Economic Pulse

Payrolls I National

April 10, 2018

Office Employment Pulls Back; Wages Show Few Signs of Further Acceleration

March's labor market report was slightly softer than expected and was accompanied by downward revisions (-50k) to total non-farm payroll growth over the first two months of the quarter. Despite lingering concerns over prospects of wage inflation given the tightness of the labor market, a rapid advance in average hourly earnings has failed to materialize.

Total non-farm jobs rose by 103,000 in March, well behind the average increase of 251,000 in January and February. Office employment growth (+37,000) was also below recent increases (*Table 1 and Chart 1 on the following page*), with jobs in the finance and insurance, temporary help and architecture and engineering sectors all showing a contraction. Despite a modest decline in the overall labor force participation rate (from 63.0% to 62.9%), the unemployment rate was unchanged. Even as Federal Reserve Governor Powell acknowledged in a speech last Friday that the unemployment rate, which has remained at 4.1% for the past six months, "is a bit below the FOMC's median estimate of the longer-run normal rate of unemployment," signs of wage pressure are notably absent. After rising by 2.8% on a year-over-year basis in January, total average hourly earnings in February and March rose by 2.6% and 2.7%, respectively. Moreover, the 3-month and 12-month rates of change in wages for all private sector workers were similar, consistent with few signs of acceleration.

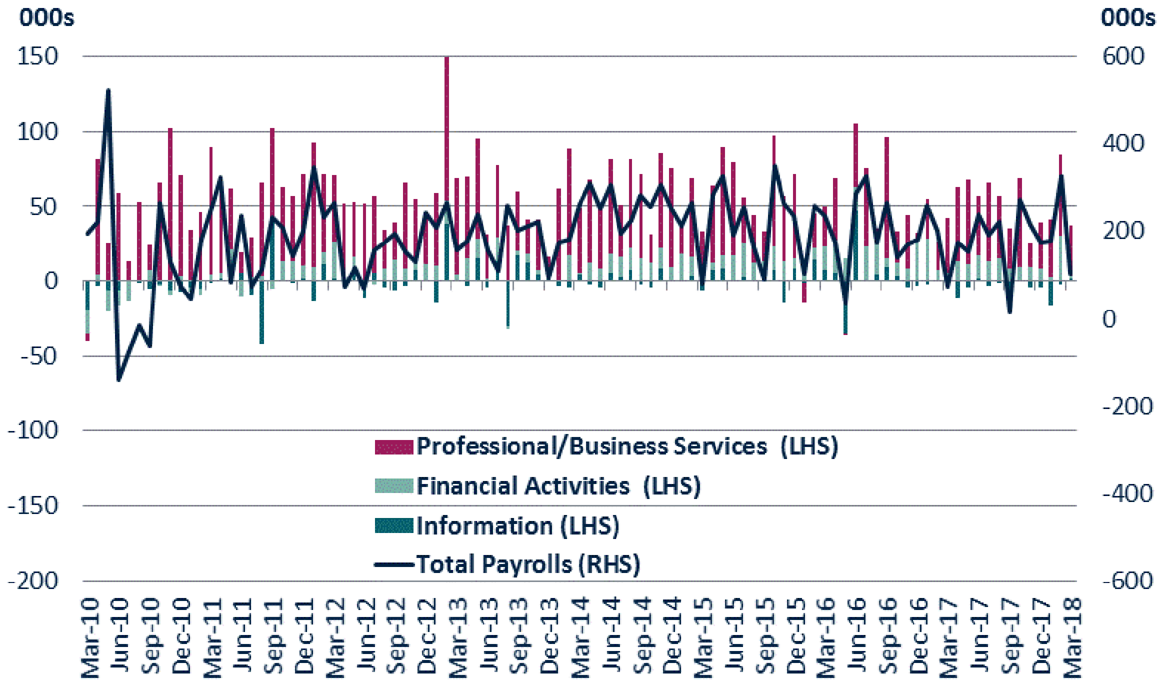
In the same speech, Chair Powell also acknowledged the sluggishness of productivity, noting that the average pace of labor productivity growth since 2010 is the slowest since World War II (and about one-fourth of the average postwar rate). In the absence of productivity gains, the only way to boost growth is by adding workers. On this front, the outlook is positive; there has been a pick-up in the proportion of the younger population that is joining the labor force in recent months (C*hart 2 on the following page*).

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

	Annual Avg Through Feb 2018 (revised)	Avg of Jan and Feb 2018 (revised)	March 2018 (initial release)
Total Office	49.4	54.0	37.0
Information	-4.3	-9.0	2.0
Financial Activities	11.7	16.5	2.0
Finance and Insurance	6.5	10.4	-1.6
Commercial Banking*	-0.1	-0.7	-1.3
Real Estate and Rental and Leasing	5.1	6.2	3.5
Rental and Leasing Services*	2.6	2.0	0.8
Professional/Business Services	42.1	46.5	33.0
Legal Services*	0.3	-0.8	0.4
Accounting*	-0.5	-3.6	9.6
Architectural/Engineering Services*	3.8	4.4	-2.8
Computer Systems Design/Related Services*	4.2	5.8	5.0
Temporary Help Services*	9.7	9.7	-0.6
Services to Buildings/Dwellings *	5.2	6.0	7.5
Additional:			
Nonresidential Building Construction	2.0	2.6	2.2
Nonresidential Specialty Trade Contractors	8.0	13.9	-6.8

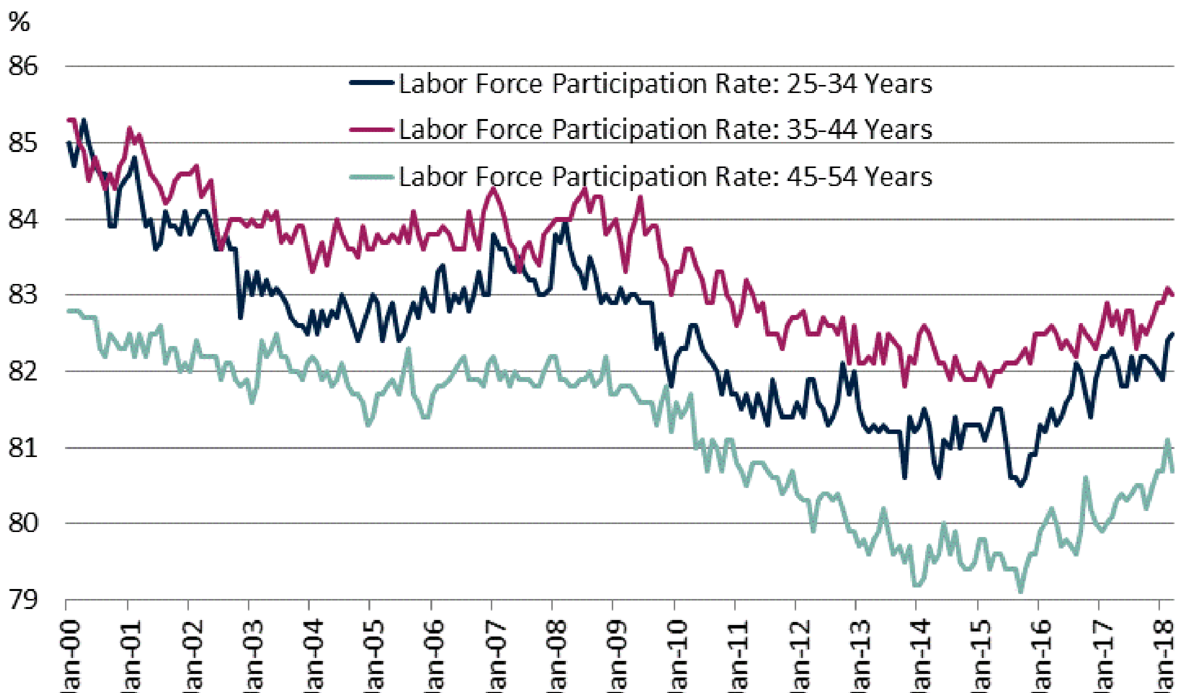
*Listings do not include all sub-sectors, so numbers shown will not sum to total sector figure.
Source: Bureau of Labor Statistics

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



Source: Bureau of Labor Statistics

Chart 2: Labor Force Participation Rate by Age Cohort
(Seasonally-Adjusted in %)



Source: BLS

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