

Joint Economic Committee

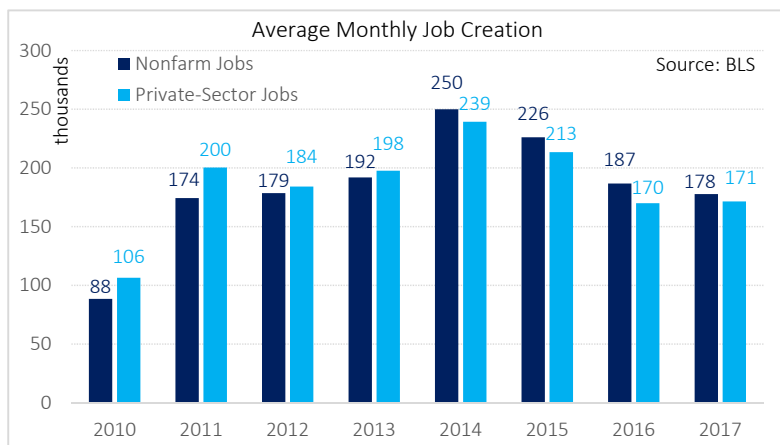
Representative Pat Tiberi, Chairman Senator Mike Lee, Vice Chairman

April 7, 2017

March 2017 Jobs Review

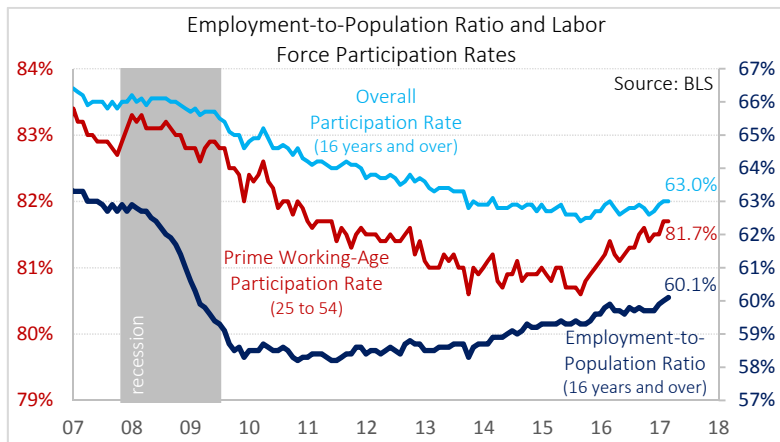
Jobs Review Snapshot

- The disappointing 98,000 nonfarm jobs number was largely attributed to snow storms during March.
- The headline unemployment (U-3) fell to 4.5%—its lowest rate since May 2007.
- The “real” unemployment rate (U-6) fell below 9% for the first time since December 2007.

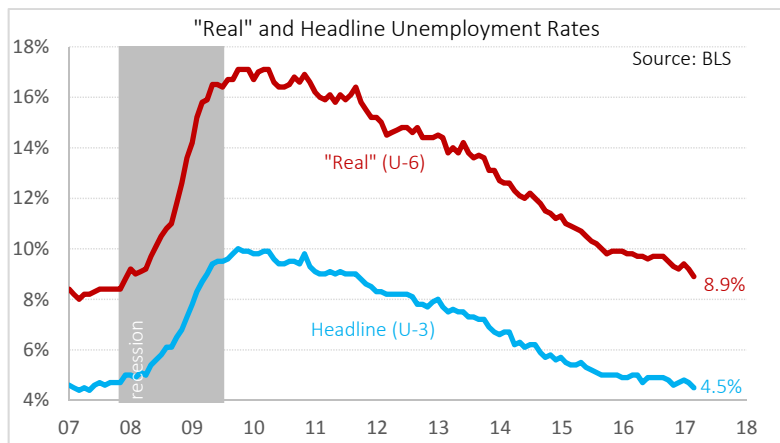


Details

The [Bureau of Labor Statistics \(BLS\) reports](#) a 98,000 gain in nonfarm payroll jobs, of which 89,000 were in the private sector. The largest job gains came from business and professional services (+56,000), education and health services (+16,000), mining (+11,000), and manufacturing (+11,000). Job losses were recorded in retail trade (-29,700), information services (-3,000), utilities (-700), and wholesale trade (-400). The government sector added 9,000 jobs.

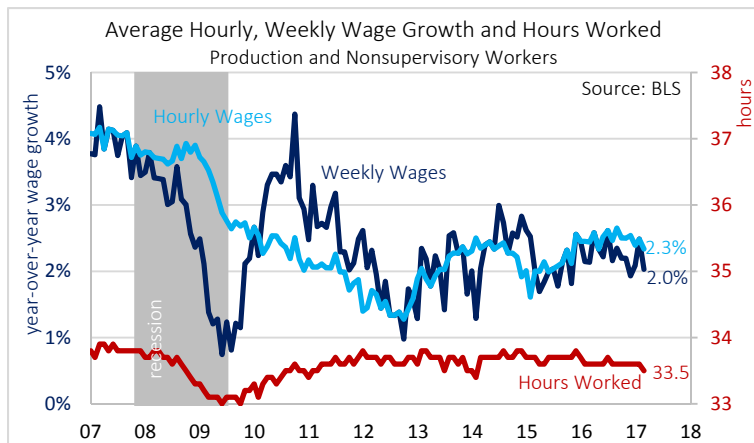


The employment-to-population ratio rose from 60% to 60.1% because of a large 472,000 increase in those employed relative to a 168,000-person increase in the population. The last time it exceeded 60% was in February 2009. The overall labor force participation rate (LFPR) was unchanged at 63%.¹ The prime working-age (25 to 54) labor force participation rate also remained unchanged at 81.7%. During the previous business cycle's expansion period, it averaged 83%. Applying the previous expansion's average LFPR to the current prime working-age population and comparing it to the current prime working-age labor force suggests there could be over 1.6 million more workers.



The headline unemployment rate (U-3) decreased from 4.7% to 4.5%, but because its significance depends on a stable LFPR, the U-3's relevance as an indicator of economic performance has diminished since the last recession. JEC looks to the wider measure, the “real” unemployment rate (U-6),² as a better gauge. In March, it decreased from 9.2% to 8.9%. This was the first time since December 2007 it was below 9%.

Average hourly earnings (AHE) of *all private-industry workers* are 2.7% higher than last year, while average weekly earnings (AWE) are 2.4% higher.³ This difference implies that the average hours worked of all employees has slightly decreased.



The AHE and AWE of *production and nonsupervisory workers* increased from last year by 2.3% and 2% respectively. JEC prefers these workers' AHE/AWE measures as they better represent the average worker's condition.⁴ During the previous expansion, the AHE and AWE of production and nonsupervisory workers each increased an average of 3% per year, while averaging only 2.1% and 2.4%, respectively, during the current expansion. Although, wage growth has accelerated since late 2015, this month saw some slowdown.

March 2017 Jobs Review	February	February	March	March
Sources: BLS, Bloomberg Econoday	Original	Revised	Forecast	Actual
<i>Establishment Survey</i>				
Nonfarm Payrolls Change	235,000	219,000	175,000	98,000
Private Payrolls Change	227,000	221,000	170,000	89,000
Average Hourly Earnings: All Employees (Month-to-Month % Chg.)	0.2%	0.3%	0.3%	0.2%
<i>Household Survey</i>				
Unemployment Rate (U-3)	4.7%	--	4.7%	4.5%
Change in Number of Unemployed	-107,000	--	--	-326,000
Change in Labor Force	340,000	--	--	145,000
"Real" Unemployment Rate (U-6)	9.2%	--	--	8.9%
Labor Force Participation Rate	63.0%	--	--	63.0%
16 to 64 years of age	73.2%	--	--	73.3%
25 to 54 years of age (prime-age)	81.7%	--	--	81.7%
Employment-to-Population Ratio	60.0%	--	--	60.1%
Population Growth (16 years and older)	164,000	--	--	168,000

Context

The jobs number came in well below expectations. [Reports](#) preceding the employment release projected that winter storm Stella, which occurred during the week of March when the BLS conducted its survey, would have a strong negative impact on the jobs number. Despite the disappointing nonfarm payroll jobs number, there were a number of bright spots: (1) the unemployment rate (U-3) fell to its lowest since May 2007, (2) the "true" unemployment rate (U-6) tumbled from 9.2% to 8.9%, (3) the employment-to-population ratio continues its upward march from 59.7% in December 2016 to 60.1% today, and (4) the number of employed individuals increased by 472,000 in March. In the morning, equity markets were little affected by the BLS report, suggesting they see this number as transitory. Forward-looking equity markets remain over 12% higher than before the [election results were known](#), and [small business](#) and [consumer sentiment](#) have also surged.

Ultimately, today's report is a timely reminder that substantive tax reform and more comprehensive reductions to regulatory burdens—such as the President's executive orders to curtail runaway regulations (Executive Orders [13771](#) and [13777](#)) and these [twelve](#) Congressional Review Act (CRA) bills signed into law—are needed for faster economic and job growth.

Noteworthy

Nonfarm payroll job growth for January was revised down from +238,000 to +216,000 (final estimate). For February, it was revised down from +235,000 to +219,000 (second estimate). The April Employment Situation release is scheduled for Friday, May 5, at 8:30am.

¹ Because the population is aging, this measure's value is difficult to interpret. Therefore, 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.

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.

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.