

Economic Pulse

Payrolls | National

January 5, 2018

Office Employment Rises, But 2017 Growth Slows Versus 2016

The payrolls report for the last month of 2017 showed a modest deceleration in employment, as total private sector job growth at the establishment level rose by 146,000, well below the 239,000 upwardly-revised gain in November. Office employment grew by 32,000 on the month (*Table 1 and Chart 1 on the following page*), a disappointment given that over the past year, monthly growth had averaged 53,000. During 2017, private payrolls and office employment grew by 2.01 million and 621,000, respectively; in 2016, these figures were a higher 2.04 million and 710,000. The question as to whether companies are looking to slow their headcount growth or whether a pullback in hiring reflects companies' inability to find qualified workers amid a tight labor market is apt to remain a major theme in 2018.

With the unemployment rate still hovering just above 4%, the debate continues as to if (and when) the tightness of the labor market will translate into wage growth, potentially providing a source of upward pressure on inflation. As shown in *Chart 2 on the following page*, despite the fact that there have been more job openings than people who claim to want a job (but are not in the labor force) for the better part of a year, there has been little evidence of a sustained move in wages. There are approximately the same number of non-labor force participants who would like a job today as in 2007, and *more* jobs available today than in early 2007, yet wage growth is running a full percentage point below the rate of wage gains observed a decade ago. Without a sustained move in wages, it will be hard to see the outgoing Fed Chairwoman's expectations for a rebound in inflation materializing, throwing into question whether a lack of inflation has really been due to "transitory factors," as she has claimed for a while. While 18 states have raised their minimum wages this past week, note that none of them has a minimum wage that is above \$11.50—well south of the \$15.66 average hourly wage of leisure and hospitality workers—the sector that has the lowest average hourly pay. With minimum wage increases unlikely to boost overall wage inflation, **expect a Fed that holds off on a rate hike in Q1 2018** unless wage growth accelerates dramatically over the next few months.

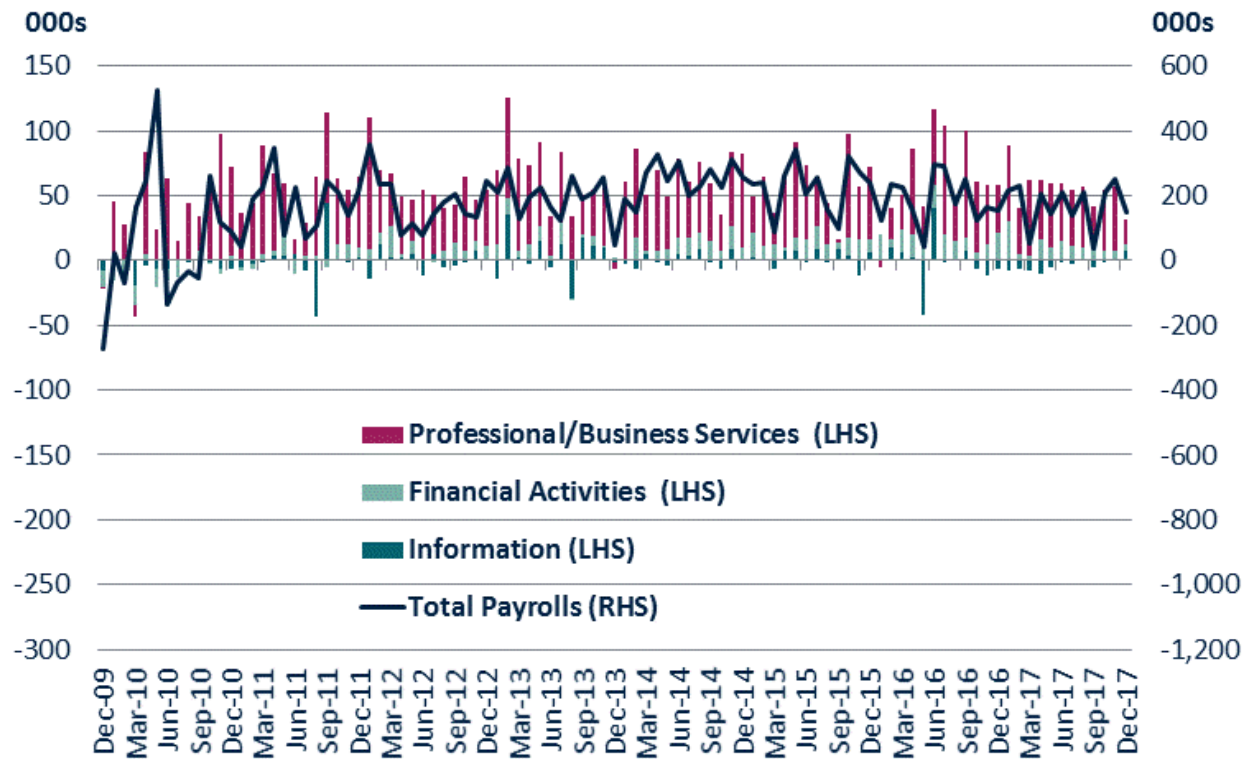
Table 1: Monthly Changes in Office-Using Employment by Sector, Seasonally-Adjusted, 000s

	12 Months Through November 2017 (Average)	November 2017 (revised)	December 2017
Total Office	53.4	57.0	32.0
Information	-4.4	1.0	7.0
Financial Activities	12.5	7.0	6.0
Finance and Insurance	7.7	0.7	3.7
Commercial Banking*	0.5	0.1	-1.1
Real Estate and Rental and Leasing	4.8	6.6	2.2
Rental and Leasing Services*	2.2	2.8	0.5
Professional/Business Services	45.3	49.0	19.0
Legal Services*	0.4	-0.4	0.6
Accounting*	0.7	4.0	-15.4
Architectural/Engineering Services*	4.2	2.7	2.3
Computer Systems Design/Related Services*	4.2	3.5	3.3
Temporary Help Services*	9.3	16.9	7.0
Services to Buildings/Dwellings *	5.8	0.7	-0.1
Additional:			
Nonresidential Building Construction	1.8	-4.3	1.3
Nonresidential Specialty Trade Contractors	5.7	-13.4	-13.8

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

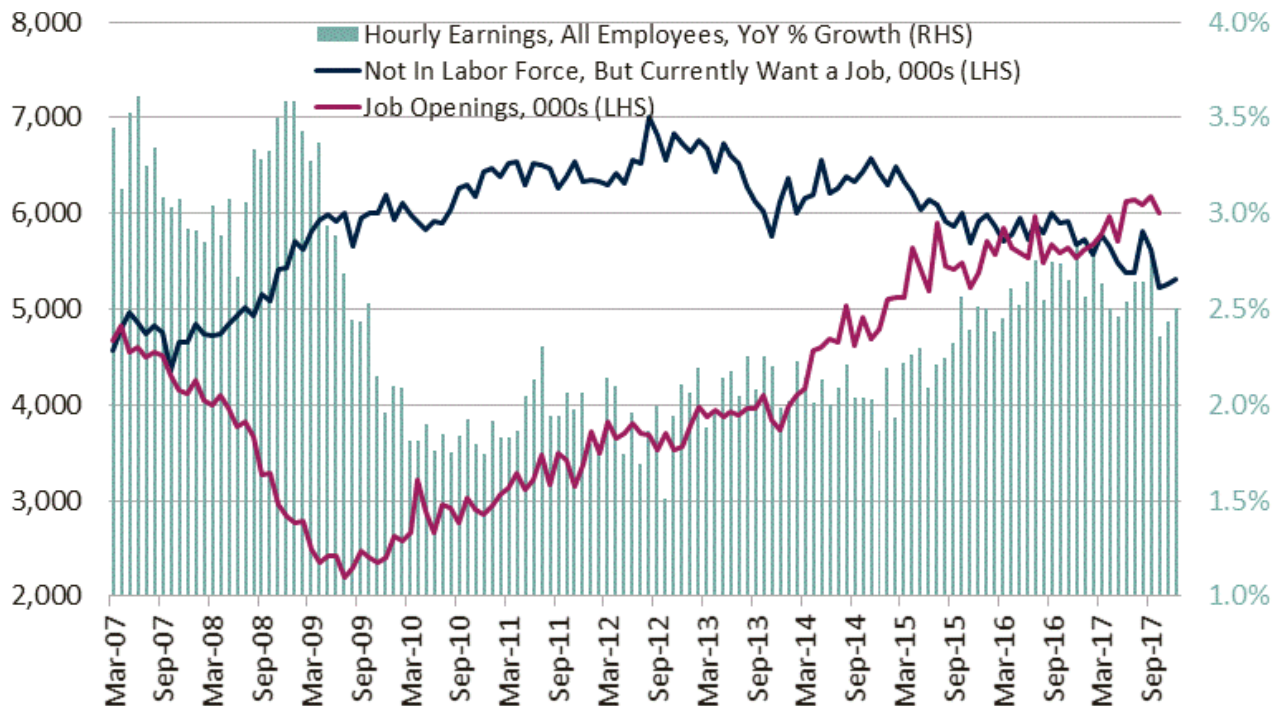
Source: Bureau of Labor Statistics

Chart 1: Office-Using Employment and Total Payrolls, December 2009 – December 2017
(Seasonally-Adjusted, 000s)



Source: Bureau of Labor Statistics

Chart 2: Job Openings and Persons Who Currently Want a Job (But Are Not in the Labor Force) Versus Average Hourly Earnings, YoY % Change



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