RemX
The Workforce Experts

Workforce PERSPECTIVES

JULY 2017

A Strong Second Quarter Closes with Robust Employment Numbers in June

By Joanie Courtney, President RemX

Fueling continued positive momentum within the economy, the June Employment Situation is one of the strongest we've seen in some time. The economy added a seasonally adjusted 222,000 jobs in June, the largest increase since February and stronger than what economists expected. Meanwhile, April and May were also revised to reflect even higher job growth than previously reported. During the second quarter, the economy created an average of 194,000 jobs per month, compared to a monthly average of 166,000 during the first quarter 2017.

More than a great headline, positive trends across most indicators

What's even more encouraging is when we peel back the layers of the June job report, we see positive indicators across most sectors. Healthcare was particularly strong in June, adding 37,000 jobs for the month. The sector is projected to remain strong, given healthcare reform, the aging population, and the clinician shortage.

Professional and business services remain a strong job-creator, adding 35,000 jobs in June, but averaging 48,000 per month in 2017. Finance and accounting was a top performer, rising by 17,000 jobs in June, slightly above its prior 12-month average of +14,000. Securities, commodity contracts, investments, and funds and trusts contributed to this growth.

The manufacturing and construction sectors each gained 1,000 and 16,000 jobs respectively in June. After suffering significant job losses in the past, mining also appears to be making a comeback, adding 8,000 jobs in June for a total of 56,000 jobs added since October 2016.

Temporary help, considered a leading indicator for the economy, continues to be strong as companies increase reliance on temporary workers for project and contract work to meet business demands. Temporary help services added 13,000 new jobs in June. In addition, we expect temporary job growth to increase as employers continue to rely upon flexible, contingent workers as a key component of their overall workforce planning strategy – providing greater flexibility, scalability and a broader talent pool to drive business outcomes.

Workforce participation ticks up as optimism about the labor market grows

Unemployment inched up from 4.3 percent to 4.4 percent, which some might see as moving in the wrong direction. However, the opposite is true. The uptick in unemployment is a result of more people re-entering the workforce and greater optimism about the overall labor market – both of which are good signs for the economy. In fact, 361,000 people entered the workforce last month, bumping up the closely watched labor participation rate to 62.8 percent. Further, the U-6 rate – a broader measure of unemployment that includes workers who have given up looking for work due to a tough job market and those who are part-time but would like to work full-time – ticked up to 8.6 percent in June, up from 8.4 percent in May.

Second quarter review and future outlook

The job reports over second quarter indicate we are in a strong job market. More companies are starting to hire, and there is improved confidence in the job market from both employers and previously discouraged workers. However, there are a few trends that we'll be watching closely over the next several months that could influence the future health of the economy and the labor market.

- **Skills gap –** The flip side of the job growth coin is there continues to be a gap in the skills required to fill open jobs. Demand in all sectors is strong with a near all-time high of 6 million job openings, but people need specific training, experience, and skills to secure those jobs. This lack in the supply of qualified talent could hold back job growth.
- **Presidential agenda –** We believe some of the optimism may be attributed to the Presidential agenda and its focus on job creation. So far, the administration has hosted a number of high-profile meetings regarding training, education, and apprenticeships to help people meet existing job demand. However, tax reform and healthcare reform remain unknowns as to their potential impact on the economy this year. An inability to make progress and continued uncertainty could hinder job growth. If reform is hammered out and executed, we could see even greater stimulation of job growth moving forward.
- **Wages –** Average hourly wages were up by only 2.5 percent from a year ago to $26.25. However, within our client base we are seeing growing competition for a finite pool of skilled workers, which typically indicates upward wage pressures to come. Companies will likely need to be more competitive in their wages, but also in other aspects of talent attraction such as culture, benefits and training. Further, a heightened focus on employee engagement and retention will be required to hold on to valuable talent.

BLS Trends to Watch

Labor Force Participation

The June labor force participation ticked up slightly to 62.8% from 62.7% in May. The size of the workforce has grown, trending in the right direction. Must continue to watch given we're still at a 40-year low.

Points of Interest:

- 361,000 have entered the workforce.
- The U-6 rate, a broader measure of unemployment which includes discouraged workers, up from 8.4% in May to 8.6% in June.

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BLS Trends to Watch

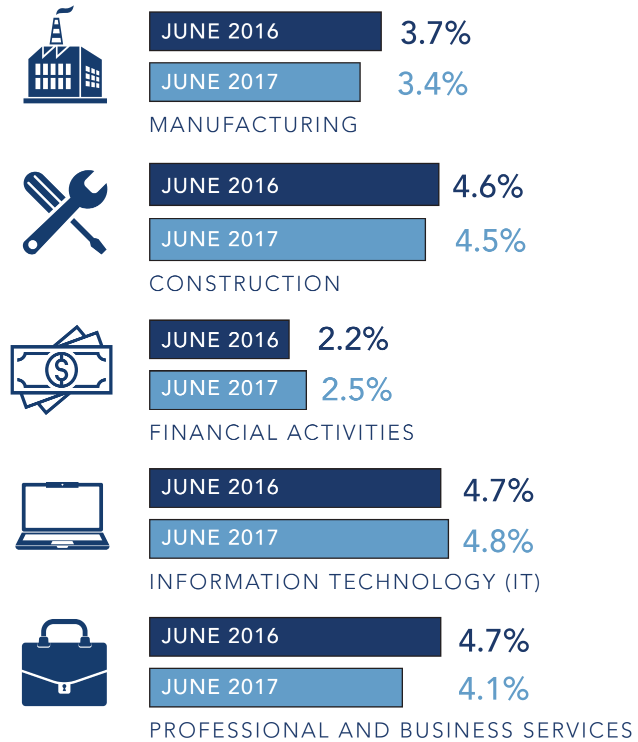
Manufacturing & Construction Employment

The manufacturing and construction sectors each gained 1,000 and 16,000 jobs respectively in June. In addition, the Institute for Supply Management (ISM) PMI Index registered 57.8%, an increase of 2.9 percentage points from the May reading of 54.9% - reflecting continued expansion within the manufacturing sector.

Points of Interest:

- Employment in nonresidential specialty trade contractors ticked up by 11,000.
- Employment in construction has added 25,000 new jobs in the past four months.
- Over the past 6 months, manufacturing added an average of 12,000 jobs per month.
- The ISM Employment Index registered 57.2% in June, an increase of 3.7 percentage points from the May reading of 53.5%.

Unemployment Rates by Industry



Average Hourly Earnings for All Private Employees

Wage & Earnings Growth

Wage growth numbers continue to be disappointing, with average hourly earnings up by 2.5 percent from a year ago to $26.25. The issue of wage growth remains confusing to many economists, given the economy is heating up, companies are creating more jobs, and projections of skilled talent shortage – all of which in theory should drive wage increases.

Points of Interest:

- Wage growth has hovered around the 2.5% year-over-year mark for the past two years.
- Ten years ago, before the recession began, average hourly earnings rose 3.6% from a year earlier.
- Many economists anticipate wage growth accelerating with the unemployment rate at historically low levels.

1 Bureau of Labor Statistics, Employment Outlook 2014 – 2024
2 Forrester Research Report, Transform the Contact Center for Customer Service Excellence.