

May 5, 2017

**April 2017 Jobs Review**

**Jobs Review Snapshot**

* 211,000 nonfarm payrolls jobs were added in April, exceeding expectations.
* The headline unemployment (U-3) fell to 4.4%—its lowest rate since May 2007.
* The “real” unemployment rate (U-6) fell to 8.6% for the first time since December 2007.

**Details**

The [Bureau of Labor Statistics (BLS) reports](https://www.bls.gov/news.release/empsit.nr0.htm) a 211,000 gain in nonfarm payroll jobs, of which 194,000 were in the private sector. The largest job gains came from leisure and hospitality (+55,000), education and health services (+41,000), and business and professional services (+39,000). Job losses were recorded in information services (-7,000) and durable goods manufacturing (-3,000). The government sector added 17,000 jobs.

The employment-to-population ratio ticked up from 60.1% to 60.2%. The overall labor force participation rate (LFPR) ticked down from 63% to 62.9%. The prime working-age (25 to 54) labor force participation rate remained unchanged at 81.7%; during the previous business cycle’s expansion (December 2001 to November 2007), it averaged 83%.[[1]](#endnote-1)

The headline unemployment rate (U-3) decreased from 4.5% to 4.4%, the lowest since May 2007. In April, the “real” unemployment rate (U-6)[[2]](#endnote-2) decreased from 8.9% to 8.6%. The last time the U-6 was this low was in late 2007. The number of people who want to work full time but could find only part-time jobs declined by 151,000.

For *all private-industry workers*, average hourly earnings (AHE) and average weekly earnings (AWE) are both 2.6% higher.[[3]](#endnote-3) The equality implies that hours worked were little changed for the month (AWE equals AHE times average hours worked).

The AHE and AWE of *production and nonsupervisory workers* increased from last year by 2.3% and 2.6% respectively. JEC prefers this measure of wages as more representative of the average worker.[[4]](#endnote-4) During the previous expansion, the AHE and AWE of production and nonsupervisory workers each increased an average of 3% per year, while averaging only 2.1% and 2.4%, respectively, during the current expansion. People worked more hours in April, which raised average weekly earnings growth.

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| **April 2017 Jobs Review** | **March** | **March** | **April** | **April** |
|  Sources: BLS, Bloomberg Econoday | Original | Revised | Forecast | Actual |
| *Establishment Survey* |   |   |   |   |
| Nonfarm Payrolls Change | 98,000 | 79,000 | 185,000 | **211,000** |
| Private Payrolls Change | 89,000 | 77,000 | 180,000 | **194,000** |
| Average Hourly Earnings: All Employees (Month-to-Month % Chg.) | 0.2% | 0.1% | 0.3% | **0.3%** |
| Average Hourly Earnings: Production and Nonsupervisory Workers | 0.2% | 0.2% | N/A | **0.3%** |
| *Household Survey* |   |   |   |  |
| Unemployment Rate (U-3) | 4.5% | -- | 4.6% | **4.4%** |
|  Change in Number of Unemployed | -326,000 | -- | -- | **-146,000** |
|  Change in Labor Force | 145,000 | -- | -- | **12,000** |
| "Real" Unemployment Rate (U-6) | 8.9% | -- | -- | **8.6%** |
| Labor Force Participation Rate | 63.0% | -- | -- | **62.9%** |
|  16 to 64 years of age | 73.3% | -- | -- | **73.4%** |
|  25 to 54 years of age (prime-age) | 81.7% | -- | -- | **81.7%** |
| Employment-to-Population Ratio | 60.1% | -- | -- | **60.2%** |
| Population Growth (16 years and older) | 168,000 | -- | -- | **174,000** |
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**Context**

Following a disappointing March jobs number (generally attributed to bad weather), the jobs number rebounded and exceeded expectations for April. Job gains have exceeded 200,000 in January, February, and April, the employment-to-population ratio continues to rise, and the real unemployment rate (U-6) plunged from 9.4% in January to 8.6% in April. While businesses may have better expectation of what government *will not* *do* (e.g., adding a lot more red tape), they still want certainty about what government *will do*, such as tax, regulatory, and healthcare reform. Therefore, a pro-growth agenda is needed to keep the momentum.

**Noteworthy**

Nonfarm payroll job growth for February was revised up by 13,000 from +219,000 to +232,000 (final estimate). For March, it was revised down by 19,000 from +98,000 to +79,000 (second estimate). The May Employment Situation release is scheduled for Friday, June 2,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. [↑](#endnote-ref-1)
2. 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. [↑](#endnote-ref-2)
3. 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. 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. [↑](#endnote-ref-3)
4. 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. [↑](#endnote-ref-4)