

Economic Pulse

Payrolls | National

May 4, 2018

New Low in Unemployment Rate, Yet Wage Growth Remains Subdued

April's labor market report was consistent with above-trend growth in the economy, despite some mixed messages in the data. While the unemployment rate fell to 3.9%—the lowest level since 2000—the trend in average hourly earnings pulled back slightly, with March's figure revised down to 2.6% from 2.7%, and April's figure remaining at 2.6%. (Note that the peak of 2.8% in annual earnings growth occurred in January 2018.) Total non-farm payrolls grew slightly below consensus (164,000 vs. estimated of 193,000) even as payrolls for the prior two months were revised upward by 30,000. Year-to-date, monthly changes in private sector payrolls have averaged 203,000 in 2018 versus 180,000 in 2017. Similarly, office-using employment changes have averaged 56,500 per month in 2018 (*Table 1 and Chart 1 on the following page*) versus 47,000 in 2017, suggesting little evidence of any slowing of momentum in hiring.

While the Fed is carefully monitoring wage data for signs of wage-pull inflation, *one of the bigger conundrums is how the unemployment rate has been able to decline to such a low level without sparking wage pressures. One answer may lie in the dramatic drop in the level of unemployment rate among young people, and particularly, young women (Chart 2 on the following page).* New entrants to the workforce earn less than their more experienced peers, and the decline in the unemployment rate since 2010 among younger workers has occurred while the labor force participation rate for this cohort has remained constant—unlike the downward trend in the labor force participation rate of older workers, which steadily fell among workers aged 25-54 from 2010 through 2015. What is interesting is that even as the labor force participation rate of these younger workers has held steady, the percentage of recent high school graduates enrolled in a 4-year college has risen (from 41.9% in 2000 to 46.0% in 2016) suggesting that the increase in the number of youth pursuing a college degree hasn't coincided with their leaving the workforce. It's unclear to what extent the youth unemployment rate can continue to drop (many jobs are not appropriate for inexperienced workers) but the increase in youth employment can certainly explain some of the lack of wage inflation seen over the recent cycle.

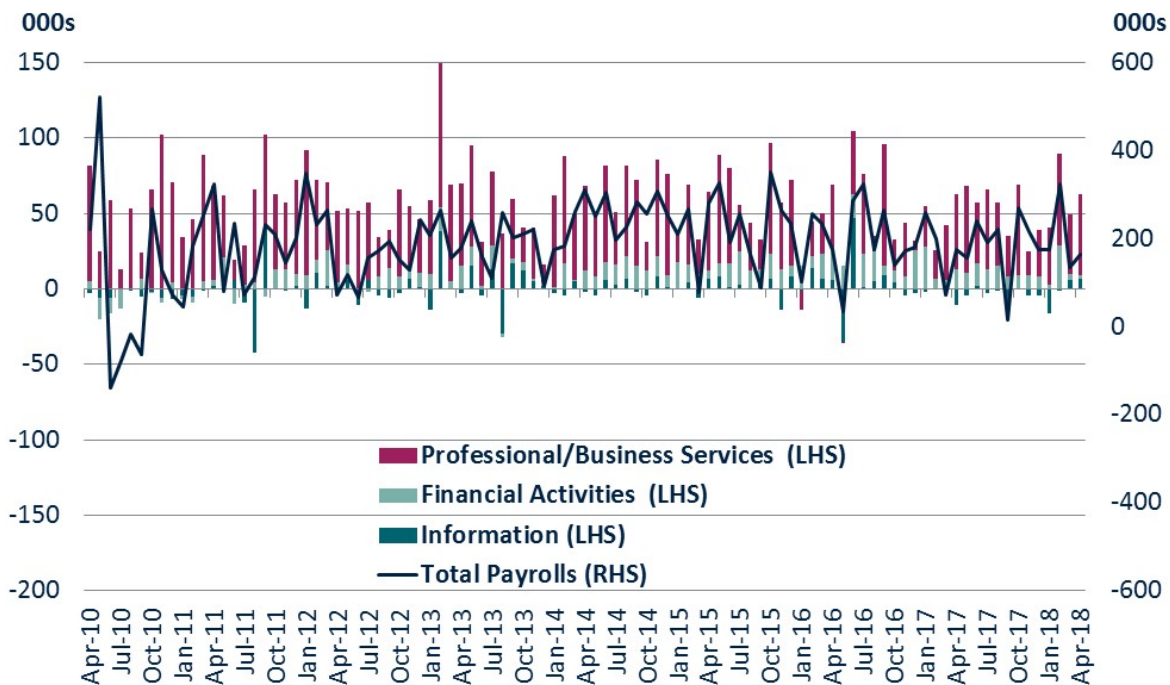
Table 1: Monthly Changes in Office-Using Employment by Sector, Seasonally-Adjusted, 000s

	Annual Avg Through Mar 2018 (revised)	Avg of Feb and Mar 2018 (revised)	Apr 2018 (initial release)
Total Office	50.6	69.0	63.0
Information	-3.7	2.5	7.0
Financial Activities	11.4	16.5	2.0
Finance and Insurance	6.0	9.5	-0.1
Commercial Banking*	0.0	1.8	2.4
Real Estate and Rental and Leasing	5.5	6.8	2.0
Rental and Leasing Services*	2.4	2.3	1.6
Professional/Business Services	42.8	50.0	54.0
Legal Services*	0.3	-0.3	0.8
Accounting*	0.2	5.6	3.1
Architectural/Engineering Services*	3.1	1.5	5.2
Computer Systems Design/Related Services*	4.6	6.5	6.7
Temporary Help Services*	9.1	10.1	10.3
Services to Buildings/Dwellings *	5.2	9.1	8.6
<i>Additional:</i>			
Nonresidential Building Construction	1.9	5.2	5.1
Nonresidential Specialty Trade Contractors	7.0	8.6	7.3

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

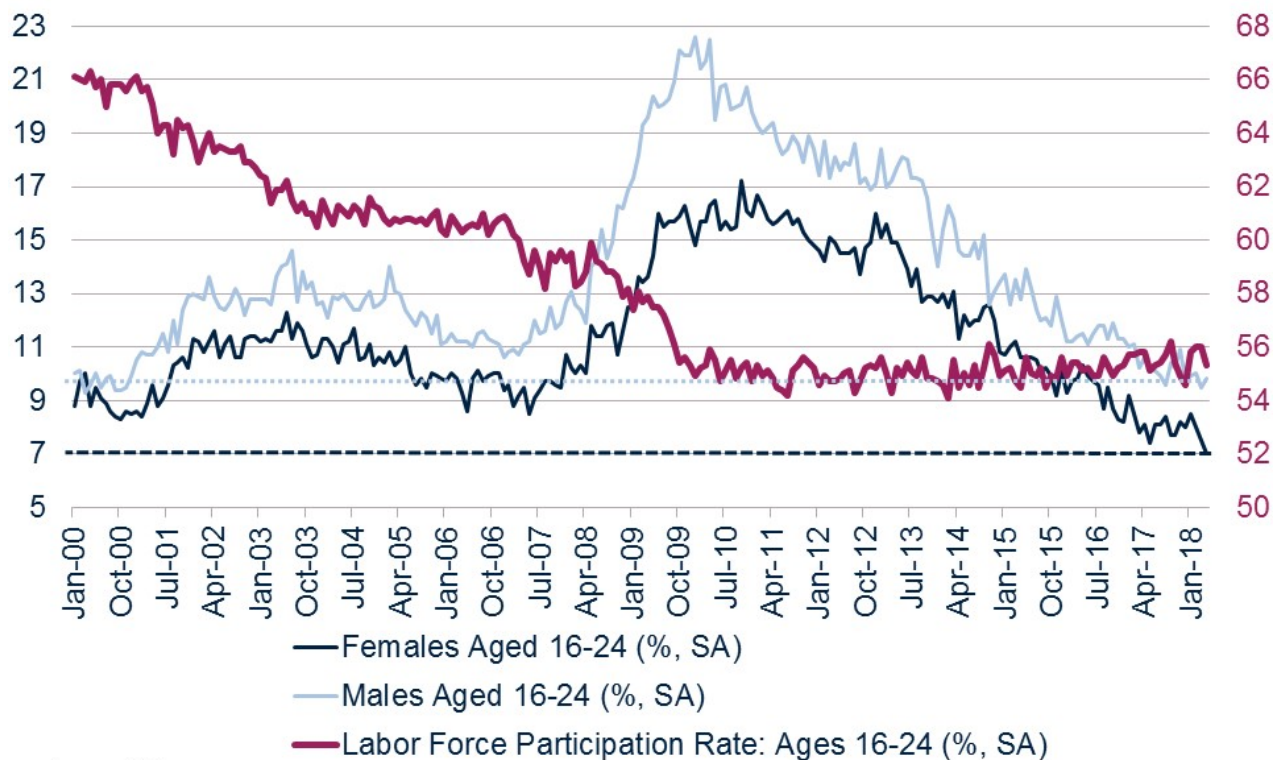
Source: Bureau of Labor Statistics

Chart 1: Office-Using Employment and Total Payrolls, April 2010 – April 2018
(Seasonally-Adjusted, 000s)



Source: Bureau of Labor Statistics

Chart 2: Unemployment Rate and Labor Force Participation Rate, Ages 16-24 by Gender
(Seasonally-Adjusted in %)



Source: BLS



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