

THE WALL STREET JOURNAL.

THE LABOR MARKET TIGHTENS

Wages are rising but there's still a growing worker shortage.

May 5, 2017

The April jobs report showed a healthy rebound from the March dip, and more important a tightening labor market that has some messages for policy makers. A shortage of workers in much of the country could soon put a restraint on economic growth.

The Labor Department said the economy added 211,000 jobs in the month, a reassuring jump after a meager 79,000 new jobs in March. The last month of winter now looks like an exception and not a trend, which is a good sign that the slow first quarter GDP growth of 0.7 percent was also temporary.

The national unemployment rate fell to 4.4 percent, which is the lowest since before the recession began in 2007. A year ago in April the jobless rate was still 5 percent, and the progress downward suggests a tightening labor force that is approaching full employment – at least for Americans who are still looking for work.

The number of Americans working part-time for economic reasons also fell by an enormous 281,000 in April to 5.3 million. These are people who would have preferred to work full-time if they could, and they are best understood as the economy's readiest available labor supply. Over the past year this number has fallen by 698,000, which means there are fewer workers for business to call on.

These macro-numbers are consistent with what we keep hearing from CEOs of large and small businesses around the country. They have openings but finding workers with the right skills who can pass a drug test isn't easy.

This week Gregory Hayes of [United Technologies](#) and Andrew Liveris of [Dow Chemical](#) stopped by the Journal, and both said they have or will have thousands of job openings for skilled technicians that pay a healthy middle-class wage with benefits. Both companies already devote enormous resources to training and retraining their employees, but the U.S. education system isn't preparing young people to take many of these higher-skill positions.

All of this underscores the need for more state and local apprenticeship and skill certification programs that can help workers meet these opportunities. A national certification standard that can apply across state lines would also help worker mobility, which has been declining. President Trump and Attorney General Jeff Sessions may not want to hear this, but the labor shortage also underscores the need for more legal immigration for guest workers.

Sooner or later a tight labor market can become a restraint on how much the economy can expand. Employers can raise wages, and they are increasingly doing so, to attract workers still on the sidelines. But if workers aren't available at all, which is true in parts of the U.S. and in some industries, then the only way to grow the economy is with capital investment to make each worker more productive. If Republicans want to lift GDP growth to 3 percent

from the Obama 2 percent, a tight labor market makes tax and health-care reform even more urgent.

Appeared in the May 6, 2017, print edition.