



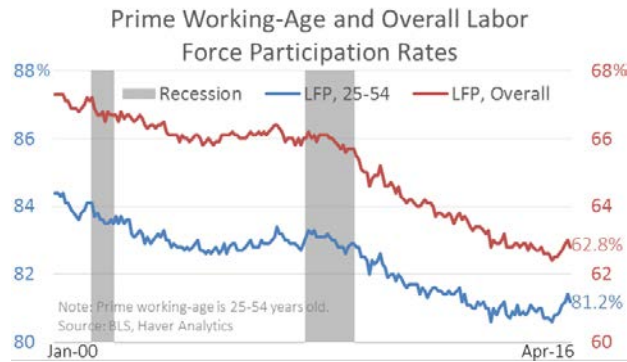
May 9, 2016, Labor Review: Context for the April Labor Report

Friday's employment report from the Bureau of Labor Statistics (BLS) provides a first glimpse into the second quarter of 2016. Nonfarm payroll job numbers increased 160,000 in April, significantly below expectations of over 200,000. Private payrolls grew 171,000, and the unemployment rate remained at 5.0%. The labor force participation rate fell 0.2 percentage point to 62.8%. Nonfarm payroll job growth was revised down from 215,000 for March to 208,000, and down a combined 19,000 for February (third estimate) and March (second estimate).

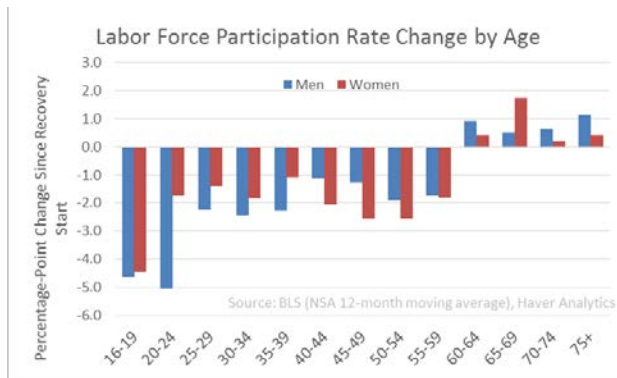
April Jobs Report Data	Previous March Data	Revised March Data	April Forecast	April Data
<i>Establishment Survey</i>				
Nonfarm Payrolls Change	215,000	208,000	200,000	160,000
Private Payrolls Change	195,000	184,000	195,000	171,000
Average hourly earnings (% chg.)	0.3%	0.2%	0.3%	0.3%
<i>Household Survey</i>				
Unemployment Rate (U-3)	5.0%	5.0%	4.9%	5.0%
"True" Unemployment Rate (U-6)	9.8%	9.8%	-	9.7%
Labor Force Participation Rate (%)	63.0%	63.0%	-	62.8%
16-64 years old	73.1%	73.1%	-	73.0%
25-54 years old	81.4%	81.4%	-	81.2%
Employment to Population Ratio (%)	59.9%	59.9%	-	59.7%
Labor Force Change	396,000	396,000	-	-362,000
Population Growth (16+ years old)	191,000	191,000	-	201,000

Source: BLS, BEA, Bloomberg Econoday

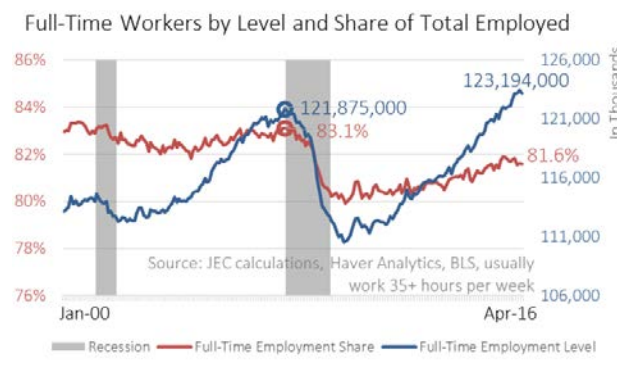
LABOR TRENDS FOR WORKERS, JOB SEEKERS AND FAMILIES



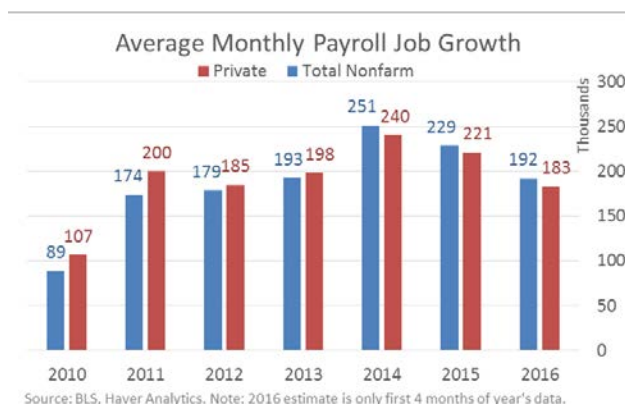
- *The labor force participation rate remains subdued, even among prime-age workers*
 - The labor force participation rate remains significantly below its recovery start, and despite an uptick in recent months, is still down 2.9 percentage points at 62.8%.
 - The rate is also relatively low for 25-54 year olds, down 1.7 percentage points compared to the start of the recovery to 81.2%.



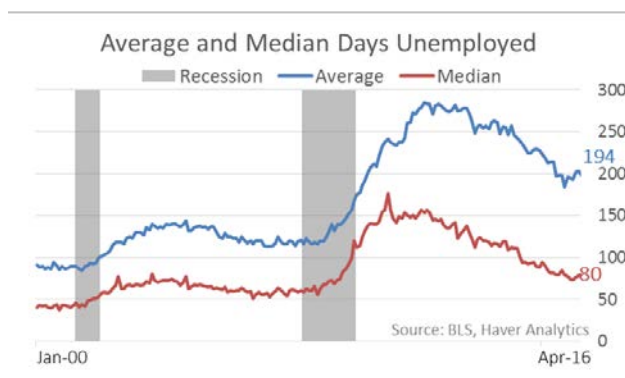
- *Specifically, labor force participation is down among Americans under 60 years old*
 - When broken down into five-year age cohorts, only workers age 60 and older have seen their participation increase since the start of the recovery.
 - By comparison, workers age 59 and younger, particularly ages 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 still more than a percentage point 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 more than 3 million compared to pre-recession levels. As a share of the employed, part-time work is up 1.5 percentage points compared to its pre-recession level.



- *Average monthly job growth slowed in 2015 and the first four months of 2016*
 - Over the past 12 months, nearly 2.8 million nonfarm payroll jobs were added.
 - Nonfarm payroll job growth has fallen to an average of 200,000 jobs per month over the past 3 months, lower than the average of 232,000 jobs per month over the last 12 months.
 - It would take nearly 5.8 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 roughly 723,000 new jobs per month.



- *Long-term unemployment remains elevated*
 - It takes a median 80 days for the jobless worker to find a job or leave the workforce. The average is worse—194 days.
 - As a percent of the jobless, the share of long-term unemployed (27 weeks or more) remains elevated at 25.7% and nearly double its 40-year, pre-recession average of 14%.

THE BIGGER PICTURE

Recognizing the slower growth in population and labor force growth going forward, the latest *Wall Street Journal* survey of economists found that, based on the establishment survey, [the new number of payroll jobs per month](#) needed to hold the unemployment rate steady and absorb new entrants into the labor force is 145,000. This compares to significantly higher expectations in the mid-1990s and early 2000s, when estimates ranged from 200,000 to 250,000 per month. However, when looking at payroll jobs data concurrently with household survey data, the significant declines in employment and labor force participation over the month reinforce an overall dismal jobs report for April.

- Furthermore, demographics alone don't explain the significant number of potential workers that remain sidelined. Economist John Cochrane notes that there are three general camps that analysts fall into when explaining why economic

growth is slowing. One camp believes that the fruits of innovation have dried up; another argues there is a “savings glut” requiring negative interest rates and stimulus spending; and the third believes the [economy is hobbled by increasingly burdensome regulations](#): “If it takes years to get the permits to start projects and mountains of paper to hire people, if every step risks a new criminal investigation, people don’t invest, hire or innovate.”

- Much concern remains about whether automation is a net negative to the labor market. However, looking at the types of jobs being created over the past several decades demonstrates where strong job growth is occurring that may otherwise be masked by broader industry payroll numbers. In fact, over the past three decades, [virtually all job growth has occurred among cognitive and manual non-routine jobs](#)—jobs that technological improvements serve to enhance instead of replace.
- In the meantime, payroll jobs numbers [may now be tracking more closely with recent GDP growth](#). After a grisly 0.5% real GDP growth reading for the first quarter of 2016, Atlanta Fed’s GDPNow forecast for U.S. [second-quarter real GDP growth is 1.7%](#) as of May 4, following the U.S. Census Bureau’s report on manufacturers’ shipments, inventories, and orders. Wells Fargo Economics Group also [estimates second-quarter real GDP growth of 1.7%](#). GDP data for the second quarter of 2016 will be released on July 29, 2016, at 8:30 a.m. ET.

UNDERLYING DETAILS

The household survey data revealed a significant drop in seasonally adjusted employment, down 316,000 from March. Apart from the October 2013 government shutdown, [which dramatically affected employment numbers](#) for October and November of that year, this is the largest decline in seasonally adjusted employment data since December 2009.

- This month’s household employment numbers also reveal that the number of workers employed part-time for economic reasons fell 161,000 after rising by 135,000 in March.
- BLS also reports from the establishment survey that goods-producing jobs fell by 3,000 in April. Among goods-producing industries, durable goods manufacturing jobs increased 6,000 while payrolls declined 8,000 in mining and logging, which include oil and gas extraction jobs. Private service-providing jobs grew by 174,000, with the largest gains in professional and business services (+65,000), education and health services (+54,000), and leisure and hospitality (+22,000). Government payrolls fell by 11,000. The Challenger Job Cuts report for April revealed that U.S. [employers announced 65,141 payroll cuts](#), more than one-third higher than March’s job cuts.

- ADP's National Employment Report estimates that [private-sector employment increased 156,000 in April](#), with the largest employment gains in the service-providing sector, rising 166,000. Goods-producing jobs fell 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 ISM manufacturing survey for April indicated that the [manufacturing sector expanded for a second consecutive month](#). However, the employment index remained in contractionary territory at 49.2%.

The next BLS employment situation report for initial May employment numbers and revisions for March and April data are scheduled for release on Friday, June 3, 2016, at 8:30 a.m. ET.