

December Hiring Weaker than Expected but Headed in the Right Direction

A Review of 2017 and What to Expect in the New Year

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The U.S. added 148,000 jobs in December, and although this was below expectations, it is the 87th straight month of gains – the longest streak on record. The Bureau of Labor Statistics (BLS) also revised payroll employment in October and November with a net downward revision of 9,000 jobs. Several sectors continued to post strong gains in December, including healthcare (+31,000), construction (+30,000), and manufacturing (+25,000).

On the whole, 2017 posted several positive movements in the health of the economy and labor market:

2017 in Review – December Year-Over-Year

	2017	2016	Net Change
Total non-farm payroll gains	2.1 million	2.2 million	DECREASED
Hourly earnings	\$26.63	\$25.98	INCREASED
Unemployment rate	4.1%	4.7%	DECREASED
Labor force participation rate	62.7%	62.7%	UNCHANGED
U-6 unemployment rate	8.0%	9.1%	DECREASED

Manufacturing and construction in particular continue to enjoy a renaissance. Manufacturing added 196,000 jobs in 2017, the most since 2014 and comes after the sector lost roughly 16,000 jobs in 2016. As the global economic recovery picks up steam and the dollar continues to weaken, manufacturing should stay on this positive trend well into 2018. Construction also netted more jobs this year, adding 210,000 in 2017 compared to 155,000 last year. Though 2017 job creation was slightly behind 2016, we saw much better performance from multiple sectors and I am optimistic these trends will continue. For more insight into which sectors are booming with job growth, watch my latest appearance on [Fox News](#).

Wages also grew by 2.5% in 2017, rising nine cents to \$26.63 in December. Although economists are still baffled with slower-than-expected wage growth, there are several sectors enjoying significant increases. In fact, our own research indicates a 31% increase in wages for logistics skills over the past five years, increasing from \$10.34 in December 2012 to \$13.55 in December 2017.

Where are the Wage Gains?

	2017
Financial Activities	3.6%
Leisure & Hospitality	3.6%
Transportation/Warehousing	3.2%
Information Technology	3.0%

The retail sector is undergoing a transformation as many consumers shift from brick-and-mortar shopping to online shopping. That may be one key reason why the retail sector lost jobs in 2017 (-67,000), and declined by 20,000 during the holiday shopping season. It's not surprising that transportation and warehousing is one of the sectors enjoying wage and job growth, as more workers are needed to fulfill the online orders of consumers.

Boosting Employee Retention in 2018

- *Improve transparency and communication – aggressively share company mission, vision, goals and successes with employees.*
- *Increase employee recognition – celebrate milestones and successes (big and small), recognize employee contributions and achievement of goals.*
- *Boost employee training – offer more opportunities for employees to learn and improve their skills, and tie it to advancement opportunities to earn promotions or career growth.*

More Companies Will Turn to Workforce Partners

As employers continue to struggle with finding and securing the right talent, many have turned to workforce partners in order to tap into a larger and more specialized talent pool. In fact, temporary help jobs rose by 7,000 in December after gaining 16,900 in November.

Our own business performance is in-line with the growing use of workforce partners. We have seen demand for talent grow significantly as our customers are seeking specific skills and supplemental employees that can help drive business success. Moreover, we'll post the highest year-over-year growth in recent history driven by high demand for energy talent and contact center workers.

A Look Ahead to 2018

I believe companies will loosen their purse strings in 2018 when it comes to job openings and wages. Given macro trends, including a widening skills gap, six million job openings, and the implications of tax reform, employers are going to increase their hiring activity as the year plays out. In particular, tax reform, stands to play a large role in 2018 especially for companies that maintain most of their operations in the U.S. With tax savings, companies will begin to invest in their businesses and in their people – from bonuses and wage increases to retaining talent through better training, engagement and development. Companies that opt not to invest in their people will likely be at higher risk of turnover in 2018.

BLS Trends to Watch: Labor Force Participation



In December, 1.6 million persons were marginally attached to the labor force, about unchanged from a year earlier. Among the unemployed, the number of new entrants decreased by 116,000 in December.

Points of Interest:

- The number of involuntary part-time workers was unchanged at 4.9 million, but down 639,000 over the year.
- Among the marginally attached, there were 474,000 discouraged workers in December, little changed from a year ago.

BLS Trends to Watch

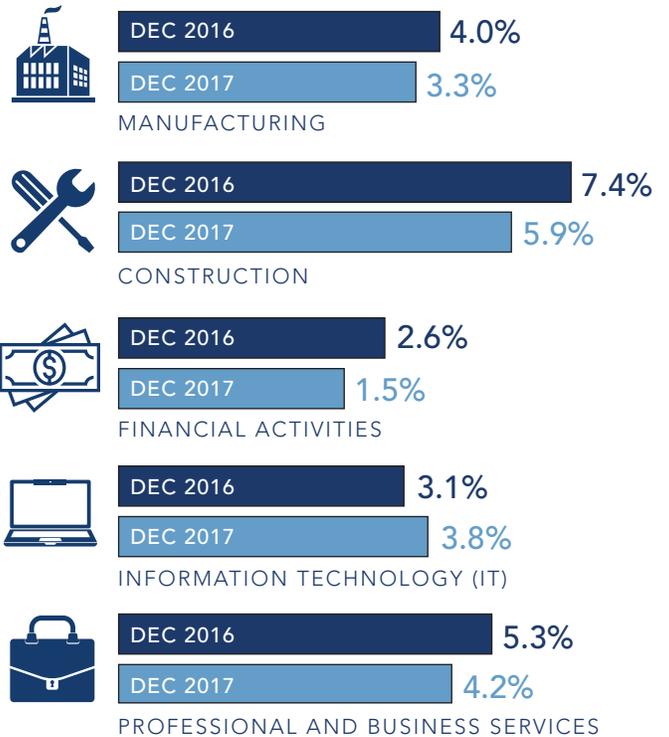
Manufacturing & Construction Employment

Economic activity in the manufacturing sector expanded in December, and the overall economy grew for the 103rd consecutive month, according to the latest Institute for Supply Management (ISM) report.

Points of Interest:

- The December PMI index registered 59.7%, an increase of 1.5 percentage points from November.
- The Employment index registered 57%, a decrease of 2.7 percentage points from November.

Unemployment Rates by Industry



Wage & Earnings Growth

In December, the average hourly earnings rose nine cents, or 0.3% after a 0.1% gain in November.

Points of Interest:

- The wage increase rose to 2.5% in December from 2.4% in November.
- Since the start of 2017, the average hourly earnings has increased .60 cents from \$26.03 to \$26.63.

Average Hourly Earnings for All Private Employees

