



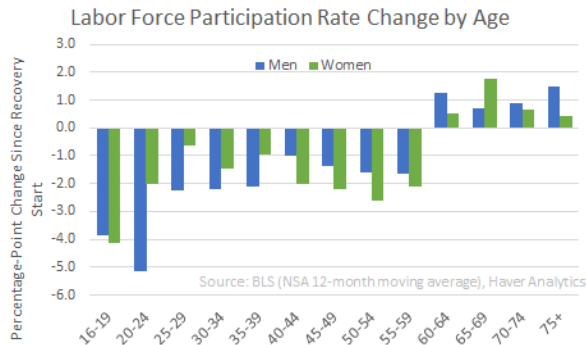
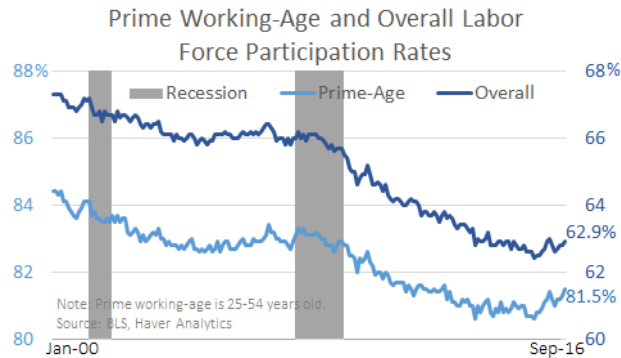
**October 11, 2016, Labor Review: Context for the September Labor Report**

Friday’s September employment report from the Bureau of Labor Statistics (BLS) saw a 156,000 gain in nonfarm payroll jobs. Private payrolls gained 167,000 jobs. The unemployment rate increased to 5.0 percent from last month’s 4.9 percent. From last month, the number of employed increased 354,000, while the labor force increased by 444,000 individuals. The labor force participation rate increased 0.1 percentage points to 62.9 percent. The nonfarm payroll job growth for July was revised down from +275,000 to +252,000 (final estimate). For August, it was revised up from +151,000 to +167,000 (second estimate).

September Jobs Report Data	Previous August Data	Revised August Data	September Forecast	September Data
<i>Establishment Survey</i>				
Nonfarm Payrolls Change	151,000	167,000	168,000	<b>156,000</b>
Private Payrolls Change	126,000	144,000	170,000	<b>167,000</b>
Average hourly earnings (% chg.)	0.1%	0.1%	0.3%	<b>0.2%</b>
<i>Household Survey</i>				
Unemployment Rate (U-3)	-	4.9%	4.9%	<b>5.0%</b>
“True” Unemployment Rate (U-6)	-	9.7%	-	<b>9.7%</b>
Labor Force Participation Rate (%)	-	62.8%	-	<b>62.9%</b>
16-64 years old	-	73.0%	-	<b>73.2%</b>
25-54 years old	-	81.3%	-	<b>81.5%</b>
Employment to Population Ratio (%)	-	59.7%	-	<b>59.8%</b>
Labor Force Change	-	176,000	-	<b>444,000</b>
Population Growth (16+ years old)	-	234,000	-	<b>237,000</b>

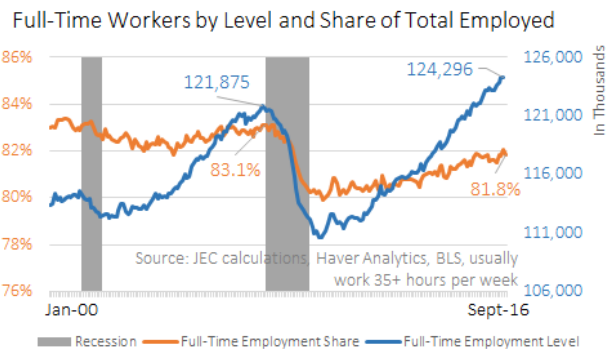
Source: BLS, BEA, Bloomberg Econoday

## LABOR TRENDS FOR WORKERS, JOB SEEKERS AND FAMILIES

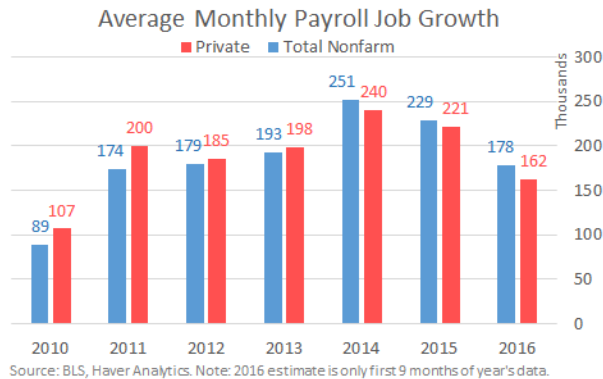


- *The labor force participation rate remains subdued, even among prime-age workers*
  - The labor force participation rate increased 0.1 percentage points to 62.9 percent.
  - It remains significantly below the previous business cycle’s peak of 66.0 percent (December 2007)—a difference of 3.1 percentage points.
  - The rate for 25-54 year olds is 81.5 percent. It is down 1.6 percentage points compared to the peak of the last business cycle, when it was at 83.1 percent.

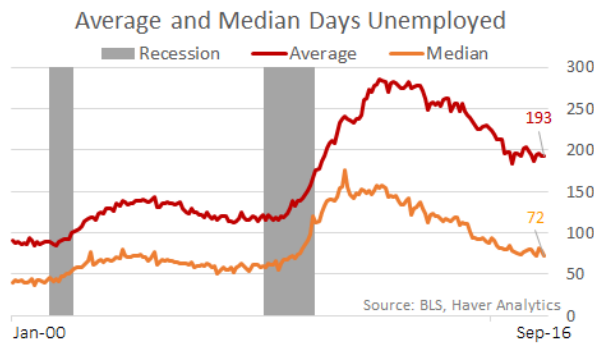
- *Specifically, labor force participation is down among Americans under 60 years old*
  - When broken down into five-year age cohorts, only workers age 60 and older have seen their participation increase since the start of the recovery.
  - By comparison, workers age 59 and younger, particularly ages 16 to 19 and men ages 20 to 24, have seen their workforce participation decline significantly over the course of the recovery.



- *Full-time employment remains subdued as a share of total employed*
  - The share of the employed that are working full-time is 1.3 percentage points below pre-recession levels, even though the number of full-time jobs finally passed its pre-recession peak in August 2015.
  - Part-time jobs jumped during the recession and remain elevated by 2.9 million compared to pre-recession levels. As a share of the employed, part-time work is up 1.3 percentage points compared to its pre-recession level.



- *Average monthly job growth in 2016 is below its 2012, 2013, 2014, and 2015 numbers*
  - The average monthly private-sector job growth in 2016 is the lowest since 2010.
  - Over the past 12 months, nearly 2.45 million nonfarm payroll jobs were added.
  - It would take nearly 5.3 million more private-sector payroll jobs added in the remainder of 2016 to close the growth gap in private-sector jobs between this recovery and the average post-1960 recovery, or 1.8 million new jobs per month.



- *Long-term unemployment remains elevated*
  - It takes 72 days for the median jobless worker to find a job or leave the workforce. The average is worse—193 days.
  - As a percent of the jobless, the share of long-term unemployed (27 weeks or more) remains elevated at 24.9% compared to its pre-recession average of 14%.

## THE BIGGER PICTURE

The *Wall Street Journal's* survey of economists estimates the number of new jobs needed to keep the unemployment rate unchanged is [145,000 per month](#). Currently, the three-month moving average for the establishment payroll survey is 192,000. This is an unfortunate slow down from August's three-month moving average of 230,000.

- If the labor force participation rate that existed just before the previous recession (66.0%, December 2007) is applied to the September 2016 civilian non-institutional population (254,091,000), it implies there should be 167,700,000 individuals in the labor force. As of September 2016, the actual number is only 159,907,000. This suggests that approximately 7.8 million people are still on the sidelines.
- The [probability attached to a Fed interest rate hike](#) of its target range from 0.25-0.50 percent to 0.50-0.75 percent in December increased from 55.1 percent (Thursday) to 59.5 percent as reported Friday, 09:45 am ET.

## UNDERLYING DETAILS

After improvements in June and July, the August and September job gains were a return to mediocrity.

- The number of unemployed persons increased by 90,000 to 7,939,000 from last month's 7,849,000. Since last year, it has increased by 14,000 from its September 2015 number of 7,925,000. This September, the number of persons unemployed less than 5 weeks increased by 284,000 for the month. There was a modest decrease (-32,000) in the number of long-term unemployed (those without jobs for 27 weeks or more) from 2,006,000 last month to 1,974,000 this September. Long-term unemployment as a share of total unemployment fell from last month's 26.1 percent to 24.9 percent.
- Of the 167,000 new private sector jobs, BLS reports that 157,000 jobs were added in the private service-providing sector and 10,000 jobs were added in the private goods-producing sector. The government sector lost 11,000 jobs.
  - Within the private goods-producing sector, jobs gains/losses by industry were: mining and logging (unchanged), construction (+23,000), manufacturing (-13,000).
  - Within the service-providing sector, jobs gains/losses by industry were: wholesale trade (+9,700), retail trade (+22,000), transportation and warehousing (-9,000), utilities (+400), information (+1,000), financial activities (+6,000), professional and business services (+67,000), education and health services (+29,000), leisure and hospitality (+15,000), other services (+15,000).
- In September, there were 553,000 discouraged workers (persons not looking for jobs because they perceive none are available for them). Last September there were 635,000 discouraged workers.
- [ADP's National Employment Report](#) estimates that private-sector employment increased 154,000 in September, with 151,000 jobs created in the service sector and 3,000 jobs added in the goods-producing sector. Professional and business jobs were up 45,000 jobs. Trade, transportation, and utilities created 15,000 jobs. The financial sector added 11,000 jobs. Manufacturing shed 6,000 jobs, while construction jobs increased by 11,000. ADP's employment numbers, though useful, are not necessarily a reliable predictor for actual payroll jobs numbers released by the BLS.

The next BLS employment situation report for initial October employment numbers and revisions to the September and August establishment data are scheduled for release on Friday, November 4, 2016, at 8:30 a.m. ET.