



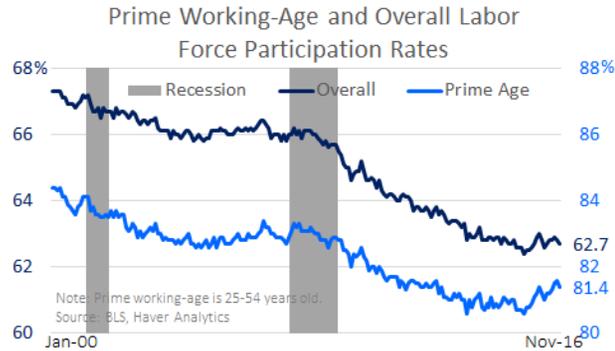
December 2, 2016, Labor Review: Context for the November Labor Report

Today's November employment report from the Bureau of Labor Statistics (BLS) recorded a 178,000 gain in nonfarm payroll jobs. Private payrolls gained 156,000 jobs. The headline unemployment rate (U-3) decreased to 4.6 percent from last month's 4.9 percent. From last month, the number of employed increased by 160,000, while the labor force decreased by 226,000 individuals. The labor force participation rate decreased 0.1 percentage point to 62.7 percent. Nonfarm payroll job growth for September was revised up from +191,000 to +208,000 (final estimate). For October, it was revised down from +161,000 to +142,000 (second estimate).

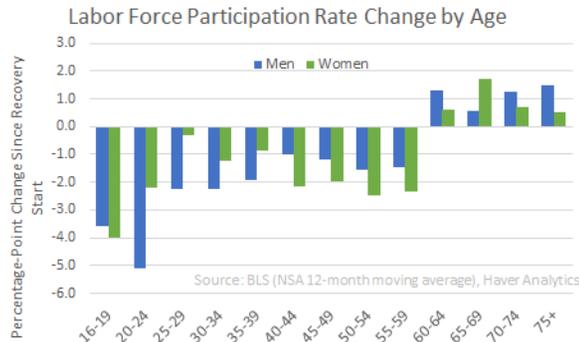
November Jobs Report Data	Previous October Data	Revised October Data	November Forecast	November Data
<i>Establishment Survey</i>				
Nonfarm Payrolls Change	161,000	142,000	170,000	178,000
Private Payrolls Change	142,000	135,000	155,000	156,000
Average hourly earnings (% chg.)	0.4%	0.4%	0.2%	-0.1%
<i>Household Survey</i>				
Unemployment Rate (U-3)	-	4.9%	4.9%	4.6%
"True" Unemployment Rate (U-6)	-	9.5%	-	9.3%
Labor Force Participation Rate (%)	-	62.8%	-	62.7%
16-64 years old	-	73.1%	-	73.0%
25-54 years old	-	81.6%	-	81.4%
Employment to Population Ratio (%)	-	59.7%	-	59.7%
Labor Force Change	-	-195,000	-	-226,000
Population Growth (16+ years old)	-	230,000	-	219,000

Source: BLS, BEA, Bloomberg Econoday

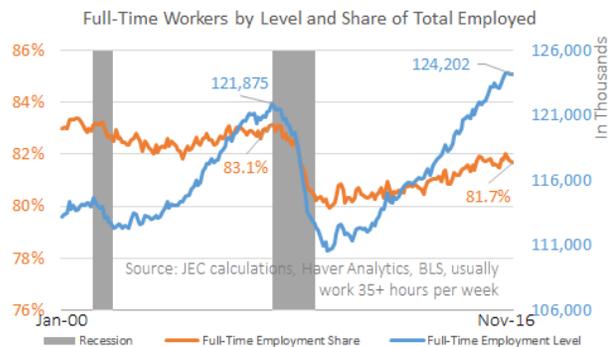
LABOR TRENDS FOR WORKERS, JOB SEEKERS AND FAMILIES



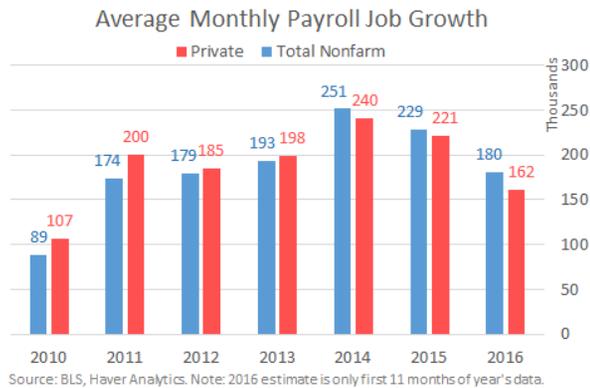
- *The labor force participation rate remains subdued, even among prime-age workers*
 - The labor force participation rate decreased 0.1 percentage point to 62.7 percent.
 - It remains significantly below the previous business cycle's peak of 66.0 percent (December 2007)—a difference of 3.3 percentage points.
 - The rate for 25-54 year olds is 81.4 percent. It is down 1.7 percentage points compared to the peak of the last business cycle, when it was 83.1 percent.



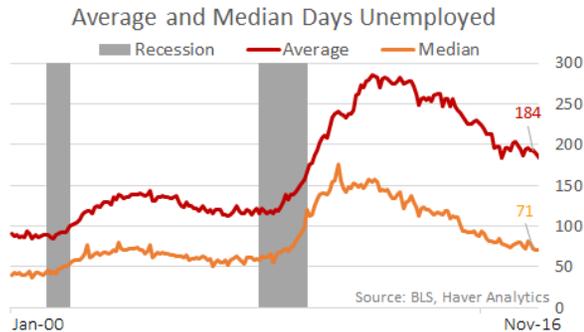
- *Specifically, labor force participation is down among Americans under 60 years old*
 - When broken down into five-year age cohorts, only workers age 60 and older have seen their participation increase since the start of the recovery.
 - By comparison, workers age 59 and younger, particularly ages 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 1.4 percentage points below pre-recession levels, even though the number of full-time jobs passed its pre-recession peak in August 2015.
 - There are approximately 3.1 million more part-time jobs compared to pre-recession levels. As a share of the employed, part-time work is up 1.4 percentage points compared to its pre-recession level.



- *Average monthly job growth in 2016 is below its 2012, 2013, 2014, and 2015 numbers*
 - Focusing only on private-sector jobs, average monthly growth in 2016 is the lowest since 2010.
 - Over the past 12 months, over 2.5 million nonfarm payroll jobs were added, compared to the approximate 2.8 million jobs added over the year ending November 2015.
 - There are over 5.2 million fewer private-sector payroll jobs in this recovery than in the average post-1960 recovery lasting for one year or more.



- *Long-term unemployment remains elevated*
 - It takes 71 days for the median jobless worker to find a job or leave the workforce. The average is worse—184 days.
 - As a percent of the jobless, the share of long-term unemployed (27 weeks or more) remains elevated at 24.8% compared to its pre-recession average of 14%.

THE BIGGER PICTURE

The *Wall Street Journal's* survey of economists estimates that the number of new jobs needed to keep the unemployment rate unchanged is [145,000 per month](#). November's 178,000 payroll growth passed this benchmark. Currently, the three-month moving average for payroll jobs growth is 176,000 compared to three-month moving averages of 175,000 for October and 212,000 for September. Payroll job growth has averaged 180,000 per month thus far in 2016, compared with an average monthly increase of 229,000 in 2015.

- JEC estimates that over 8.5 million people are still on the sidelines. This estimate applies the labor force participation rate that existed before the previous recession (66.0%, December 2007) to the November 2016 civilian non-institutional

population (254,540,000). This calculation implies there should be 167,996,000 individuals in the labor force; the actual number is only 159,486,000 as of November 2016.

- As of Friday, December 2, 08:55 am ET, the probability of a Fed interest rate hike of its target range from 0.25-0.50 percent to 0.50-0.75 percent during its December 13-14 meeting is 94.9 percent according to the [CME Group's FedWatch Tool](#).

UNDERLYING DETAILS

November's numbers featured a fall in the headline unemployment rate; however, there were some troubling underlying trends.

- In particular, although the civilian noninstitutional population increased by 219,000 individuals, 226,000 people dropped out of the labor force in November. The labor force participation rate of prime-age workers fell from 81.6% in October to 81.4% in November as a result of 231,000 people ages 25 to 54 leaving the workforce.
- The number of unemployed persons decreased by 387,000 to 7,400,000 from last month's 7,787,000. Since last year, it has decreased by 524,000 from its November 2015 number of 7,924,000. This November, the number of persons unemployed less than 5 weeks increased by 24,000 for the month. There was a decrease of 123,000 in the number of long-term unemployed (those without jobs for 27 weeks or more) from 1,979,000 last month to 1,856,000 this November. Long-term unemployment as a share of total unemployment decreased from last month's 25.2 percent to 24.8 percent.
- The private-sector added 156,000 jobs. The government sector added 22,000 jobs.
 - The goods-producing sector registered a net gain of 17,000 jobs. Within the private goods-producing sector, job gains/losses by industry were: mining and logging (+2,000), construction (+19,000), and manufacturing (-4,000).
 - The service-producing sector registered a net gain of 139,000 jobs. Within the service-providing sector, job gains/losses by industry were: wholesale trade (+2,800), retail trade (-8,300), transportation and warehousing (+8,900), utilities (-300), information (-10,000), financial activities (+6,000), professional and business services (+63,000), education and health services (+44,000), leisure and hospitality (+29,000), other services (+4,000).
- In November, there were 591,000 discouraged workers (persons not looking for jobs because they perceive none are available for them). This is slightly less than in November 2015 (594,000).

- [ADP's National Employment Report](#) estimates that private-sector employment increased 216,000 in November, with 228,000 jobs created in the service sector and 11,000 jobs lost in the goods-producing sector.
 - Trade, transportation, and utilities created 69,000 jobs. Professional and business jobs were up 68,000. The leisure and hospitality industry added 38,000 jobs. The financial sector added 12,000 jobs. Manufacturing lost 10,000 jobs, mining shed 4,000 jobs, and construction added 2,000 jobs.
 - Small companies (1-49 employees) added 37,000 jobs. Mid-sized companies (50-499 employees) added 89,000 jobs. Large companies (500 or more employees) added 90,000 jobs.
 - ADP's numbers are not necessarily a reliable predictor for actual payroll jobs numbers released by the BLS.

The next BLS employment situation report for initial December employment numbers and revisions to the November and October establishment survey data are scheduled for release on Friday, January 6, 2017, at 8:30 a.m. ET. At this time, BLS will incorporate annual revisions in seasonally adjusted household survey data, with the most recent 5 years subject to revision.