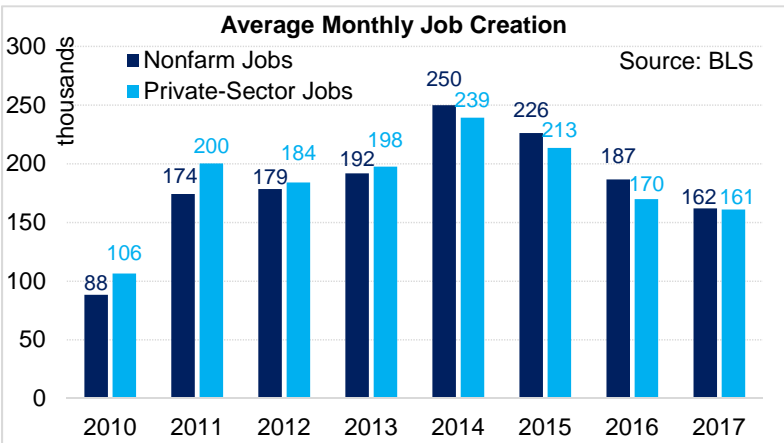


May 2017 Jobs Review

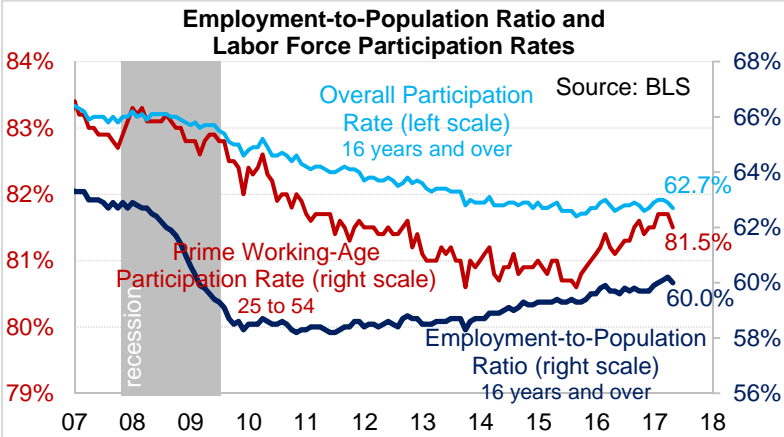
Jobs Review Snapshot

- 138,000 nonfarm payrolls jobs were added in May, which was less than expected.
- The headline unemployment rate (U-3) fell to 4.3%—its lowest rate since May 2001.
- The “real” unemployment rate (U-6) fell to 8.4%—its lowest rate since November 2007.



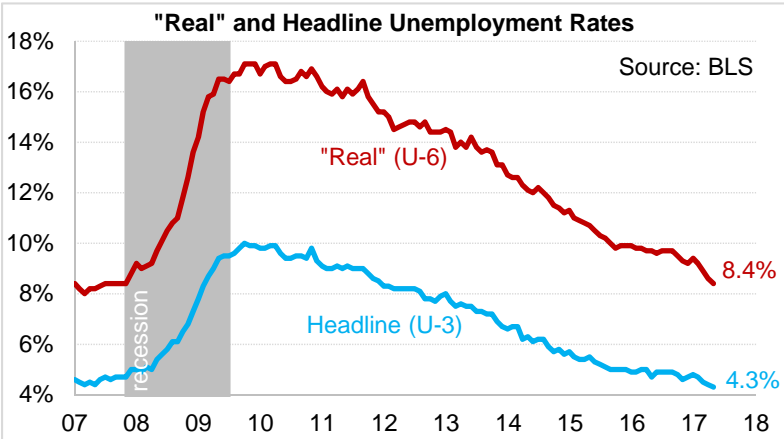
Details

The [Bureau of Labor Statistics \(BLS\)](#) reports a 138,000 gain in nonfarm payroll jobs, of which 147,000 were in the private sector. The largest private-sector job gains came from education and health services (+47,000), business and professional services (+38,000), and leisure and hospitality (+31,000). The largest private-sector job losses occurred in retail trade (-6,100), nondurable goods manufacturing (-3,000), and wholesale trade (-2,100). The government sector shed 9,000 jobs.

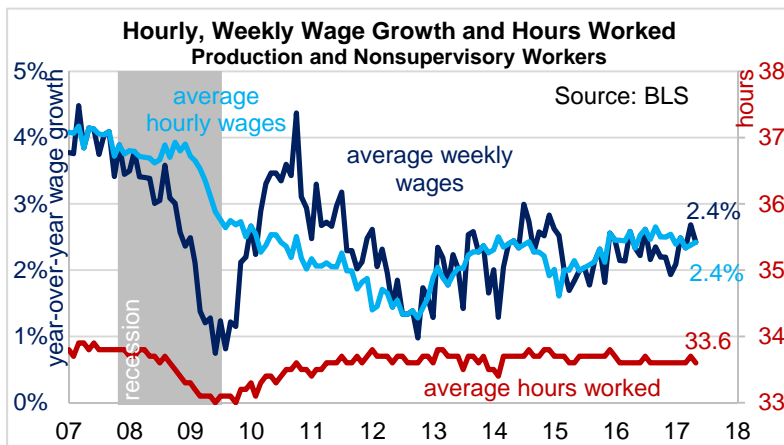


The employment-to-population ratio fell from 60.2% to 60.0%. The overall labor force participation rate (LFPR) decreased from 62.9% to 62.7%. The prime working-age (25 to 54) labor force participation rate also fell from 81.7% to 81.5%; during the previous business cycle's expansion (December 2001 to November 2007), it averaged 83%.¹

The headline unemployment rate (U-3) decreased from 4.4% to 4.3%. The last time it was this low was May 2001. The “real” unemployment rate (U-6)² decreased from 8.6% to 8.4%. The last time U-6 was this low was in November 2007, the month before the recession began.



For *all private-industry workers*, average hourly earnings (AHE) and average weekly earnings (AWE) are both 2.5% higher relative to last May.³ Hours worked were little changed for the month (AWE equals AHE times average hours worked).



The AHE and AWE of *production and nonsupervisory workers* are both 2.4% higher relative to this time last year. JEC prefers the production and nonsupervisory workers measure of wages as more representative of the average worker.⁴ During the previous expansion, the AHE and AWE of production and nonsupervisory workers each increased an average of 3% per year, whereas in the current expansion they have increased at an average annual rate of only 2.1% and 2.4%, respectively.

May 2017 Jobs Review	April	April	May	May
Sources: BLS, Bloomberg Econoday	Original	Revised	Forecast	Actual
<i>Establishment Survey</i>				
Nonfarm Payrolls Change	211,000	174,000	185,000	138,000
Private Payrolls Change	194,000	173,000	173,500	147,000
Average Hourly Earnings: All Employees (Year-over-Year % Chg.)	2.5%	2.5%	2.6%	2.5%
Average Hourly Earnings: Production and Nonsupervisory Workers	2.3%	2.4%	N/A	2.4%
<i>Household Survey</i>				
Unemployment Rate (U-3)	4.4%	--	4.4%	4.3%
Change in Number of Unemployed	-146,000	--	--	-195,000
Change in Labor Force	12,000	--	--	-429,000
"Real" Unemployment Rate (U-6)	8.6%	--	--	8.4%
Labor Force Participation Rate	62.9%	--	--	62.7%
16 to 64 years of age	73.4%	--	--	73.2%
25 to 54 years of age (prime-age)	81.7%	--	--	81.5%
Employment-to-Population Ratio	60.2%	--	--	60.0%
Population Growth (16 years and older)	174,000	--	--	179,000

Context

The nonfarm payroll jobs number was less than expected. However, the headline unemployment rate (U-3) and the “real” unemployment rate (U-6) are at their lowest since May 2001 and November 2007, respectively. Wage growth continued to be firm. Ultimately, for America to achieve its true economic potential, tax and regulatory reforms are essential to foster an environment where job creators and job seekers have more opportunities to partner up.

Noteworthy

Nonfarm payroll job growth for March was revised down 29,000 from +79,000 to +50,000 (final estimate). For April, it was revised down by 37,000 from +211,000 to +174,000 (second estimate). The June Employment Situation release is scheduled for Friday, July 7, at 8:30am.

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.

² U-6 includes those actively seeking work in the last four weeks (the measure used in U-3), those who would like a job but do not believe any are available to them (discouraged workers), and those persons who want full-time work but can only find part-time work for economic reasons.

³ 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. The U-3 rate is less meaningful than it used to be because the labor force participation rate has been low since the last recession.

⁴ 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.