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Economic Pulse

Employment

National

December Office Employment: Lackluster, With a Chance of Rising Wages

January 6, 2017

December's nonfarm payroll report missed expectations, even as wage growth rose by the fastest pace since 2009. Total nonfarm jobs rose by just 156,000 versus consensus for a gain of 175,000 jobs, while job growth in the private sector rose by a smaller 144,000. On the year, private sector employment grew by an average of 180,000 jobs per month—well off the 229,000 monthly average observed in 2015.

Office employment rose by a meager 22,000 (*Table 1* and *Chart 1 on the following page*)—as a reversal in the hiring of accountants and temporary help workers shaved more than 25,000 from the total. (November's increase in employed accountants marked the largest monthly gain since 2011.) Similar to the trend in private sector employment, office-using employment growth slowed in 2016—averaging 57,000 jobs a month versus a 67,000 average in 2015 and a 65,000 average in 2014.

The take-away from today's report is that the labor market continues to tighten—even with the small tick higher in the unemployment rate to 4.7%. The fraction of people working part-time for economic reasons (i.e., people only able to find part-time work despite wanting full-time work) relative to all workers is now at the lowest level since 2008, and even among those people who are not in the labor force, the number of discouraged workers—those who didn't seek work because they think that no work is available for them—is 1/3 lower than it was a year ago. The tighter labor market has resulted in accelerating wages, as average hourly earnings now stand 2.9% higher on the year—well ahead of the 2.1% advance in consumer price inflation (CPI) excluding food and energy (*Chart 2 on the following page*) as well as total inflation (1.7% for headline CPI.) To date, the pass-through from higher wages has yet to affect core inflation, but it's safe to assume that the Fed are watching the data closely.

Table 1. **Monthly Change in Office-Using Payrolls by Category (000s, SA)**

	12 Months Through November 2016 (average)	November 2016 revised (revised)	December 2016
Total Office	61.3	61.0	22.0
Information	1.2	-12.0	-6.0
Financial Activities	12.8	8.0	13.0
Finance and Insurance	8.7	2.8	12.8
Commercial Banking*	0.3	-1.0	0.0
Real Estate and Rental and Leasing	4.1	4.5	0.4
Rental and Leasing Services*	0.3	-2.4	-1.3
Professional/Business Services	47.3	65.0	15.0
Legal Services*	0.1	-0.5	2.0
Accounting*	3.7	16.7	-13.2
Architectural/Engineering Services*	2.5	-1.1	3.7
Computer Systems Design/Related Services*	6.5	3.1	4.1
Temporary Help Services*	5.3	23.8	-15.5
Services to Buildings/Dwellings *	4.9	6.3	10.6
Additional:			
Nonresidential Building Construction	0.5	-0.1	-1.3
Nonresidential Specialty Trade Contractors	2.9	2.9	-3.2

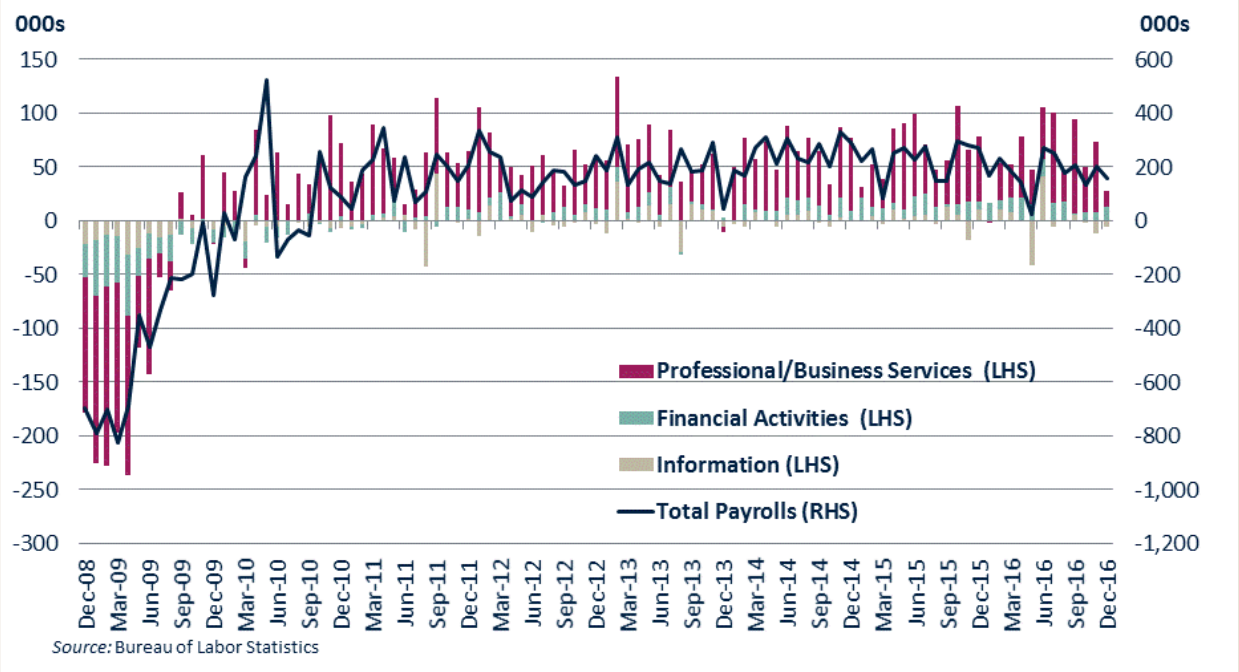
*Listings do not include all sub-sectors, so numbers shown will not sum to total sector figure.

Source: Bureau of Labor Statistics

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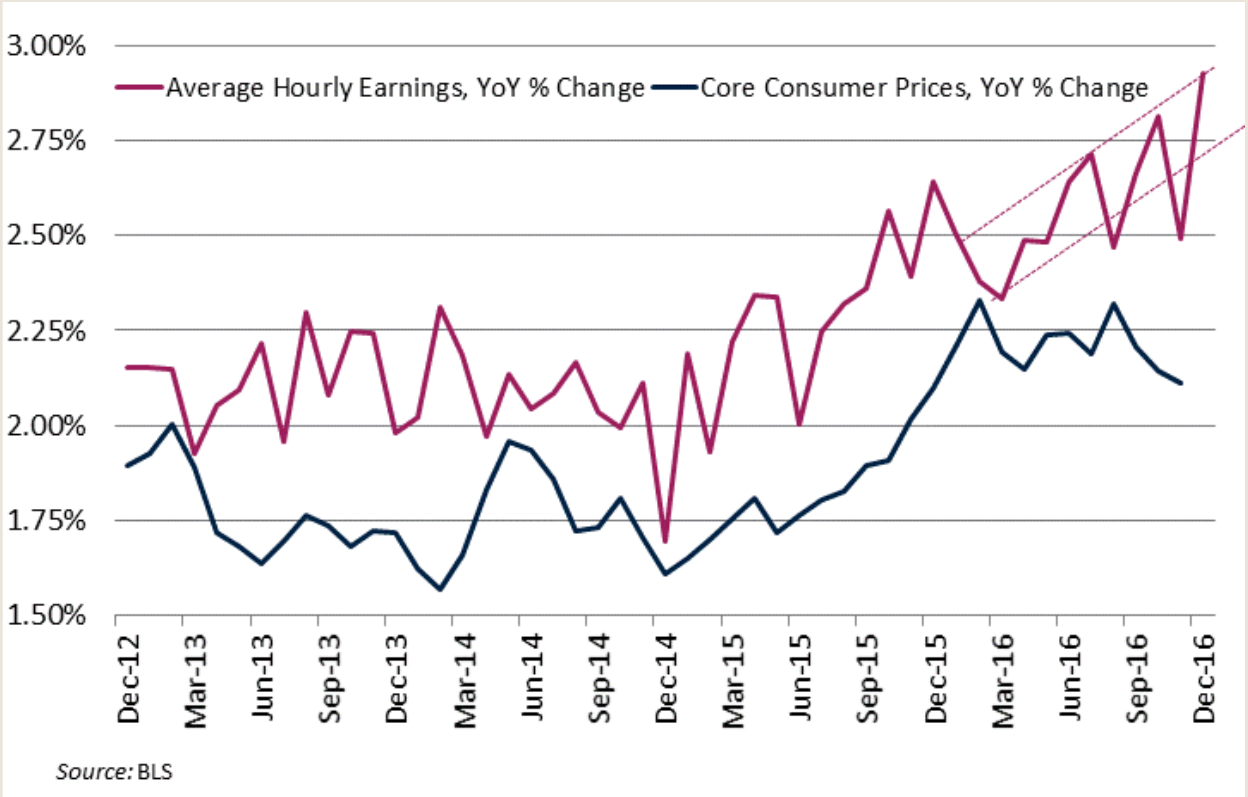


Chart 1. **Office-Using Employment and Total Payrolls, December 2008 – December 2016 (Seasonally-Adjusted, 000s)**



Source: Bureau of Labor Statistics

Chart 2. **Annual Wage Growth vs. Annual Growth in Core Consumer Inflation**



Source: BLS

RESEARCH CONTACT

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