



JOINT ECONOMIC COMMITTEE

CHAIRMAN ERIK PAULSEN (R-MN)

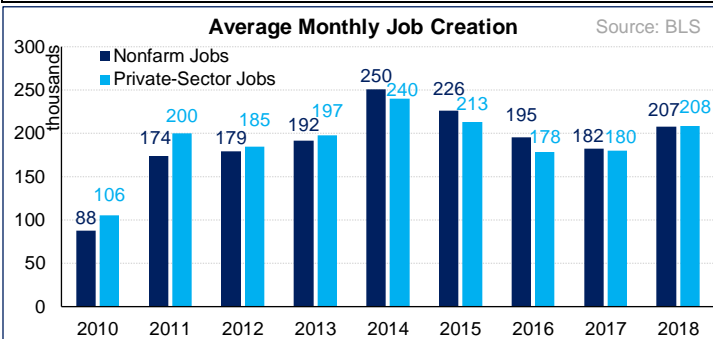


June 4, 2018

May 2018 Jobs Review

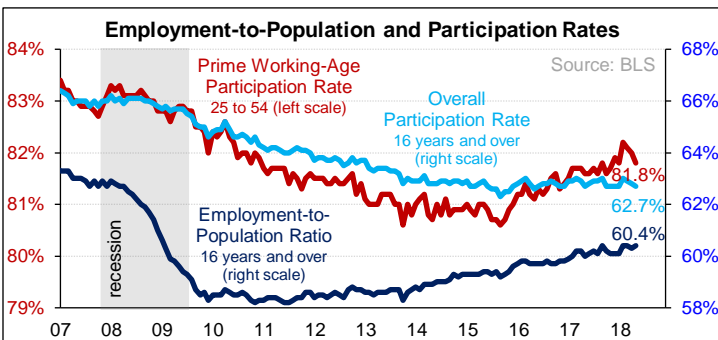
Jobs Review Snapshot

- 223,000 jobs were created in May, exceeding expectations.
- One million jobs have been created since tax reform was enacted.
- The unemployment rate fell to 3.8%, the lowest since April 2000.

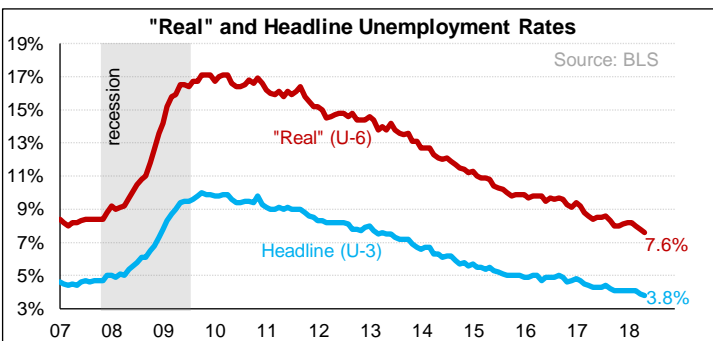


Details

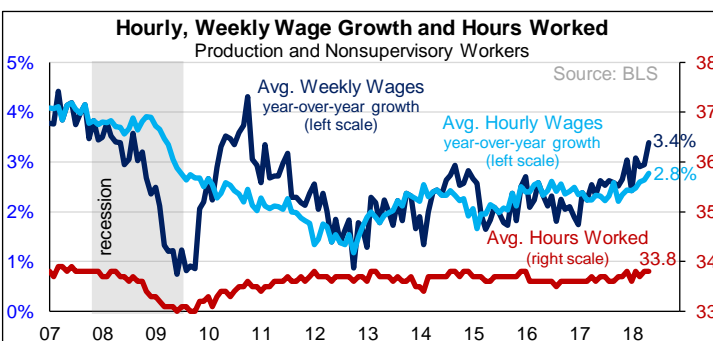
The [Bureau of Labor Statistics \(BLS\) reports](#) that 223,000 jobs were added in May, including 218,000 new private-sector jobs and 5,000 more government jobs. The largest gains were in education and health services (+39,000), retail trade (+31,100), and professional and business services (+30,000). Job losses were recorded only in utilities (-1,100).



The employment-to-population ratio increased from 60.3% to 60.4%. The overall (ages 16 and older) and prime-working age labor force participation rates (LFPR) declined to 62.7% (from 62.8%) and 81.8% (from 82.0%), respectively. The prime-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 1.2 percentage point higher prime-working age LFPR would net 1.5 million more workers.



The headline unemployment rate (U-3), which counts as unemployed those who searched for work in the last four weeks, fell from 3.9% to 3.8%, the lowest since April 2000.² The black unemployment rate fell below 6% for the first time; at 5.9% it is the lowest in the series' 46-year history. The "real" unemployment rate (U-6) fell from 7.8% to 7.6%, the lowest since May 2001. 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.



Average hourly earnings (AHE) and average weekly earnings (AWE) of production and nonsupervisory workers³ were 2.8% (the largest increase since July 2009) and 3.4% 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.

May 2018 Jobs Review	April	April	May	May
Sources: BLS, Bloomberg Econoday	Initial	Revised	Forecast	Actual
<i>Establishment Survey</i>				
Nonfarm Payrolls Change.....	164,000	159,000	190,000	223,000
Private Payrolls Change.....	168,000	162,000	184,000	218,000
Average Hourly Earnings: All Employees (Year-over-Year % Chg.).....	2.6%	2.6%	2.7%	2.7%
Average Hourly Earnings: Production and Nonsupervisory Workers.....	2.6%	2.6%	--	2.8%
<i>Household Survey</i>				
Population Growth (16 years and older).....	175,000	--	--	182,000
Change in Labor Force.....	-236,000	--	--	12,000
Labor Force Participation Rate.....	62.8%	--	62.8%	62.7%
16 to 64 years of age.....	73.6%	--	--	73.5%
25 to 54 years of age (prime-age).....	82.0%	--	--	81.8%
Change in Number of Employed.....	3,000	--	--	293,000
Employment-to-Population Ratio.....	60.3%	--	--	60.4%
Change in Number of Unemployed.....	-239,000	--	--	-281,000
“Headline” Unemployment Rate (U-3).....	3.9%	--	3.9%	3.8%
“Real” Unemployment Rate (U-6).....	7.8%	--	--	7.6%
Not in Labor Force.....	410,000	--	--	170,000

Context

The addition of 223,000 jobs and the unemployment rate dropping to 3.8 percent are further evidence that tax and regulatory reforms have removed the artificial policy constraints that had forced Americans to endure subpar economic progress for eight years. With average hourly earnings of production and nonsupervisory workers 2.8% higher than 12 months ago—the largest gain since July 2009—Americans are also finally seeing better wage growth as well.

Noteworthy

The jobs number for March was revised up from 135,000 to 155,000 (final estimate) and April’s was revised down from 164,000 to 159,000 (second estimate), for a net gain of 15,000 jobs.

The June Employment Situation release is scheduled for July 6 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.