



JOINT ECONOMIC COMMITTEE

CHAIRMAN ERIK PAULSEN (R-MN)

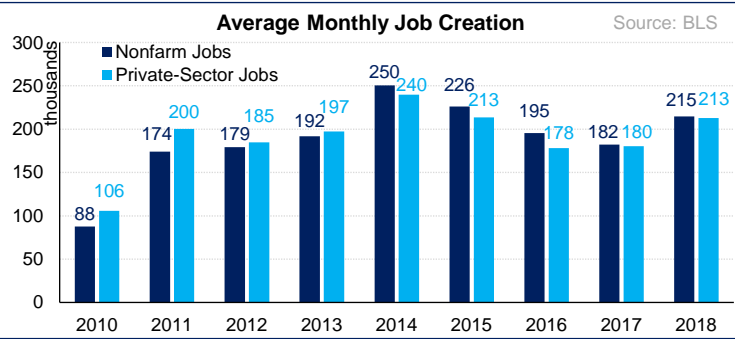


July 9, 2018

June 2018 Jobs Review

Jobs Review Snapshot

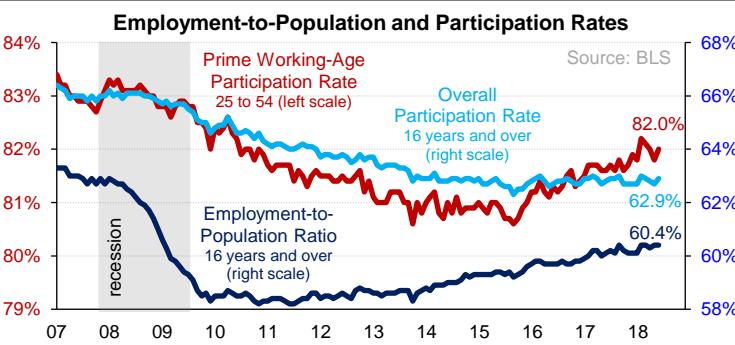
- 213,000 jobs were created in June, exceeding expectations.
- The labor force participation rate jumped up as more people continue to reenter the workforce.
- Nearly 1.3 million jobs have been created since the *Tax Cuts and Jobs Act* was enacted.



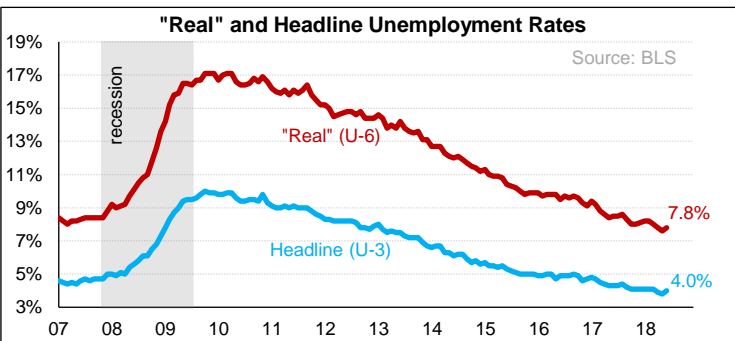
Details

The [Bureau of Labor Statistics \(BLS\) reports](#) that 213,000 jobs were added in June, including 202,000 new private-sector jobs and 11,000 more government jobs. The largest gains were in education and health services (+54,000), professional and business services (+50,000), and manufacturing (+36,000). Job losses were recorded only in retail trade (-21,600).

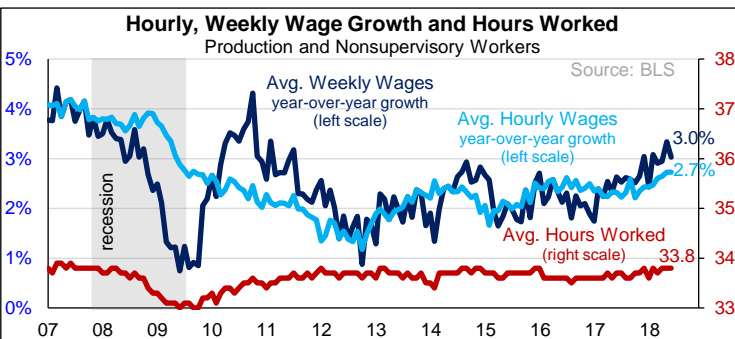
The employment-to-population ratio was unchanged at 60.4%. The overall (ages 16 and older) and prime-working age labor force participation rates (LFPR) increased to 62.9% (from 62.7%) and 82.0% (from 81.8%), respectively. The prime working-age LFPR remains short of its 83% average from the previous business cycle's expansion, which suggests room for growth.¹ With over 126 million 25-to-54 year olds in the United States, a 1 percentage point higher prime working-age LFPR would net nearly 1.3 million more workers.



The headline unemployment rate (U-3), which counts as unemployed those who searched for work in the last four weeks, rose from 3.8% to 4.0%.² The "real" unemployment rate (U-6) increased from 7.6% to 7.8%. This includes those in U-3, those who searched for work in the past twelve months, and those who want full-time work but can only find part-time work. The rise in the unemployment rate was driven by 601,000 people entering the workforce.



Average hourly earnings (AHE) and average weekly earnings (AWE) of production and nonsupervisory workers³ were 2.7% and 3.0% higher than 12 months ago, respectively.⁴ An AWE growth rate that exceeds the AHE growth rate indicates people are working more hours per week since last year. During the previous expansion AHE and AWE each averaged 3% growth per year, compared with averages of only 2.2% and 2.5% in the current expansion, respectively.



June 2018 Jobs Review	May	May	June	June
Sources: BLS, <i>Econoday</i>	Initial	Revised	Forecast	Actual
<i>Establishment Survey</i>				
Nonfarm Payrolls Change.....	223,000	244,000	190,000	213,000
Private Payrolls Change.....	218,000	239,000	182,000	202,000
Average Hourly Earnings: All Employees (Year-over-Year % Chg.).....	2.7%	2.8%	2.8%	2.7%
Average Hourly Earnings: Production and Nonsupervisory Workers.....	2.8%	2.7%	--	2.7%
<i>Household Survey</i>				
Population Growth (16 years and older).....	182,000	--	--	188,000
Change in Labor Force.....	12,000	--	--	601,000
Labor Force Participation Rate.....	62.7%	--	62.7%	62.9%
16 to 64 years of age.....	73.5%	--	--	73.7%
25 to 54 years of age (prime-age).....	81.8%	--	--	82.0%
Change in Number of Employed.....	293,000	--	--	102,000
Employment-to-Population Ratio.....	60.4%	--	--	60.4%
Change in Number of Unemployed.....	-281,000	--	--	499,000
“Headline” Unemployment Rate (U-3).....	3.8%	--	3.8%	4.0%
“Real” Unemployment Rate (U-6).....	7.6%	--	--	7.8%
Not in Labor Force.....	170,000	--	--	-413,000

Context

Job creation continues to exceed that necessary to sustain the growth in the working-age population and to beat the expectations of forecasters. Improved, though modest by historical standards, wage growth indicates that a reserve supply of labor remains to sustainably propel U.S. economic growth. The 601,000 person surge in workforce participation is a very welcome development. The increase in the unemployment rate resulting from more people looking for work again also lessens pressure on the Federal Reserve to raise interest rates.

These results support the conviction that the U.S. economy has greater potential than critics thought was possible and validate the regulatory reforms and the *Tax Cuts and Jobs Act* enacted by Republicans.

Noteworthy

The jobs number for April was revised up from 159,000 to 175,000 (final estimate) and May's was revised up from 223,000 to 244,000 (second estimate), for a net gain of 37,000 jobs.

The July Employment Situation release is scheduled for August 3 at 8:30 a.m.

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. The dates used to calculate the previous business cycle expansion's 83% average prime-age LFPR are November 2001 to December 2007.

² The U-3 rate is less meaningful than it once was 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.