

Joint Economic Committee

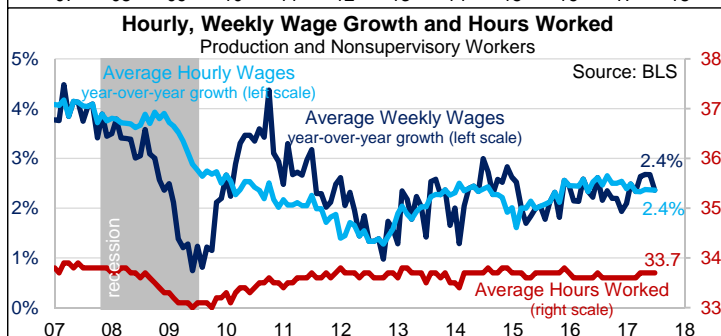
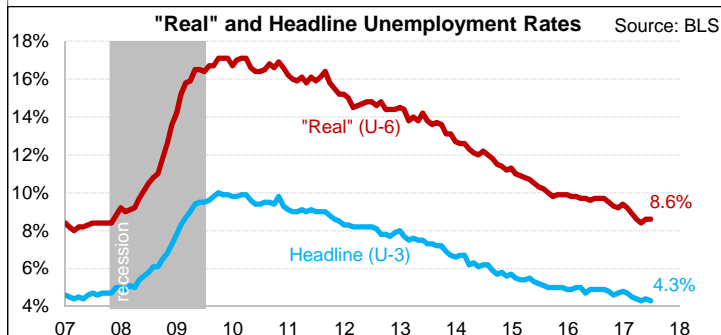
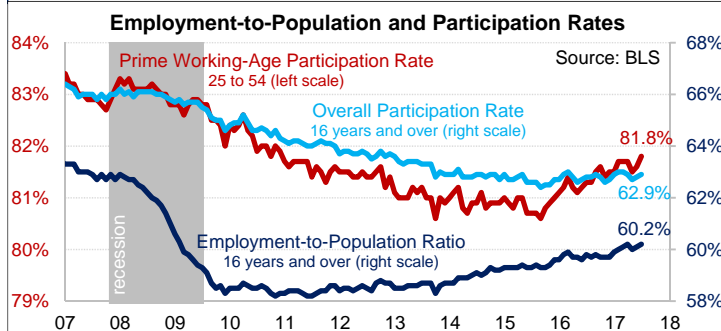
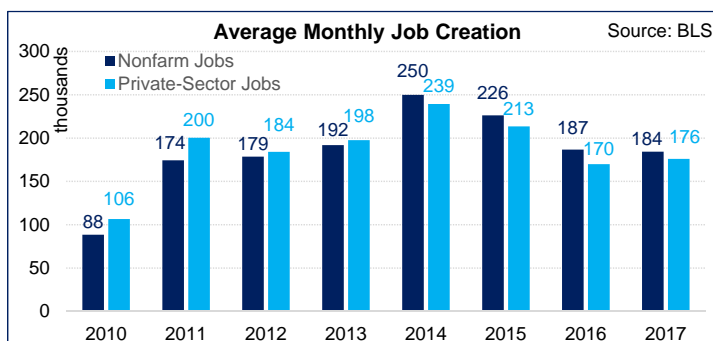
Representative Pat Tiberi, Chairman Senator Mike Lee, Vice-Chairman

August 4, 2017

July 2017 Jobs Review

Jobs Review Snapshot

- 209,000 nonfarm payroll jobs were added in July, exceeding expectations.
- The headline unemployment rate (U-3) fell to 4.3% as 345,000 people gained employment.
- The employment-to-population ratio and labor force participation rate both increased.



Details

The [Bureau of Labor Statistics \(BLS\) reports](#) a 209,000 gain in nonfarm payroll jobs, of which 205,000 were in the private sector. The largest private-sector job gains came from leisure and hospitality (+62,000), professional and business services (+49,000), and health care and social assistance (+45,000). Manufacturing also gained 16,000 jobs. No industries reported job losses. The government sector added 4,000 jobs.

The employment-to-population ratio increased from 60.1% to 60.2%. The overall labor force participation rate (LFPR) increased from 62.8% to 62.9%. The prime working-age (25 to 54) labor force participation rate jumped from 81.6% to 81.8%; during the previous business cycle's expansion (December 2001 to November 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 4.4% to 4.3%.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, was unchanged at 8.6%.

Average hourly earnings (AHE) and average weekly earnings (AWE) of production and nonsupervisory workers³ were both 2.4% higher than 12 months ago.⁴ The equal growth in both AHE and AWE indicates that average hours worked remained unchanged over the year. During the previous expansion, these each increased an average of 3% per year, whereas in the current expansion they have increased at an average annual rate of only 2.2% and 2.4%, respectively.

July 2017 Jobs Review Sources: BLS, Bloomberg Econoday	June Original	June Revised	July Forecast	July Actual
<i>Establishment Survey</i>				
Nonfarm Payrolls Change.....	222,000	231,000	178,000	209,000
Private Payrolls Change.....	187,000	194,000	175,000	205,000
Average Hourly Earnings: All Employees (Year-over-Year % Chg.).....	2.5%	2.5%	2.5%	2.5%
Average Hourly Earnings: Production and Nonsupervisory Workers.....	2.3%	2.4%	--	2.4%
<i>Household Survey</i>				
Population Growth (16 years and older).....	190,000	--	--	194,000
Change in Labor Force.....	361,000	--	--	349,000
Labor Force Participation Rate.....	62.8%	--	--	62.9%
16 to 64 years of age.....	73.3%	--	--	73.4%
25 to 54 years of age (prime-age).....	81.6%	--	--	81.8%
Change in Number of Employed.....	245,000	--	--	345,000
Employment-to-Population Ratio.....	60.1%	--	--	60.2%
Change in Number of Unemployed.....	116,000	--	--	4,000
“Headline” Unemployment Rate (U-3).....	4.4%	--	4.3%	4.3%
“Real” Unemployment Rate (U-6).....	8.6%	--	--	8.6%

Context

For the second month in a row, job creation easily beat expectations. Labor force participation rates and the employment-to-population ratio continue to trend upward. Despite a falling unemployment rate, inflation continues to remain low. These trends corroborate the JEC majority's theory that policies of the last administration [constrained economic potential](#), leaving [millions of Americans stranded](#) on the labor market's sideline. A government focused on economic growth and the expectation of tax reform and additional regulatory relief may be encouraging firms to hire more and leading more Americans to enter the workforce.

Noteworthy

Revisions for June and May resulted in a net gain of 2,000 jobs; June was revised up from 222,000 to 231,000 (second estimate) while May was revised down from 152,000 to 145,000 (final estimate). The August Employment Situation release is scheduled for Friday, September 1, 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.