



# JOINT ECONOMIC COMMITTEE

## CHAIRMAN ERIK PAULSEN (R-MN)

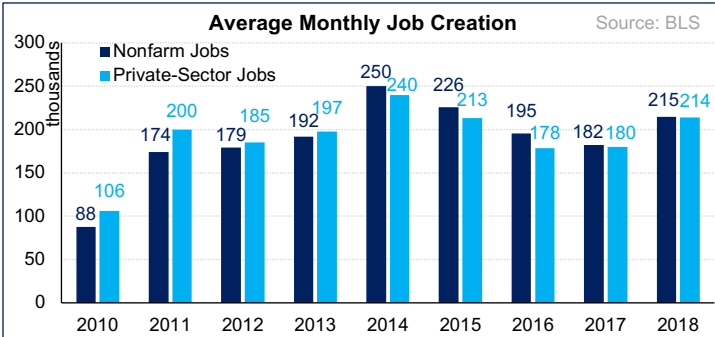


August 6, 2018

### July 2018 Jobs Review

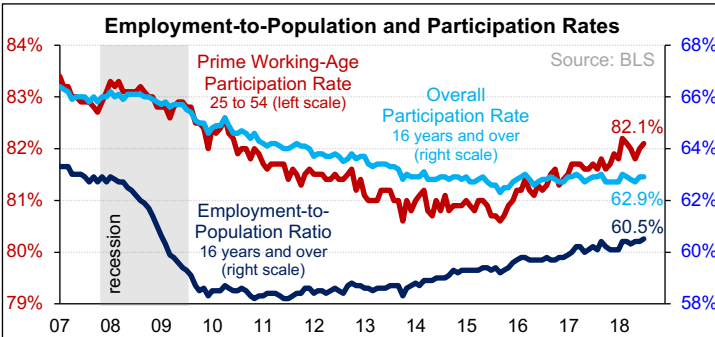
#### Jobs Review Snapshot

- 157,000 jobs were created in July, leading to an average of 224,000 over the last 3 months.
- Over 1.5 million jobs have been created since the *Tax Cuts and Jobs Act* was enacted.
- The employment-to-population ratio rose to 60.5%, the highest since January 2009.

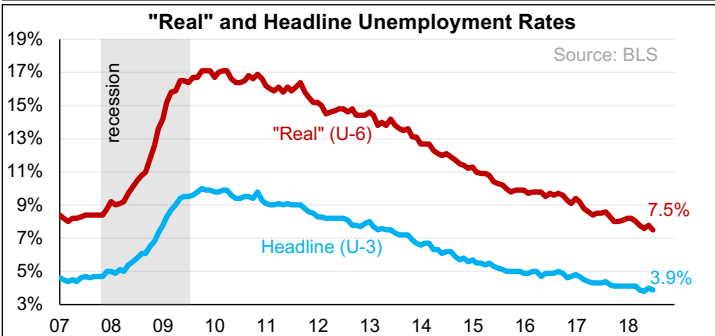


#### Details

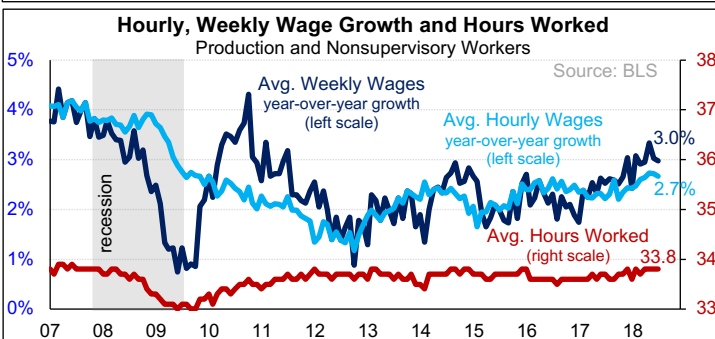
The [Bureau of Labor Statistics \(BLS\) reports](#) that 157,000 jobs were added in July, 170,000 in the private sector and 13,000 fewer in the government sector. The largest gains were in professional and business services (+51,000), leisure and hospitality (+40,000), and manufacturing (+7,000). The largest job losses were reported in financial activities (-5,000), mining/logging (-4,000), and utilities (-2,800).



The employment-to-population ratio increased to 60.5% from 60.4%, the highest since January 2009. The overall (ages 16 and older) labor force participation rates (LFPR) was unchanged at 62.9%. The prime-working age (ages 25 to 54) LFPR increased to 82.1% from 82.0%. It remains short of its 83% average from the previous business cycle's expansion, which suggests room for elevated rates of economic growth.<sup>1</sup>



The headline unemployment rate (U-3), which counts as unemployed those who searched for work in the last four weeks, ticked down from 4.0% to 3.9%.<sup>2</sup> The "real" unemployment rate (U-6), fell from 7.8% to 7.5%, the lowest since May 2001. The U-6 includes those in U-3, those who searched for work in the past twelve months, and those who want full-time work but can only find part-time work.



Average hourly earnings (AHE) and average weekly earnings (AWE) of production and nonsupervisory workers<sup>3</sup> were 2.7% and 3.0% higher than 12 months ago, respectively.<sup>4</sup> An AWE growth rate that exceeds the AHE growth rate indicates people are working more hours per week since last year. During the previous expansion AHE and AWE each averaged 3% growth per year, compared with averages of only 2.1% and 2.4% in the Obama Administration's portion of the current expansion, respectively.

<b>July 2018 Jobs Review</b> Sources: BLS, <i>Econoday</i>	June Initial	June Revised	July Forecast	<b>July Actual</b>
<i>Establishment Survey</i>				
Nonfarm Payrolls Change.....	213,000	248,000	190,000	<b>157,000</b>
Private Payrolls Change.....	202,000	234,000	184,000	<b>170,000</b>
Average Hourly Earnings: All Employees (Year-over-Year % Chg.).....	2.7%	2.7%	2.7%	<b>2.7%</b>
Average Hourly Earnings: Production and Nonsupervisory Workers.....	2.7%	2.7%	--	<b>2.7%</b>
<i>Household Survey</i>				
Population Growth (16 years and older).....	188,000	--	--	<b>201,000</b>
Change in Labor Force.....	601,000	--	--	<b>105,000</b>
Labor Force Participation Rate.....	62.9%	--	62.8%	<b>62.9%</b>
16 to 64 years of age.....	73.7%	--	--	<b>73.7%</b>
25 to 54 years of age (prime-age).....	82.0%	--	--	<b>82.1%</b>
Change in Number of Employed.....	102,000	--	--	<b>389,000</b>
Employment-to-Population Ratio.....	60.4%	--	--	<b>60.5%</b>
Change in Number of Unemployed.....	499,000	--	--	<b>-284,000</b>
“Headline” Unemployment Rate (U-3).....	4.0%	--	3.9%	<b>3.9%</b>
“Real” Unemployment Rate (U-6).....	7.8%	--	--	<b>7.5%</b>
Not in Labor Force.....	-413,000	--	--	<b>96,000</b>

## Context

This employment report shows the U.S. economy is continuing to gain strength. Though job creation was dampened by the [bankruptcy of Toys ‘R’ Us](#), BLS found that in May and June, 59,000 more jobs were created than was estimated earlier. Also, several notable milestones were set in this report:

<b>Gains in Employment as Measured By</b>	<b>Now (July)</b>	<b>Recovery Milestone</b>	<b>At Last Election</b>
Employment-to-population ratio	<b>60.5%</b>	Highest since January 2009	59.8%
Want full-time work but can only find part-time work	<b>4.6 million</b>	Lowest since December 2007	5.7 million
Real unemployment rate (U-6)	<b>7.5%</b>	Lowest since May 2001	9.3%
Unemployment rate of those without a high school diploma	<b>5.1%</b>	Lowest ever (series began 1992)	7.8%
Unemployment rate of Gulf-War II era veterans	<b>3.0%</b>	Lowest ever (series began 2006)	6.5%

## Noteworthy

The jobs number for May was revised up from 244,000 to 268,000 (final estimate) and June’s was revised up from 213,000 to 248,000 (second estimate), for a total gain of 59,000 jobs.

The August Employment Situation release is scheduled for September 7 at 8:30 a.m.

<sup>1</sup> JEC considers the prime working-age LFPR, which measures the ratio of those aged 25 to 54 who are currently employed or have sought work in the past four weeks, a better indicator because demographic factors are affecting the overall LFPR. The dates used to calculate the previous business cycle expansion’s 83% average prime-age LFPR are November 2001 to December 2007.

<sup>2</sup> The U-3 rate is less meaningful than it once was because the labor force participation rate has been low since the last recession.

<sup>3</sup> JEC prefers the production and nonsupervisory workers measure of wages as more representative of the average worker. Production and nonsupervisory workers account for over 82% of all private-sector employees. For service-producing industries, this measure excludes supervisors and employees who are also owners. For the goods-producing sector, workers engaged in management, sales, and accounting are excluded.

<sup>4</sup> These measurements consist only of gross wages and salary and do not account for non-monetary benefits and compensation. They are not adjusted for inflation. AWE accounts for the average number of hours worked while AHE does not.