Research Note

V1N15 East Boston Economics December 8, 2017

U.S. Employment Situation November 2017

U-Rate: 4.1%; Jobs: +228,000

OVERVIEW

- The unemployment rate remained at 4.1 **percent in November while payrolls expanded by 228,000**, according to the Bureau of Labor Statistics.
- The **Labor Force Participation (LFP)** remained at 62.7 percent for November. The **employment-population ratio** was little changed at 60.1 percent.
- The **manufacturing sector** added 31,000 jobs. The BLS reports "that since a recent low in November 2016, manufacturing has increased by 189,000 jobs."
- **Professional and business services** added 46,000 jobs in November and **health care** added 30,000.
- Employment in the other major sectors— **mining, wholesale trade, retail trade, transportation and warehousing, information, leisure and hospitality, financial activities** and **government** —changed little.
- In November, **average hourly earnings** for all employees increased by 5 cents to $26.55; over the past year, hourly earnings have risen by 64 cents or 2.5 percent.
- The September employment report was revised up from +18,000 to +38,000 and the change in October was revised down from +261,000 to +244,00 Over the past three months, job gains have averaged 170,000 a month. The six-month average monthly growth is 177,600. From January, the economy added on average 174,000 monthly jobs.

ANALYSIS

In November, the American factory kicked into high gear. Since last year the **manufacturing sector** has added 189,000 jobs. Subsector growth took place in **machinery** (+8,000), **fabricated metal products** (+7,000), **computer and electronic products** (+4,000), and **plastics and rubber products** (+4,000). The payroll employment report exceeded the Wall Street consensus of 200,000 jobs. According to an ADP report earlier this week, private sector employment increased by 190,000 jobs in November. The unemployment rolls decreased over the past 12 months by 799,000 workers. The number of **part-time for economic reasons** remained at 4.8 million. Nonetheless, there is talk of a labor shortage in the manufacturing sector where employers are investing in resources to train new workers and by increasing automation. The tight labor market suggests that wages should be increasing faster that today's reported annual rate of 2.5%. But percentage growth in lower paid jobs since 2007 in the leisure and hospitality sectors (0.2) have outstripped high-value-adding professional and business services (0.1) and the overall job (0.1) growth (See table below). Another view is more generational than structural. According to USAToday, "Some economists say the government's measure of average earnings growth may be skewed downward by the retirements of higher-paid Baby Boomers and the entry into the labor force of lower paid Millennials." For now, holding a job is more important than higher wages. Overall, the job market is on solid ground giving the Federal Reserve an opportunity to raise rates.