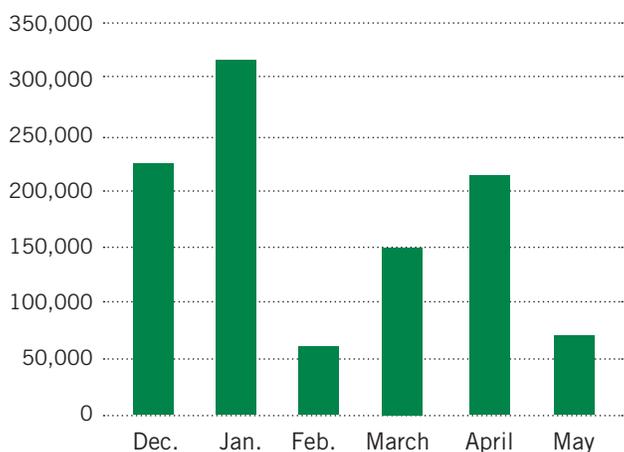
SOUTHERN CALIFORNIA

Unemployment Rate (California vs. U.S.)



Both the California and national unemployment rates hold steady at historic or near-historic lows. (Source: U.S. Bureau of Labor Statistics)

U.S. Change in Payroll Employment



Seasonally adjusted monthly U.S. job growth shows two recent sluggish months in February and now May of this year. (Source: U.S. Bureau of Labor Statistics)

Has the Lack of Skilled Labor Finally Caught Up with the U.S. Economy?

U.S. job growth slowed in May with the U.S. Bureau of Labor Statistics (BLS) reporting that employers added just 75,000 jobs for the month. That number is less than half of the average monthly increase of 186,000 over the first four months of the year and a fraction of 2018's average of 223,000 new jobs a month.

By itself, the May number could be dismissed as a "one-off." However, this same type of shortage occurred in February, after January added 312,000 jobs. Separated by only three months, these low-performing months have some economists concerned about a near-term recession and what caused the sluggish job growth.

Economists point to several reasons why hiring is down. First, trade tensions have clearly impacted certain industry segments. A recent [Forbes article](#) commented, "Even though the tariff hikes have yet to have their full effect, the prospect of a trade war, especially an expanding one, surely has prompted businesses to rethink hiring and expansion plans. Declines in orders for new capital equipment, updated a week or so ago by the Commerce Department, certainly point to such a reconsideration."

Another equally impactful factor cited in this story and virtually every other article on the low May jobs report is the growing shortage of skilled labor. Despite a 49-year low of 3.6 percent in the nation's unemployment rate, many companies simply can't find people to fill their large number of open jobs.

According to the BLS, the construction, transportation and manufacturing sectors have been especially hit hard with labor shortages, while professional and business services, and health care showed no signs of slowing.

Ultimately, it's too early to tell whether the May downtick is a precursor to a larger economic slowdown. However, what is clear is the increasingly widely held belief from economists that the lack of skilled labor jeopardizes the country's macro-economic growth, citing the inability of larger companies to source the workers they need to compete and grow.

What does the future hold in solving the skilled-labor shortage? Economists suggest automation will help some industries cope with the challenge. Other broad solutions include formation of more public-private partnerships between industry and education to develop curricula and teaching programs to create their own pool of qualified workers. Also, dedicated and customized upskilling and professional development programs offered by companies to their current employees and new hires must be considered.

It is a brave new world for hiring, and the hyper-competitive job market may be with us for some time. Employers that struggle to source skilled workers will need to consider efforts to train and create their own skilled workforce.

