

# Joint Economic Committee

Representative Pat Tiberi, Chairman

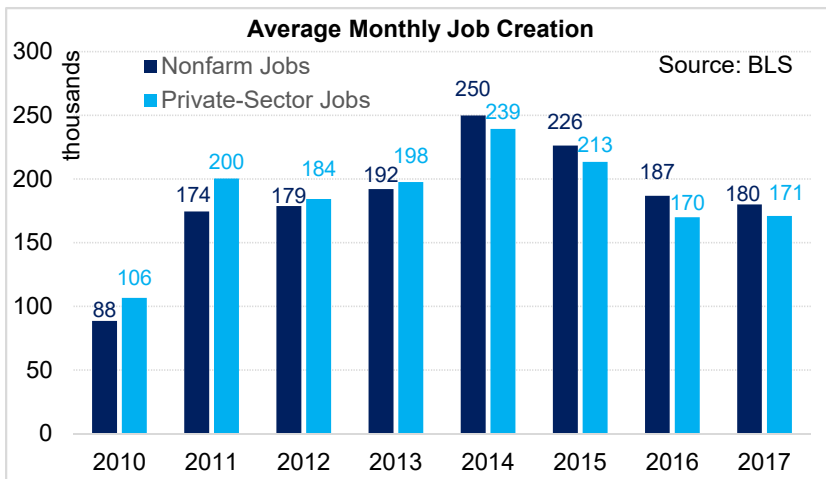
Senator Mike Lee, Vice-Chairman

July 7, 2017

## June 2017 Jobs Review

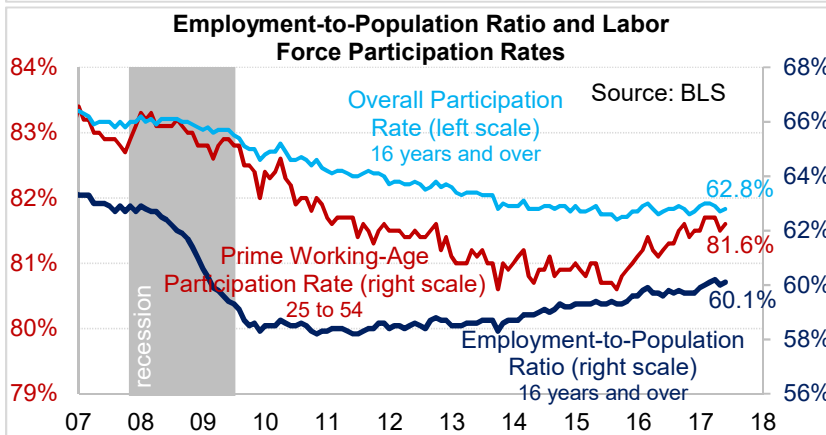
### Jobs Review Snapshot

- 222,000 nonfarm payrolls jobs were added in June, which was more than expected.
- The headline unemployment rate (U-3) ticked up slightly to 4.4% as more people entered the labor force.
- The employment-to-population ratio and labor force participation rate both increased.

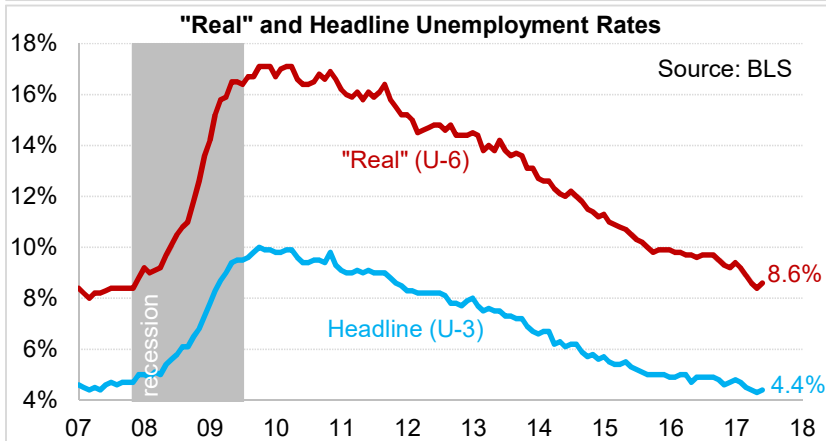


### Details

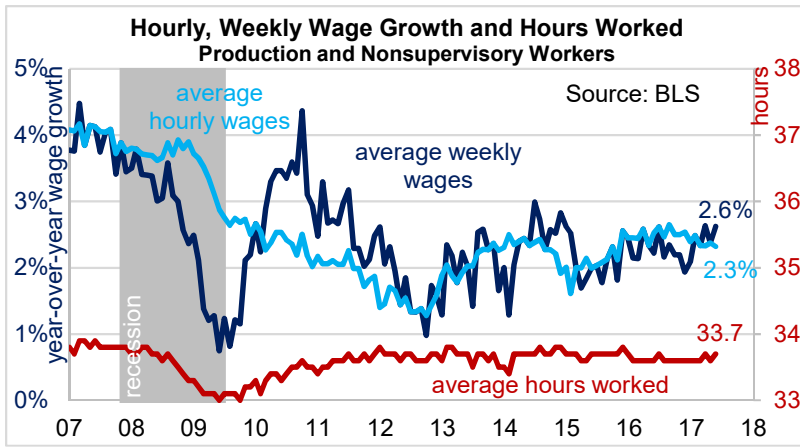
The [Bureau of Labor Statistics \(BLS\) reports](#) a 222,000 gain in nonfarm payroll jobs, of which 187,000 were in the private sector. The largest private-sector job gains came from health care and social assistance (+59,100), leisure and hospitality (+36,000), and business and professional services (+35,000). Private-sector job losses occurred solely in information (-4,000) and motor vehicle and parts manufacturing (-1,300). The government sector added 35,000 jobs—the net gain was due entirely to local government hiring.



The employment-to-population ratio ticked up from 60.0% to 60.1%. The overall labor force participation rate (LFPR) increased from 62.7% to 62.8%. The prime working-age (25 to 54) labor force participation rate also rose from 81.5% to 81.6%; during the previous business cycle's expansion (December 2001 to November 2007), it averaged 83%.<sup>1</sup>



The headline unemployment rate (U-3) ticked up from 4.3% to 4.4%. The "real" unemployment rate (U-6)<sup>2</sup> increased from 8.4% to 8.6%. For *all private-industry workers*, average hourly earnings (AHE) were 2.5% higher relative to last year while average weekly earnings (AWE) were 2.8% higher (series not shown in graphs).<sup>3</sup> The larger increase in AWE relative to AHE was due to an increase in average hours worked (AWE equals AHE times average hours worked).



The AHE of *production and nonsupervisory workers* was 2.3% higher relative to this time last year, while AWE was 2.6% higher. The increase in AWE relative to AHE is attributable to an increase in average hours worked. JEC prefers the production and nonsupervisory workers measure of wages as more representative of the average worker.<sup>4</sup> 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.

June 2017 Jobs Review		May	May	June	June
Sources: BLS, Bloomberg Econoday		Original	Revised	Forecast	Actual
<i>Establishment Survey</i>					
Nonfarm Payrolls Change.....		138,000	152,000	170,000	<b>222,000</b>
Private Payrolls Change.....		147,000	159,000	164,000	<b>187,000</b>
Average Hourly Earnings: All Employees (Year-over-Year % Chg.).....		2.5%	2.4%	2.6%	<b>2.5%</b>
Average Hourly Earnings: Production and Nonsupervisory Workers.....		2.4%	2.4%	--	<b>2.3%</b>
<i>Household Survey</i>					
Population Growth (16 years and older).....		179,000	--	--	<b>190,000</b>
Change in Labor Force.....		-429,000	--	--	<b>361,000</b>
Labor Force Participation Rate.....		62.7%	--	--	<b>62.8%</b>
16 to 64 years of age.....		73.2%	--	--	<b>73.3%</b>
25 to 54 years of age (prime-age).....		81.5%	--	--	<b>81.6%</b>
Change in Number of Employed.....		-233,000	--	--	<b>245,000</b>
Employment-to-Population Ratio.....		60.0%	--	--	<b>60.1%</b>
Change in Number of Unemployed.....		-429,000	--	--	<b>116,000</b>
“Headline” Unemployment Rate (U-3).....		4.3%	--	4.3%	<b>4.4%</b>
“Real” Unemployment Rate (U-6).....		8.4%	--	--	<b>8.6%</b>

## Context

Job creation in June easily beat expectations. The uptick in the unemployment rate was due to more people entering the labor force. This encouraging development lends credence to JEC’s concept of [constrained economic potential](#), which means that policy choices by the last administration put an artificial ceiling on economic growth and left [millions of Americans stranded](#) on the sidelines of the labor market. This may have contributed to a gap between qualifications for employment and worker skills, as the number of job vacancies, which as of the end of April stood at 6 million, has exceeded the number of hires (5 million) since late 2014. JEC explores this issue at its [upcoming hearing](#).

## Noteworthy

Nonfarm payroll job growth for April was revised up from 174,000 to 207,000 (final estimate). For May, it was revised up from 138,000 to 152,000 (second estimate). The July Employment Situation release is scheduled for Friday, August 4, 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> 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. 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> 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.

<sup>4</sup> 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.