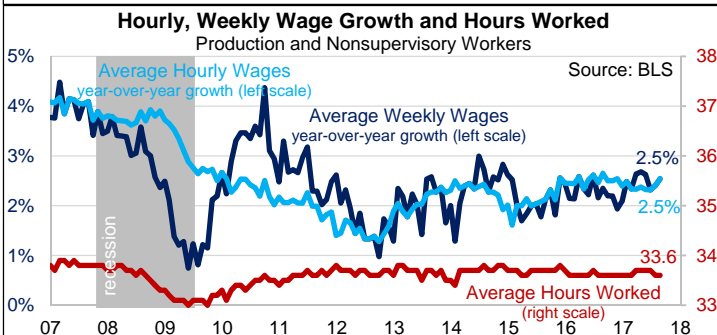
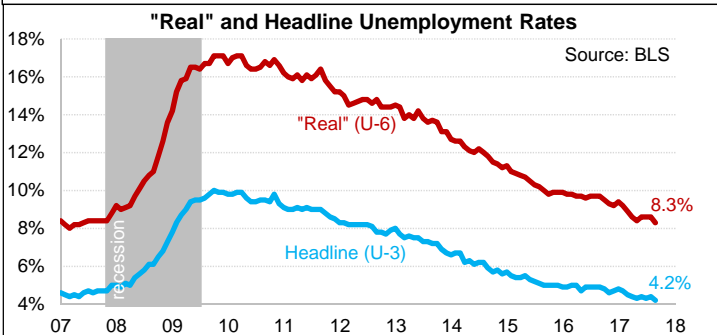
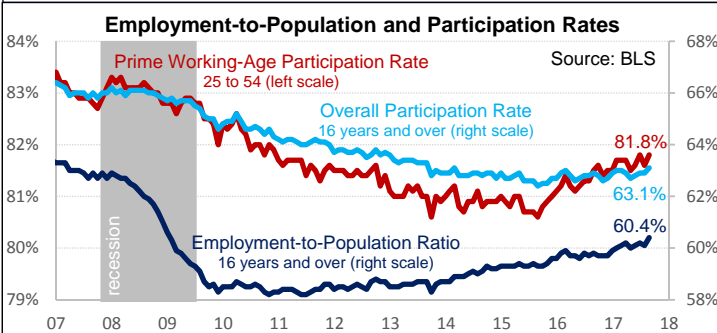
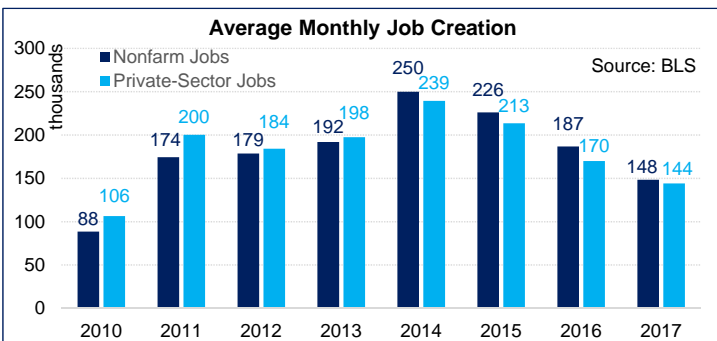


## September 2017 Jobs Review

### Jobs Review Snapshot

- Hurricanes Harvey and Irma severely affected the payroll jobs numbers (Puerto Rico is not in the survey).
- 33,000 nonfarm payroll jobs were lost in September, which was worse than expected.
- Wages and labor force participation rose; the unemployment rate fell to 4.2%.



### Details

The [Bureau of Labor Statistics \(BLS\) reports](#) 33,000 nonfarm payroll jobs were lost in September, of which 40,000 were lost in the private sector. The largest private-sector job gains were in education and health services (+27,000), transportation and warehousing (+21,800), and professional and business services (+13,000). The largest job losses were in leisure and hospitality (-111,000) and information (-9,000). The government sector added 7,000 jobs.

The employment-to-population ratio increased from 60.1% to 60.4%. The overall labor force participation rate (LFPR) rose from 62.9% to 63.1%. The prime working-age (25 to 54) LFPR increased from 81.6% to 81.8%; during the previous business cycle's expansion (December 2001 to November 2007), it averaged 83%.<sup>1</sup>

The headline unemployment rate (U-3), which only counts those who searched for work in the last four weeks as unemployed, fell from 4.4% to 4.2% (its lowest since February 2001).<sup>2</sup> The "real" unemployment rate (U-6), which counts those in U-3 plus those who searched for work in the past twelve months and those who want full-time work but can only find part-time work for economic reasons, declined from 8.6% to 8.3% (its lowest since June 2007).

Average hourly earnings (AHE) and average weekly earnings (AWE) of production and nonsupervisory workers<sup>3</sup> were each 2.5% higher than 12 months ago.<sup>4</sup> During the previous expansion, AHE and AWE each increased an average of 3% per year, whereas in the current expansion they have increased at an average of only 2.2% and 2.4% per year, respectively.

<b>September 2017 Jobs Review</b> Sources: BLS, Bloomberg Econoday	<b>August</b> Original	<b>August</b> Revised	<b>September</b> Forecast	<b>September</b> Actual
<i>Establishment Survey</i>				
Nonfarm Payrolls Change.....	156,000	169,000	100,000	<b>-33,000</b>
Private Payrolls Change.....	165,000	164,000	117,000	<b>-40,000</b>
Average Hourly Earnings: All Employees (Year-over-Year % Chg.).....	2.5%	2.7%	2.6%	<b>2.9%</b>
Average Hourly Earnings: Production and Nonsupervisory Workers.....	2.3%	2.4%	--	<b>2.5%</b>
<i>Household Survey</i>				
Population Growth (16 years and older).....	206,000	--	--	<b>205,000</b>
Change in Labor Force.....	77,000	--	--	<b>575,000</b>
Labor Force Participation Rate.....	62.9%	--	62.8%	<b>63.1%</b>
16 to 64 years of age.....	73.4%	--	--	<b>73.6%</b>
25 to 54 years of age (prime-age).....	81.6%	--	--	<b>81.8%</b>
Change in Number of Employed.....	-74,000	--	--	<b>906,000</b>
Employment-to-Population Ratio.....	60.1%	--	--	<b>60.4%</b>
Change in Number of Unemployed.....	151,000	--	--	<b>-331,000</b>
“Headline” Unemployment Rate (U-3).....	4.4%	--	4.4%	<b>4.2%</b>
“Real” Unemployment Rate (U-6).....	8.6%	--	--	<b>8.3%</b>

## Context

Those employed who did not work during the pay period that includes the 12<sup>th</sup> of the month are not counted as employed in the establishment survey. In contrast, the household survey, does count those that missed work for the entire survey reference week as employed. Note: Puerto Rico and the U.S. Virgin Islands are not counted in the BLS’s employment situation report.

The nonfarm payroll jobs number (-33,000) came in substantially below expectations (+100,000). During this period, Hurricane Irma was making landfall in Florida; consequently, anyone who did not work during that week was not counted. The payroll jobs number decline was driven mostly by the 111,000 decrease in leisure and hospitality jobs. Notably, 91.8% of September’s decline (relative to the preceding 12-month jobs number averages) can be attributed to three industries: leisure and hospitality (66.9%), professional and business services (18.0%), and education and health services (6.9%).

The household survey contained some bright spots: the headline unemployment rate fell to 4.2% (its lowest since February 2001), the “real unemployment rate” fell to 8.3% (its lowest since June 2007), the employment-to-population ratio jumped up to 60.4% (its highest since June 2009), and the overall LFPR rose to 63.1% (its highest since September 2013). Also, the establishment survey reported that all private-sector employees AHE was 2.9% higher than last year. JEC believes this month’s household survey numbers should be taken with a grain of salt as Hurricane Irma, for example, may have affected response rates from Florida, which has a much lower LFPR than the national average. Furthermore, the 2.9% AHE growth may be due to less leisure and hospitality jobs being reported, an industry with relatively low wages. Therefore, we will have to wait until next month’s job report to see if these numbers hold up.

## Noteworthy

The August jobs number was revised up from 156,000 to 169,000 (second estimate) while July was revised down from 189,000 to 138,000 (final estimate).

The October Employment Situation release is scheduled for Friday, November 3, at 8:30am.

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.