

Joint Economic Committee

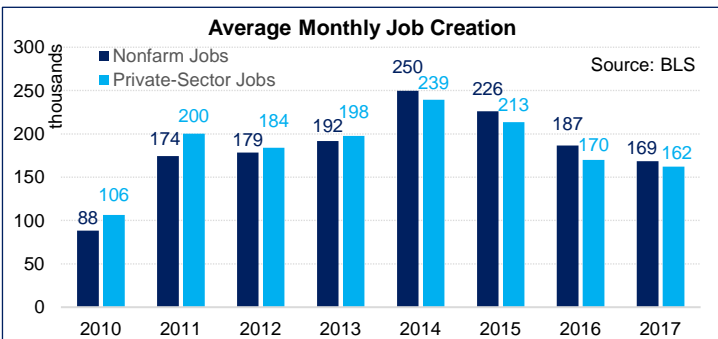
Representative Pat Tiberi, Chairman Senator Mike Lee, Vice-Chairman

November 3, 2017

October 2017 Jobs Review

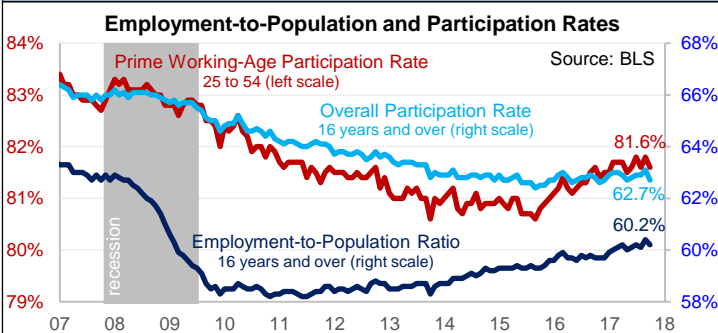
Jobs Review Snapshot

- 261,000 nonfarm payroll jobs were added in October, a strong rebound from September.
- The data are still showing residual effects of Hurricane Irma.
- The headline unemployment rate (U-3) ticked down to 4.1% and the “real” (U-6) unemployment rate fell to 7.9%, their lowest since December 2000 and December 2006, respectively.

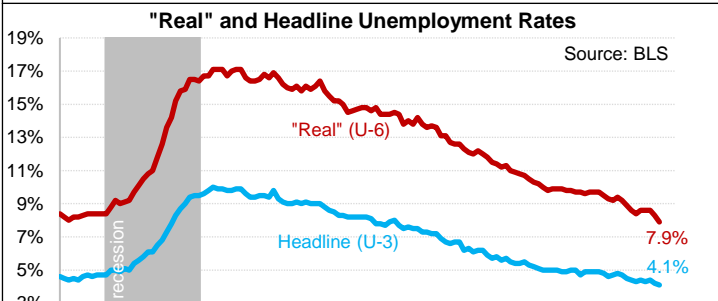


Details

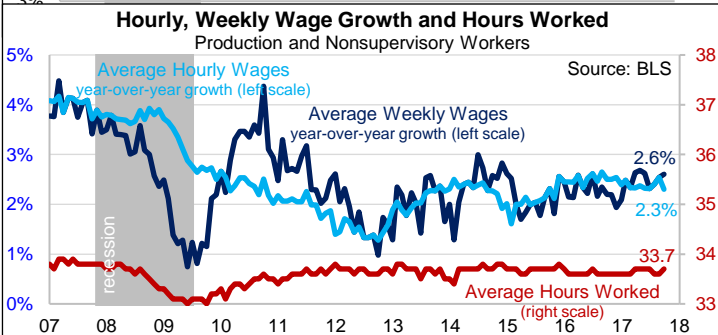
The [Bureau of Labor Statistics \(BLS\) reports](#) 261,000 nonfarm payroll jobs were added in October, of which 252,000 were in the private sector. The largest private-sector job gains were in leisure and hospitality (+106,000), professional and business services (+50,000), education and health services (+41,000), and manufacturing (+24,000). Job losses occurred in the retail (-8,300), mining (-2,000), and information industries (-1,000). The government sector added 9,000 jobs.



The employment-to-population ratio decreased from 60.4% to 60.2%. The overall labor force participation rate (LFPR) decreased from 63.1% to 62.7%. The prime working-age (25 to 54) LFPR decreased from 81.8% to 81.6%; during the previous business cycle's expansion (December 2001 to December 2007), it averaged 83%.¹



The headline unemployment rate (U-3), which only counts those who searched for work in the last four weeks as unemployed, ticked down from 4.2% to 4.1% (its lowest since December 2000).² 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, decreased from 8.3% to 7.9% (its lowest since December 2006).



Average hourly earnings (AHE) and average weekly earnings (AWE) of production and nonsupervisory workers³ were 2.3% and 2.6% higher than 12 months ago.⁴ 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.

October 2017 Jobs Review	September	September	October	October
Sources: BLS, Bloomberg Econoday	Original	Revised	Forecast	Actual
<i>Establishment Survey</i>				
Nonfarm Payrolls Change.....	-33,000	18,000	325,000	261,000
Private Payrolls Change.....	-40,000	15,000	320,000	252,000
Average Hourly Earnings: All Employees (Year-over-Year % Chg.).....	2.9%	2.8%	2.7%	2.4%
Average Hourly Earnings: Production and Nonsupervisory Workers.....	2.5%	2.5%	--	2.3%
<i>Household Survey</i>				
Population Growth (16 years and older).....	205,000	--	--	204,000
Change in Labor Force.....	575,000	--	--	-765,000
Labor Force Participation Rate.....	63.1%	--	63.0%	62.7%
16 to 64 years of age.....	73.6%	--	--	73.3%
25 to 54 years of age (prime-age).....	81.8%	--	--	81.6%
Change in Number of Employed.....	906,000	--	--	-484,000
Employment-to-Population Ratio.....	60.4%	--	--	60.2%
Change in Number of Unemployed.....	-331,000	--	--	-281,000
“Headline” Unemployment Rate (U-3).....	4.2%	--	4.2%	4.1%
“Real” Unemployment Rate (U-6).....	8.3%	--	--	7.9%

Context

As anticipated, October’s nonfarm payroll jobs number rebounded strongly. This occurred because September’s jobs number did not count employees who did not work as a result of Hurricane Irma. As these workers were reported on payrolls for October, it caused the jobs number to surge. Although less than expected, the total jobs number was bolstered by upward revisions of 90,000 jobs for September and August combined.

In the Context section of the [September Jobs Review](#), JEC Republicans hypothesized that September’s robust AHE growth (2.9% subsequently revised to 2.8%) may have reflected the drop in lower-paying leisure and hospitality jobs being reported. When these jobs were reported again in the BLS Establishment Survey for October, measured wage growth slowed.

JEC Republicans also warned that September’s strong household survey numbers should be taken with a grain of salt as Hurricane Irma may have affected response rates from Florida, which has a much lower LFPR than the national average. With Floridian households better accounted for in October, LFPR returned to normal.

The October employment report is good but still somewhat affected by Hurricane Irma, which makes it difficult to interpret. The Council of Economic Advisers (CEA) suggests job creation has returned to its [2017 trend](#).

Noteworthy

The number of those working part time for economic reasons has fallen from 5,850 thousand in October 2016 to 4,753 thousand in October 2017. It is now lower than in January 2008, when the recession began.

The September jobs number was revised up from -33,000 to +18,000 (second estimate) and the August jobs number was revised up from 169,000 to 208,000 (final estimate).

The November Employment Situation release is scheduled for December 8 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 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.

³ 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.

⁴ 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.