



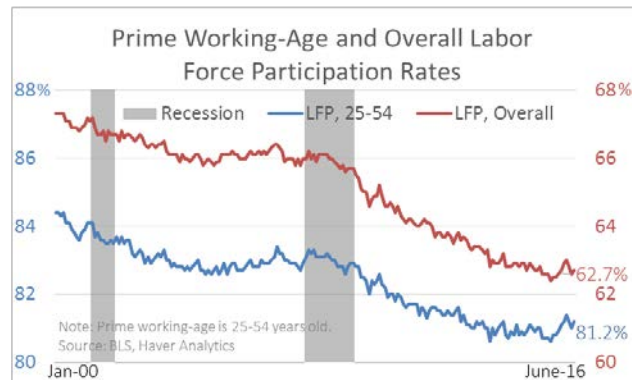
## July 11, 2016, Labor Review: Context for the June Labor Report

Last Friday's employment report from the Bureau of Labor Statistics (BLS) shows higher than expected job growth for the month of June. In the establishment survey, nonfarm payroll job numbers grew 287,000 compared to growth expectations of 180,000. Private payrolls grew by 265,000. Nonfarm payroll job growth was revised down from 38,000 for May (second estimate) to 11,000, with private-sector payroll jobs falling by 6,000. Nonfarm payroll revisions are down a combined 6,000 for April (third estimate) and May (second estimate). In the household survey, the unemployment rate increased to 4.9%, attributable to more Americans entering the labor force looking for work. However, total employed persons increased by only 67,000. The labor force participation rate increased 0.1 percentage point to 62.7%.

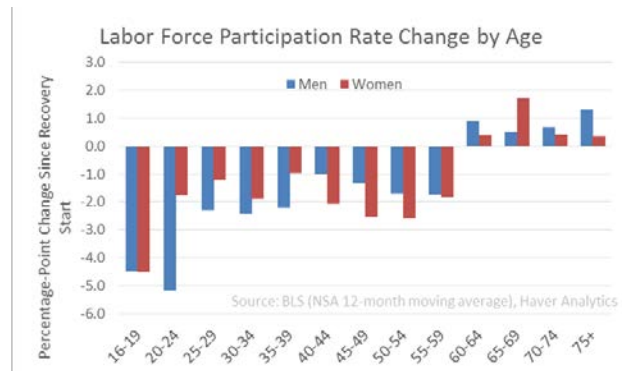
| June Jobs Report Data              | Previous May Data | Revised May Data | June Forecast | June Data |
|------------------------------------|-------------------|------------------|---------------|-----------|
| <i>Establishment Survey</i>        |                   |                  |               |           |
| Nonfarm Payrolls Change            | 38,000            | 11,000           | 180,000       | 287,000   |
| Private Payrolls Change            | 25,000            | -6,000           | 170,000       | 265,000   |
| Average hourly earnings (% chg.)   | 0.2%              | 0.2%             | 0.2%          | 0.1%      |
| <i>Household Survey</i>            |                   |                  |               |           |
| Unemployment Rate (U-3)            | 4.7%              | 4.7%             | 4.8%          | 4.9%      |
| "True" Unemployment Rate (U-6)     | 9.7%              | 9.7%             | -             | 9.6%      |
| Labor Force Participation Rate (%) | 62.6%             | 62.6%            | -             | 62.7%     |
| 16-64 years old                    | 72.7%             | 72.7%            | -             | 72.8%     |
| 25-54 years old                    | 81.0%             | 81.0%            | -             | 81.2%     |
| Employment to Population Ratio (%) | 59.7%             | 59.7%            | -             | 59.6%     |
| Labor Force Change                 | -458,000          | -458,000         | -             | 414,000   |
| Population Growth (16+ years old)  | 205,000           | 205,000          | -             | 223,000   |

Source: BLS, BEA, Bloomberg Econoday

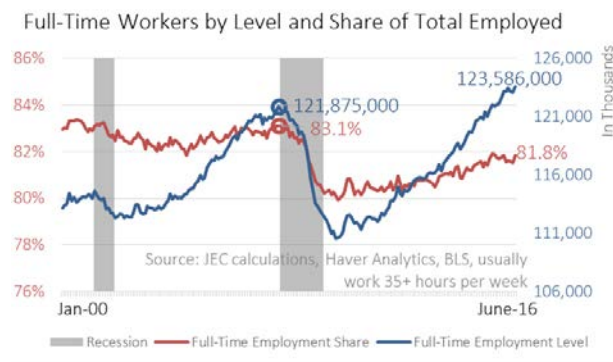
## LABOR TRENDS FOR WORKERS, JOB SEEKERS AND FAMILIES



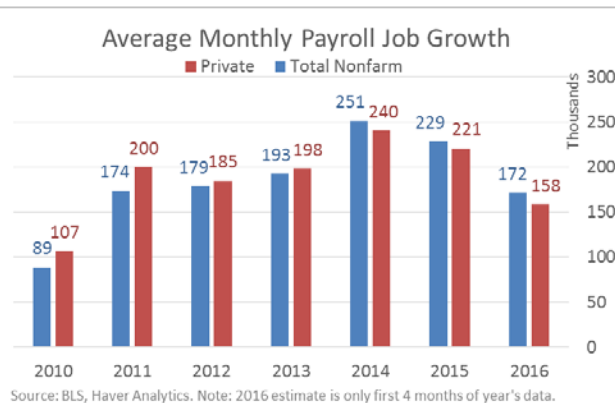
- *The labor force participation rate remains subdued, even among prime-age workers*
  - At 62.7%, the labor force participation rate remains significantly below its recovery start (the recession ended in June 2009), despite an uptick in previous months, and is still down 3.0 percentage points from that point.
  - The rate is also relatively low for 25-54 year olds, down 1.7 percentage points compared to the start of the recovery at 81.2%.



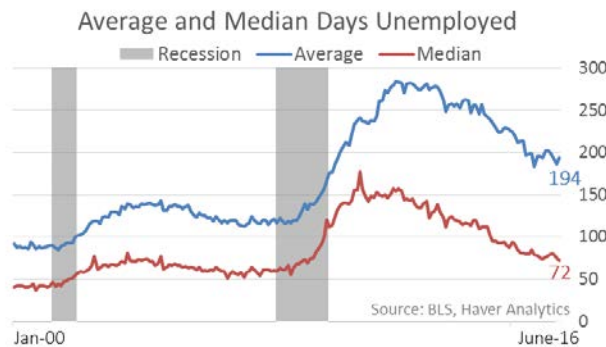
- *Specifically, labor force participation is down among Americans under 60 years old*
  - When broken down into five-year age cohorts, only workers age 60 and older have seen their participation increase since the start of the recovery.
  - By comparison, workers age 59 and younger, particularly ages 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 still more than a percentage point below pre-recession levels, even though the number of full-time jobs finally passed its pre-recession peak in August 2015.
  - Part-time jobs jumped during the recession and remain elevated by nearly 2.7 million compared to pre-recession levels. As a share of the employed, part-time work is up 1.3 percentage points compared to its pre-recession level.



- *Average monthly job growth slowed in 2015 and the first six months of 2016*
  - Over the past 12 months, nearly 2.5 million nonfarm payroll jobs were added.
  - Nonfarm payroll job growth has slowed to an average of 147,000 jobs per month over the past 3 months, lower than the average of 204,000 jobs per month over the last 12 months.
  - It would take more than 5.7 million more private-sector payroll jobs added in the remainder of 2016 to close the growth gap in private-sector jobs between this recovery and the average post-1960 recovery, or roughly 956,000 new jobs per month.



- *Long-term unemployment remains elevated*
  - It takes a median 72 days for the jobless worker to find a job or leave the workforce. The average is worse—194 days.
  - As a percent of the jobless, the share of long-term unemployed (27 weeks or more) remains elevated at 25.8% compared to its 40-year, pre-recession average of 14%.

## THE BIGGER PICTURE

Despite the “recovery”, the labor force participation rate remains significantly below even the June 2009 end of the recession. A [Wall Street Journal survey](#) of economists estimates that 145,000 jobs per month are needed to absorb new entrants into the labor market and keep the unemployment rate constant. Given the three-month average of 147,000 payroll jobs added, it suggests the labor market is still extremely fragile.

- The Joint Economic Committee will hold a hearing on Tuesday, July 12<sup>th</sup> at 2 p.m. entitled, [“Encouraging Entrepreneurship: Growing Business, Not Bureaucracy.”](#) Members hope to understand the ongoing declining trends in entrepreneurial activity and business dynamism. If bureaucracy shackles entrepreneurs, the engine of economic progress will stall even more.

- The [Financial Times](#) reported that after the May 2016 job numbers were released, Fed officials were backing away from an anticipated rate hike in late July. Now, in light of Brexit contrasted with June's higher than expected job growth, the Fed's upcoming direction is less certain.

## UNDERLYING DETAILS

The unemployment rate ticked upward from 4.7% in May to 4.9% in June. The increase is attributable to a greater civilian labor force participation (+414,000), largely due to an increase of 347,000 in the number of people who are unemployed, since those without a job but actively looking for work are included in the labor force. June's household employment numbers shows people working part-time for economic reasons fell by 587,000. The number of workers who are unemployed for 27 weeks or more (long-term unemployed) increased by 94,000.

- The BLS establishment survey finds the leisure and hospitality industries added 59,000 jobs in June. The healthcare and the social assistance sector added more than 58,000 jobs. Employment in financial activities increased 16,000 in June. Employment in information went up 44,000. As mentioned last month, a strike comprising an estimated 35,000 payroll jobs in telecommunications marginally contributed to the grim May payroll numbers. As the strike ended in June, the telecom sector added 28,000 jobs. Employment in the retail trade sector went up by 30,000. Mining continues its downward trend, having shed nearly 6,000 jobs. Since September 2014, mining has lost 211,000 jobs.
- [ADP's National Employment Report](#) estimates that private-sector employment increased 172,000 in June. Employment by the service-providing sector increased by 208,000 while employment in the goods producing sector decreased by 30,000. Most of these gains (+95,000) came from small businesses (1-49 employees), followed by medium-sized businesses with 50 to 499 employees (+52,000), and lastly large businesses with 500 plus employees (+25,000). ADP's employment numbers, though useful, are not necessarily a reliable predictor for actual payroll jobs numbers released by the BLS.
- The [ISM non-manufacturing survey](#) for June reveals that economic activity grew for the 77<sup>th</sup> consecutive month. The Non-Manufacturing Index (NMI) increased from 52.9% in May to 56.5% in June (above 50% indicates growth). The [ISM manufacturing survey](#) for June indicates that the manufacturing sector expanded for a fourth consecutive month from 51.3% to 53.2%. The employment index moved up from contractionary territory at 49.2% in May and April to 50.4%.
- The next BLS employment situation report for initial July employment numbers and revisions for May and June data are scheduled for release on Friday, August 5, 2016, at 8:30 a.m. ET.