



JOINT ECONOMIC COMMITTEE

CHAIRMAN ERIK PAULSEN (R-MN)

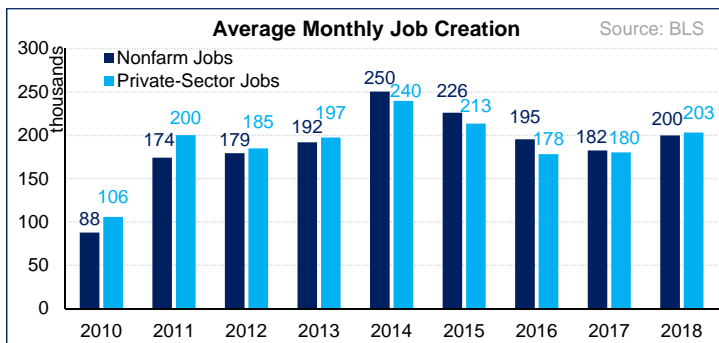


May 4, 2018

April 2018 Jobs Review

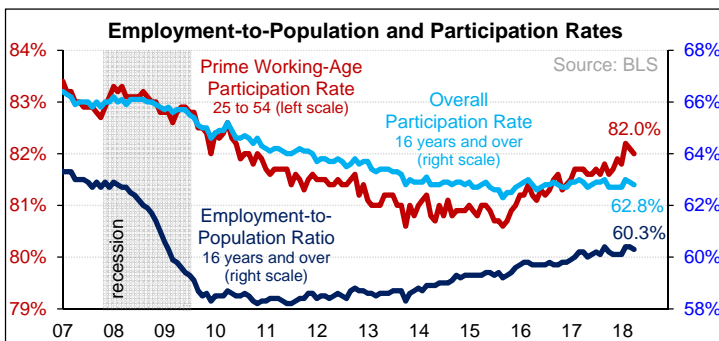
Jobs Review Snapshot

- 164,000 jobs were created in April; job creation is averaging 200,000 per month in 2018.
- The unemployment rate fell to 3.9%, the lowest since December 2000.
- Wage growth has improved and the American workforce has room to expand.

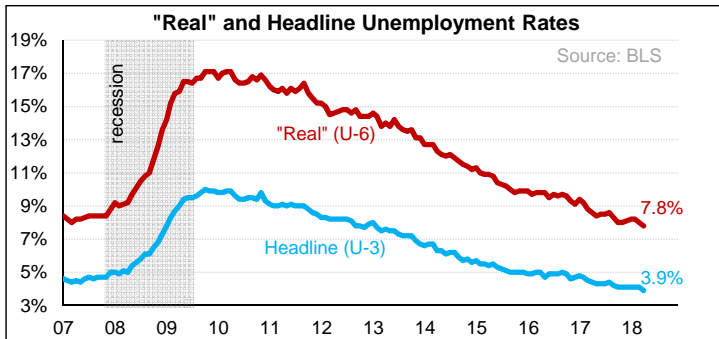


Details

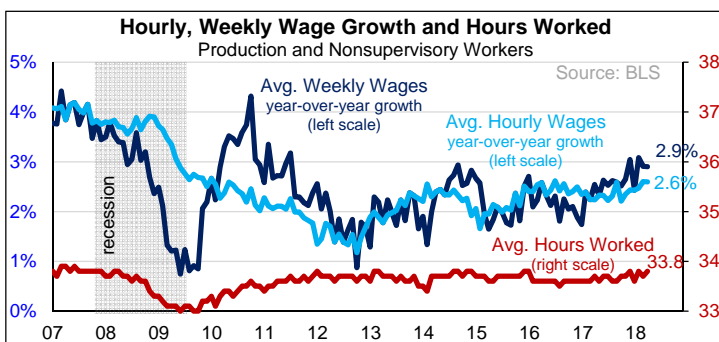
The [Bureau of Labor Statistics \(BLS\) reports](#) that 164,000 jobs were added in April, including 168,000 new private-sector jobs and 4,000 fewer government jobs. The largest gains were in professional and business services (+54,000), education and health services (+31,000), and manufacturing (+24,000). Job losses were recorded only in the wholesale trade industry (-9,800).



The employment-to-population ratio, the overall labor force participation rate (LFPR), and the prime working-age (25 to 54) LFPR each ticked down one-tenth of a percentage point to 60.3%, 62.8%, and 82.0%, respectively. The prime-age LFPR remains short of its 83% average from the previous business cycle's expansion, which suggests room for growth.¹ With over 126 million 25-to-54 year olds in the United States, a one percent higher workforce participation rate would yield 1.3 million more workers.



The headline unemployment rate (U-3), which counts as unemployed those who searched for work in the last four weeks, fell from 4.1% to 3.9%, the lowest since December 2000.² The black unemployment rate dropped to 6.6%, the lowest in the series' 46-year history. The "real" unemployment rate (U-6) fell from 8.0% to 7.8%, the lowest since July 2001. This 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 workers³ were 2.6% and 2.9% higher than 12 months ago, respectively.⁴ An AWE growth rate that exceeds the AHE growth rate indicates that people are working more hours per week since last year. During the previous expansion AHE and AWE each increased an average of 3% per year, compared with averages of

only 2.2% and 2.5% in the current expansion, respectively.

April 2018 Jobs Review	March	March	April	April
Sources: BLS, Bloomberg Econoday	Initial	Revised	Forecast	Actual
<i>Establishment Survey</i>				
Nonfarm Payrolls Change.....	103,000	135,000	191,000	164,000
Private Payrolls Change.....	102,000	135,000	190,000	168,000
Average Hourly Earnings: All Employees (Year-over-Year % Chg.).....	2.7%	2.6%	2.7%	2.6%
Average Hourly Earnings: Production and Nonsupervisory Workers.....	2.4%	2.6%	--	2.6%
<i>Household Survey</i>				
Population Growth (16 years and older).....	163,000	--	--	175,000
Change in Labor Force.....	-158,000	--	--	-236,000
Labor Force Participation Rate.....	62.9%	--	62.9%	62.8%
16 to 64 years of age.....	73.6%	--	--	73.6%
25 to 54 years of age (prime-age).....	82.1%	--	--	82.0%
Change in Number of Employed.....	-37,000	--	--	3,000
Employment-to-Population Ratio.....	60.4%	--	--	60.3%
Change in Number of Unemployed.....	-121,000	--	--	-239,000
“Headline” Unemployment Rate (U-3).....	4.1%	--	4.0%	3.9%
“Real” Unemployment Rate (U-6).....	8.0%	--	--	7.8%
Not in Labor Force.....	323,000	--	--	410,000

Context

The economy continues to generate healthy job growth and in recent months a long-awaited pick-up in wage growth. These developments together give no indication of the labor market running up against constraints that would hinder continued economic expansion or raise concerns over unwelcome inflationary pressure. The economy is performing well after a prolonged period of sluggishness.

John Williams, current San Francisco Fed President/incoming New York Fed President [commented](#) that, “I don’t see any rapid increase in inflation coming, so I feel this is pretty much a ‘Goldilocks’ economy.”

Noteworthy

The jobs number for March was revised up from 103,000 to 135,000 (second estimate) and February’s was revised down slightly from 326,000 to 324,000 (final estimate), for a net gain of 30,000 jobs.

The May Employment Situation release is scheduled for June 1 at 8:30 a.m.

¹ 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.

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

³ 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.

⁴ 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.