



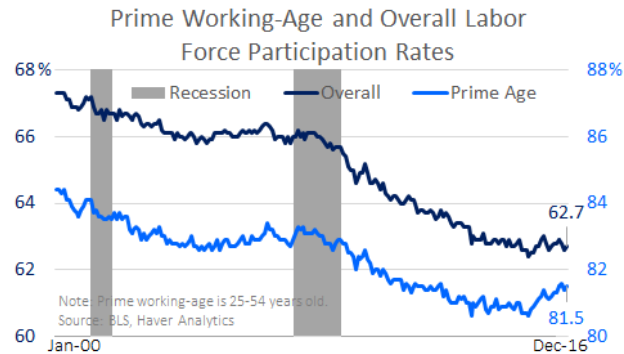
## January 9, 2017, Labor Review: Context for the December Labor Report

December’s employment report from the Bureau of Labor Statistics (BLS) recorded a 156,000 gain in nonfarm payroll jobs. Private payroll jobs increased by 144,000. The headline unemployment rate (U-3) increased to 4.7 percent from last month’s 4.6 percent. The number of employed increased by 63,000, while the labor force increased by 184,000. The labor force participation rate increased 0.1 percentage points to 62.7 percent. Nonfarm payroll job growth for November was revised up from +178,000 to +204,000 (second estimate). For October, it was revised down from +142,000 to +135,000 (final estimate).

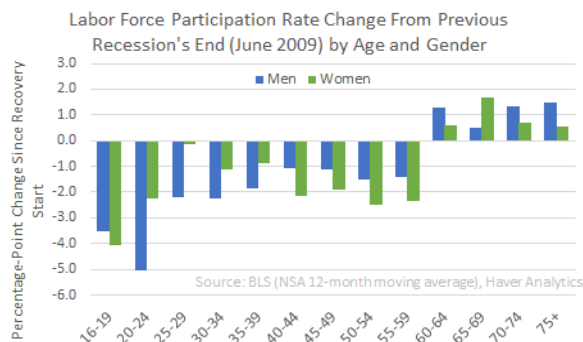
December Jobs Report Data	Previous November Data	Revised November Data	December Forecast	December Data
<i>Establishment Survey</i>				
Nonfarm Payrolls Change	178,000	204,000	175,000	156,000
Private Payrolls Change	156,000	198,000	165,000	144,000
Average hourly earnings (% chg.)	-0.1%	-0.1	0.3%	0.4%
<i>Household Survey</i>				
Unemployment Rate (U-3)	4.6%	4.6%	4.7%	4.7%
“True” Unemployment Rate (U-6)	9.3%	9.3%	-	9.2%
Labor Force Participation Rate (%)	62.7%	62.6%	-	62.7%
16-64 years old	73.0%	73.0%	-	73.0%
25-54 years old	81.4%	81.4%	-	81.5%
Employment to Population Ratio (%)	59.7%	59.7%	-	59.7%
Labor Force Change	-226,000	-187,000	-	184,000
Population Growth (16+ years old)	219,000	219,000	-	202,000

Source: BLS, BEA, Bloomberg Econoday

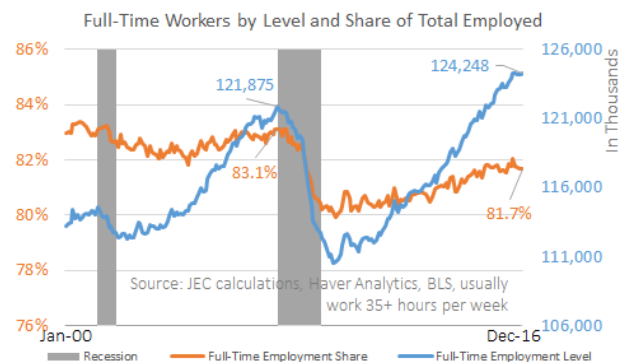
## LABOR TRENDS FOR WORKERS, JOB SEEKERS AND FAMILIES



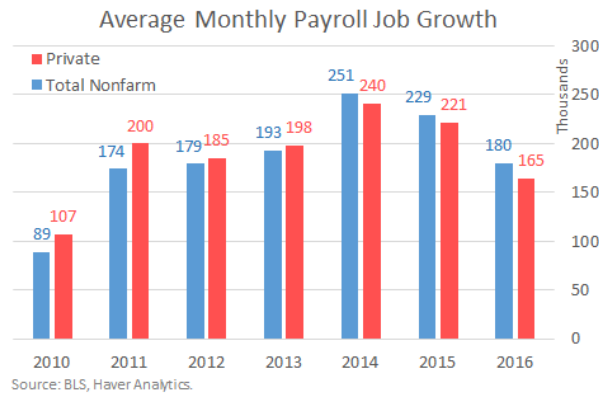
- *The labor force participation rate remains subdued, even among prime-age workers*
  - The labor force participation rate increased 0.1 percentage point to 62.7 percent.
  - It remains significantly below the previous business cycle's peak of 66.0 percent (December 2007)—a difference of 3.3 percentage points.
  - The rate for 25-54 year olds is 81.5 percent. It is down 1.6 percentage points compared to the peak of the last business cycle, when it was 83.1 percent.



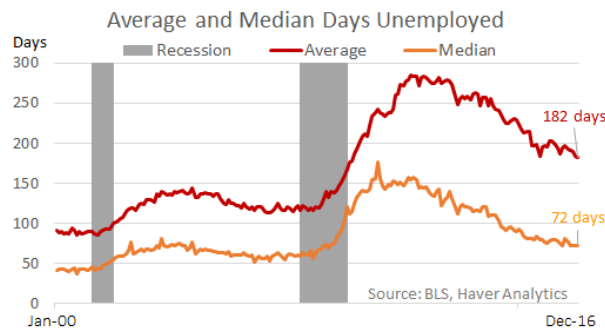
- *Specifically, labor force participation is down among Americans under 60 years old*
  - When broken down into five-year age cohorts, only workers age 60 and older have seen their participation increase since the start of the recovery.
  - By comparison, workers age 59 and younger, particularly ages 16 to 19 and men ages 20 to 24, have seen their workforce participation decline significantly over the course of the recovery.



- *Full-time employment remains subdued as a share of total employed*
  - The share of the employed that are working full-time is 1.5 percentage points below pre-recession levels, even though the number of full-time jobs passed its pre-recession peak in August 2015.
  - There are over 3.1 million more part-time jobs compared to pre-recession levels. As a share of the employed, part-time work is up 1.5 percentage points compared to its pre-recession level.



- Average monthly job growth in 2016 is below its 2012, 2013, 2014, and 2015 numbers
  - Average monthly private-sector job growth in 2016 was the lowest since 2010.
  - In 2016, over 2.1 million nonfarm payroll jobs were added, compared to approximately 2.7 million jobs added over 2015.
  - There are over 5.1 million fewer private-sector payroll jobs in this recovery than in the average post-1960 recovery lasting for one year or more.



- Long-term unemployment remains elevated
  - It takes 72 days for the median jobless worker to find a job or leave the workforce. The average is worse—182 days.
  - As a percent of the jobless, the share of long-term unemployed (27 weeks or more) remains elevated at 24.2% compared to its pre-recession average of 14%.

## THE BIGGER PICTURE

The *Wall Street Journal's* survey of economists estimates that the number of new jobs needed to absorb new entrants into the labor force and keep the unemployment rate unchanged, is [145,000 per month](#). December's 156,000 payroll growth just barely beat this benchmark. The three-month moving average for payroll jobs growth is 165,000 compared to 182,000 for November and 173,000 for October.

- In terms of total nonfarm payroll job growth, 2016 (2.2 million jobs gained) was the most disappointing year since 2011 (2.1 million jobs gained).
- The labor force participation rate is at its lowest level in nearly 40 years.
- JEC estimates that approximately 8.5 million people remain out of the workforce in this recovery. This estimate is derived by applying the labor force participation rate prior to the previous recession (66.0%, December 2007) to the December 2016 civilian non-institutional population (254,742,000). This implies there should be 168,130,000 individuals in the workforce; the actual number is only 159,640,000.

- As of Friday, January 6, 09:05 am ET, the probability of a Fed interest rate hike of its target range from 0.50-0.75 to 0.75-1.00 percent by February 1 is 3 percent according to the [CME Group's FedWatch Tool](#).

## UNDERLYING DETAILS

The December 2016 jobs report capped a lackluster year for job growth.

- The private-sector added 144,000 jobs. The government sector added 12,000 jobs.
  - The goods-producing sector registered a net gain of 12,000 jobs. Within the private goods-producing sector, job gains/losses by industry were: mining and logging (-2,000), construction (-3,000), and manufacturing (+17,000).
  - The service-producing sector registered a net gain of 132,000 jobs. Within the service-providing sector, job gains/losses by industry were: wholesale trade (+2,000), retail trade (+6,300), transportation and warehousing (+14,700), utilities (+200), information (-6,000), financial activities (+13,000), professional and business services (+15,000), education and health services (+70,000), leisure and hospitality (+24,000), other services (-8,000).
- In December 2016, there were 426,000 discouraged workers (persons not looking for jobs because they perceive none are available for them). In December 2015 there were 663,000 discouraged workers.
- [ADP's National Employment Report](#) estimates that private-sector employment increased 153,000 in December, with 169,000 jobs created in the service sector and 16,000 jobs lost in the goods-producing sector.
  - Trade, transportation, and utilities created 82,000 jobs. Professional and business jobs were up 24,000. The leisure and hospitality industry added 18,000 jobs. The financial sector added 10,000 jobs. Manufacturing lost 9,000 jobs, mining lost 5,000 jobs, and construction lost 2,000 jobs.
  - Small companies (1-49 employees) added 18,000 jobs. Mid-sized companies (50-499 employees) added 71,000 jobs. Large companies (500 or more employees) added 63,000 jobs.
  - ADP's numbers are not necessarily a reliable predictor for actual payroll jobs numbers released by the BLS.
- This employment report also incorporated the BLS's annual seasonal adjustment revisions to the most recent five years of household survey data. As a result, the unemployment rates in September and October 2016 were revised down from 5.0 and 4.9 percent to 4.9 and 4.8 percent, respectively.

The next BLS employment situation report for initial January employment numbers and revisions to the December and November establishment survey data are scheduled for release on Friday, February 3, 2017, at 8:30 am ET. BLS will update its population estimates for the household survey and will revise establishment data to reflect the annual benchmark adjustment and updated seasonal adjustments.