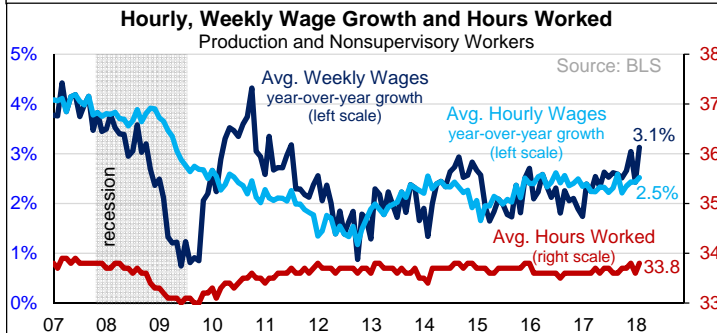
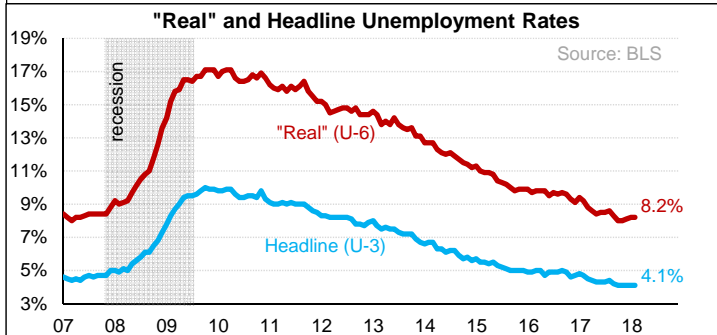
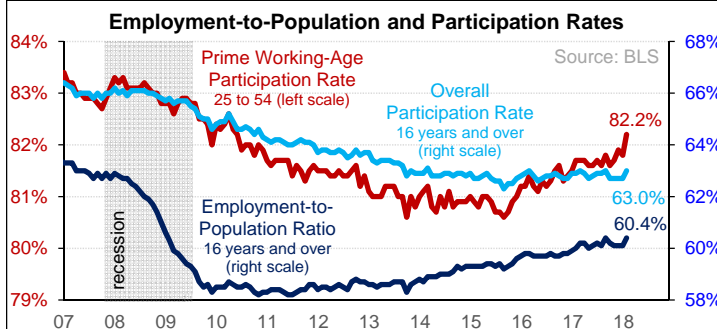
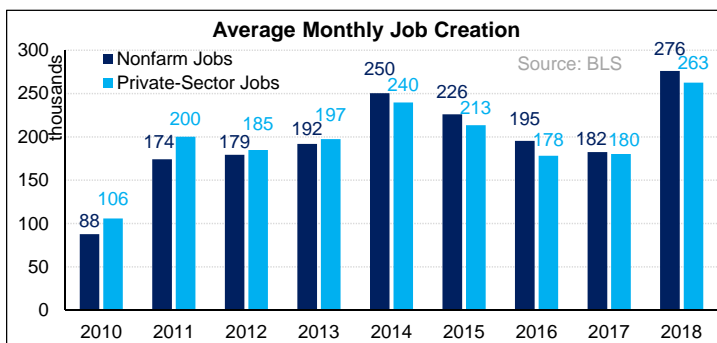


February 2018 Jobs Review

Jobs Review Snapshot

- 313,000 jobs were created in February, far exceeding expectations.
- The unemployment rate (U-3) remained unchanged at 4.1%.
- The prime working-age participation rate surged from 81.8% to 82.2%.



Details

The [Bureau of Labor Statistics \(BLS\)](#) reports another month of job creation, with 313,000 jobs added in February. Among the new 287,000 private sector jobs, the largest gains were in construction (+61,000), retail trade (+50,300), professional and business services (+50,000), and manufacturing (+31,000). Job losses were reported only in information (-12,000). The government sector added 26,000 jobs.

Not only are there more jobs, but more of the population is working again. The overall labor force participation rate (LFPR) climbed from 62.7% to 63%. The employment-to-population ratio jumped from 60.1% to 60.4%. There's still room to improve: The prime working-age (25 to 54) LFPR surged from 81.8% to 82.2%, still short of its 83% average from the previous business cycle's expansion.¹

The headline unemployment rate (U-3) was unchanged at 4.1%.² This counts as unemployed those who searched for work in the last four weeks. Also unchanged was the "real" unemployment rate (U-6) at 8.2%. 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.

Earnings and hours worked are also higher than they were last year. Average hourly earnings (AHE) and average weekly earnings (AWE) of production and nonsupervisory workers³ were 2.5% and 3.1% higher than 12 months ago, respectively.⁴ As average hours worked per week increased from 12 months ago, AWE rose in greater proportion to AHE. During the previous

expansion, AHE and AWE each increased an average of 3% per year, compared with averages of only 2.2% and 2.4% in the current expansion, respectively.

February 2018 Jobs Review Sources: BLS, Bloomberg Econoday	January Original	January Revised	February Forecast	February Actual
<i>Establishment Survey</i>				
Nonfarm Payrolls Change.....	200,000	239,000	205,000	313,000
Private Payrolls Change.....	196,000	238,000	195,000	287,000
Average Hourly Earnings: All Employees (Year-over-Year % Chg.).....	2.9%	2.8%	2.9%	2.6%
Average Hourly Earnings: Production and Nonsupervisory Workers.....	2.4%	2.4%	--	2.5%
<i>Household Survey</i>				
Population Growth (16 years and older).....	183,000	--	--	154,000
Change in Labor Force.....	185,000	--	--	806,000
Labor Force Participation Rate.....	62.7%	--	62.7%	63.0%
16 to 64 years of age.....	73.4%	--	--	73.8%
25 to 54 years of age (prime-age).....	81.8%	--	--	82.2%
Change in Number of Employed.....	91,000	--	--	785,000
Employment-to-Population Ratio.....	60.1%	--	--	60.4%
Change in Number of Unemployed.....	93,000	--	--	22,000
“Headline” Unemployment Rate (U-3).....	4.1%	--	4.0%	4.1%
“Real” Unemployment Rate (U-6).....	8.2%	--	--	8.2%
Not in Labor Force.....	-1,000	--	--	-653,000

Noteworthy

In February 806,000 people entered the labor force, **the largest monthly increase since June 1983 when the Reagan recovery began**, excluding the months of January in 1990, 2000, and 2003.⁵

This time last year, Joint Economic Committee predicted the labor force participation rate would improve if certain conditions were met. In its [2017 Joint Economic Report](#) (pp. 33-36, released March 2017) that a considerable improvement in labor markets could be realized if artificial policy constraints, such as an outdated tax code and burdensome regulations, were removed. The prime working-age LFPR surge from 81.8% to 82.2% helps substantiate these findings.

The jobs number for December was revised up from 160,000 to 175,000 (final estimate) and January’s was revised up from 200,000 to 239,000 (second estimate), for a net gain of 54,000 jobs.

The March Employment Situation release is scheduled for April 6 at 8:30 a.m.

Context

Over 200 years ago, economist and philosopher Adam Smith observed, “Little else is requisite to carry a state to the highest degree of opulence... but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things. All governments which thwart this natural course, which force things into another channel, or which endeavor to arrest the progress of society at a particular point, are unnatural.” (March 9—the day BLS released its February employment situation report—happened to be the date the *Wealth of Nations* was published in 1776).

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 December 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.

⁵ These are not directly comparable with other months because BLS revises the household survey’s population size annually in January.