Monthly Labor Review

April 2017

Employment expansion continues but at a slower pace

In 2016, despite a slowdown in employment growth compared with the previous 2 years, nonfarm employment continued an expansionary period that began in May 2014, when employment recovered from a record-breaking recession. Job gains across some industries slowed relative to the pace of job growth these industries set in 2015, notably in construction, temporary help services, social assistance, and food services and drinking places.

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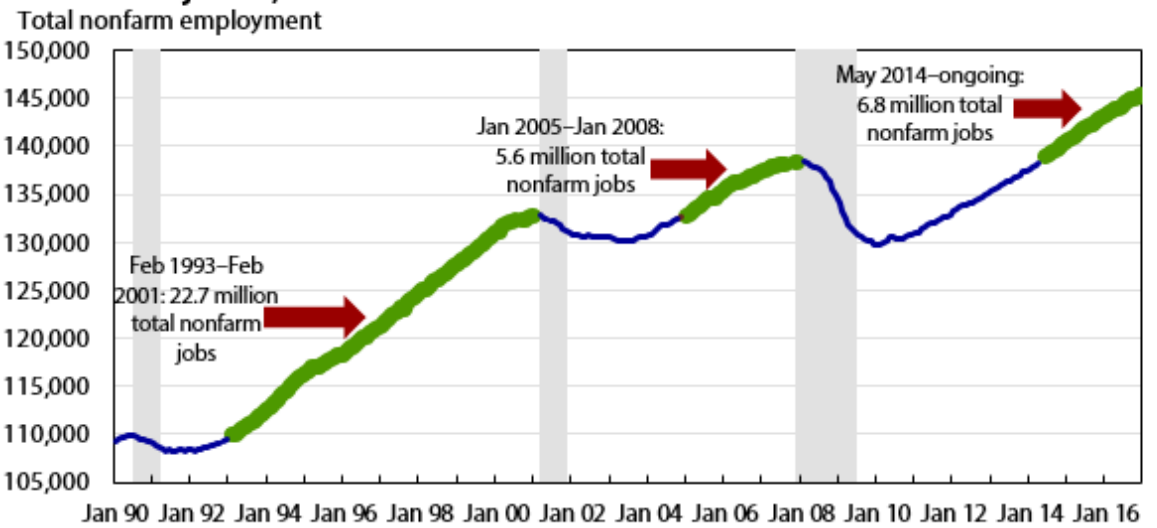
Nonfarm payroll employment in the United States grew by 2.2 million in 2016, marking 32 months of expansion,[1] according to data from the Current Employment Statistics (CES) survey.[2] (See figure 1.) This expansion has, so far, resulted in an additional 6.8 million nonfarm jobs. The previous expansion, which lasted for 36 months (from January 2005 to January 2008), resulted in just 5.6 million jobs. The longest employment expansion in CES history,[3] which began in February 1993, lasted for 96 months and resulted in an additional 22.7 million jobs.

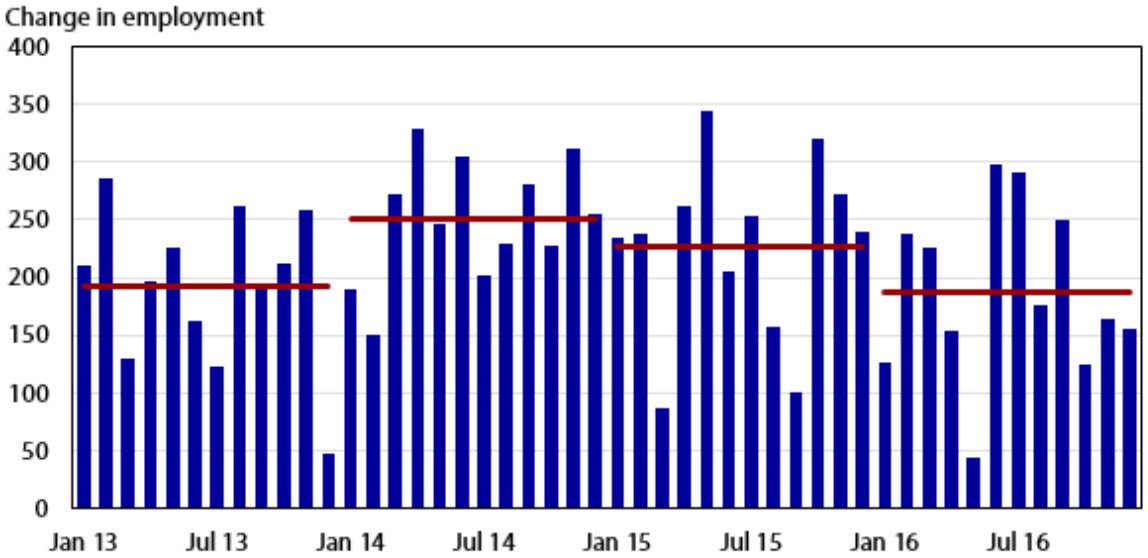
Figure 1. Employment in total nonfarm, January 1990–December 2016, seasonally adjusted, in thousands



Notes: Shaded areas represent recessions as denoted by the National Bureau of Economic Research. Green line denotes months when total nonfarm employment expanded.
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics survey.

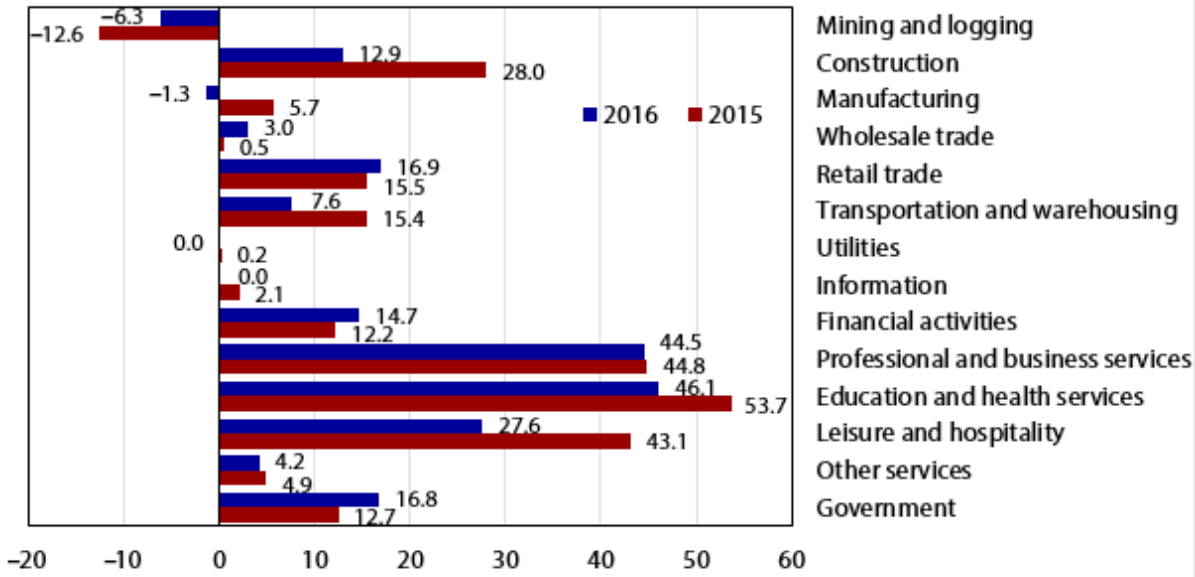
Total nonfarm employment grew by an average of 187,000 a month in 2016, down compared with 226,000 a month in 2015. (See figure 2.) Job gains in 2016 were mainly concentrated in education and health services and in professional and business services. Education and health services grew at a slower rate in 2016 compared with growth in 2015, while professional and business services matched the pace of job growth it set in 2015. Retail trade, government, and financial activities employment also grew, outpacing their growth in 2015. Mining employment experienced moderating losses compared with losses in 2015, and manufacturing employment stalled after experiencing a slight uptick in 2014. (See figure 3.)

Figure 2. Employment in total nonfarm, over-the-month change, January 2013–December 2016, seasonally adjusted, in thousands



Note: Horizontal red line represents average over-the-month changes in employment for each calendar year.
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics survey.

Figure 3. Employment in total nonfarm, by supersector, average over-the-month change, 2016 vs. 2015, seasonally adjusted, in thousands



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics survey.

Average hourly earnings for all employees on private nonfarm payrolls increased by 2.9 percent in 2016, the largest annual percentage increase since 2008. Consumer prices, as measured by the Consumer Price Index for All Urban Consumers, increased 2.1 percent over the same period, indicating that earnings gains slightly outpaced price increases. The average workweek for all employees on private nonfarm payrolls declined in 2016 by 0.1 hour to 34.4 hours.

Trends in major economic indicators in 2016 largely reflected employment trends in related industries, such as mining and crude oil prices. (See table 1.) The U.S. dollar strengthened slightly in 2016 as U.S. exports fell 2.3 percent in 2016.[4] A strong dollar increases the costs of U.S. goods and services to foreign customers, which can affect exports and employment in manufacturing and other export-related industries. Crude oil prices stabilized in 2016, which contributed to moderating job losses in mining and mining-related industries. Industrial production was flat over the year—reflecting weakness in manufacturing and mining employment. Historically low mortgage rates and rising home prices helped strengthen the housing market in 2016, sustaining employment in real estate and in residential construction, although overall construction spending was down compared with spending in 2015. Real gross domestic product grew by 1.6 percent in 2016, following gains of 2.6 percent in 2015 and 2.4 percent in 2014. This moderation indicates that the overall economy was still growing, albeit at a slower pace. Nonfarm employment growth mirrored this trend.

Table 1. Percent change in selected economic indicators, 2014–16

Indicator	12-month percent change		
	2014	2015	2016
Real gross domestic product[(1)]	2.4	2.6	1.6
Real personal consumption expenditures[(1)]	2.9	3.2	2.7
Crude oil prices: West Texas Intermediate[(1)]	–4.9	–47.8	–11.0
Trade-weighted U.S. dollar index (broad)[(1)]	3.1	12.6	4.6
Industrial Production Index[(2)]	3.1	–0.7	–1.2
Retail sales (excluding food services)[(2)]	3.9	1.6	2.7
30-year fixed-rate mortgage average in United States[(1)]	4.8	–7.7	–5.2
Existing Home Sales Index[(2)]	–3.1	6.3	3.8
Total construction spending[(2)]	11.4	10.3	4.8
Real personal health care expenditures[(2)]	3.2	5.3	4.6

Notes:

[(1)] Annual, not seasonally adjusted.

[(2)] Annual, seasonally adjusted.

Sources: U.S. Bureau of Economic Analysis, Board of Governors of the Federal Reserve System, U.S. Energy Information Administration, U.S. Census Bureau, Federal Home Loan Mortgage Corporation (Freddie Mac), and National Association of Realtors.

Continued but slower growth in 2016

Education and health services

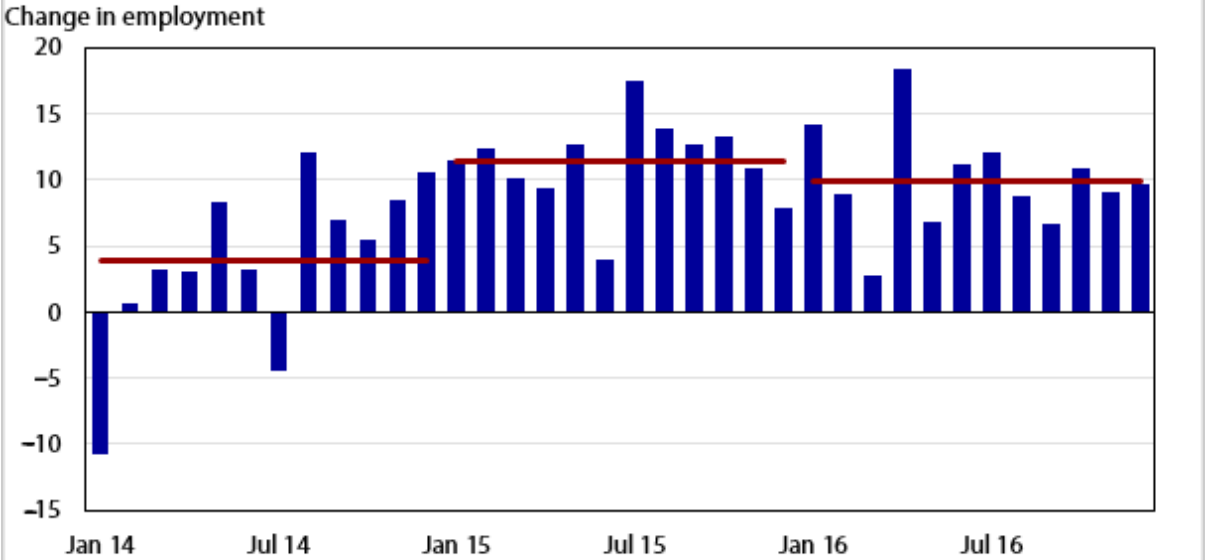
About a quarter of all nonfarm jobs added in 2016 were in education and health services. The majority of these gains were in health care, the largest component industry within education and health services. Health care added an average of 32,000 jobs per month in 2016, on par with the average monthly gain in 2015.

Employment growth in health care was widespread in 2016—mainly in ambulatory health care but also in hospitals and social assistance. Ambulatory health care services added the largest number of jobs gains (more than 239,000) in health care, with the growth mainly coming from offices of physicians, which added 66,000 jobs, and from offices of other health practitioners, which added 58,000 jobs over the year. Offices of other health

practitioners include industries such as offices of chiropractors, offices of optometrists, and offices of physical therapists.

Since 1990, 2015 marked the strongest year of growth for the hospitals industry, adding 136,000 jobs, or an average of 11,000 a month. But 2016 was not far behind, with employment growth of 119,000, or an average of 10,000 a month. (See figure 4.) Decreasing hospital costs because of falling uncompensated care costs and continued merger activity have contributed to the surge in hospital employment in recent years.[5]

Figure 4. Employment in hospitals, over-the-month change, January 2014–December 2016, seasonally adjusted, in thousands



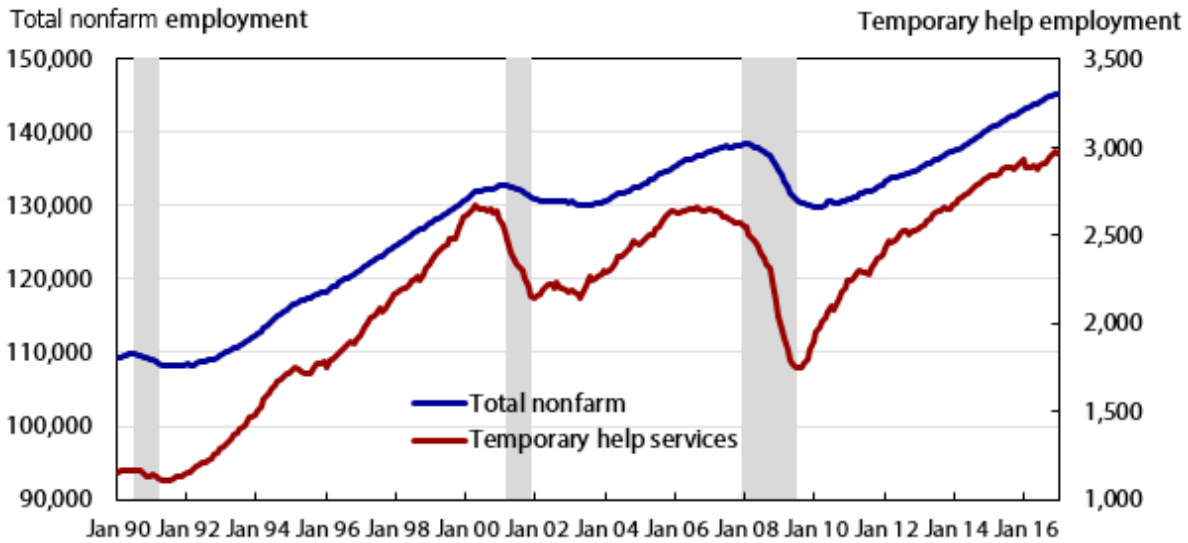
Note: Horizontal red line represents average over-the-month changes in employment for each calendar year.
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics survey.

Although the health care industry showed similar employment growth in 2016 and 2015, social assistance experienced slower employment growth in 2016 compared with that in 2015. In 2016, social assistance added 88,000 jobs, down from an increase of 175,000 in 2015. Most of the employment growth occurred in the individual and family services industry, which added 67,000 jobs in 2016, down from an increase of 139,000 in 2015. This industry includes child and youth services and services for the elderly and persons with disabilities.

Professional and business services

Professional and business services continued to expand in 2016, adding 534,000 jobs, a gain of 2.7 percent. However, this growth rate is the slowest since the end of the recession in 2009. Weakness in temporary help services employment was the primary cause of weaker growth within professional and business services. In marked contrast to recent years, temporary help services added just 32,000 jobs in 2016, down from 97,000 in 2015 and 162,000 in 2014. Historically, employment in temporary help services has been considered a leading indicator for total nonfarm employment. (See figure 5.)

Figure 5. Employment in total nonfarm and temporary help services, January 1990–December 2016, seasonally adjusted, in thousands



Note: Shaded areas represent recessions as denoted by the National Bureau of Economic Research.
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics survey.

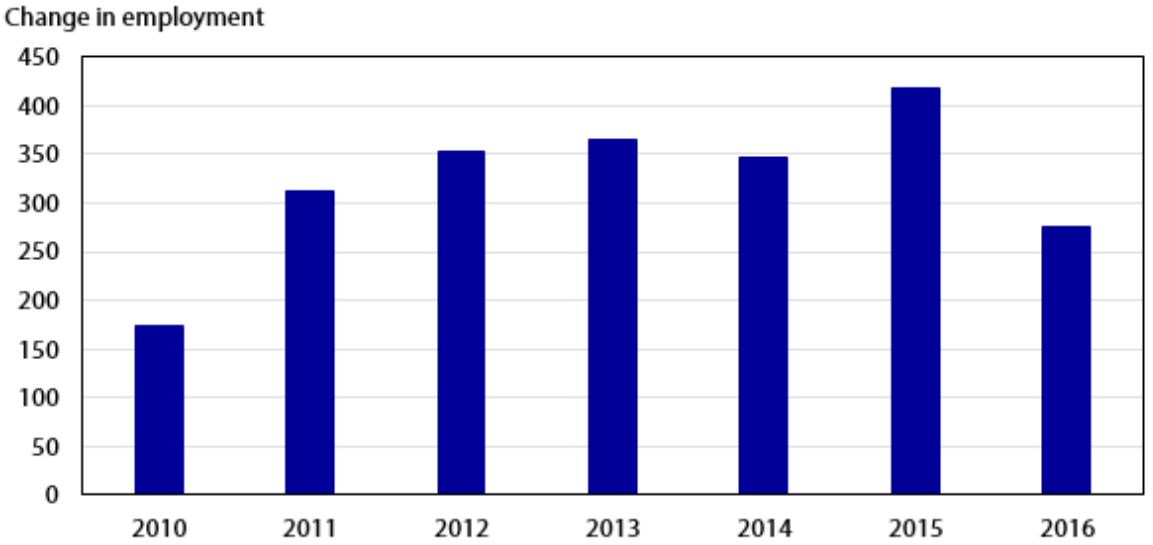
In 2016, professional and technical services outpaced job gains of recent years. This industry added 301,000 jobs in 2016, up from 252,000 in 2015 and 277,000 in 2014. Within professional and technical services, employment in computer systems design and related services and in management and technical consulting services continued to grow in 2016. Overall, the continued employment growth in professional and technical services counteracted some of the sluggishness in temporary help services.

Leisure and hospitality

In 2016, leisure and hospitality employment grew at a slower pace than in 2015, adding 331,000 jobs in 2016, down from 517,000 in 2015. In fact, in 2016, the leisure and hospitality industry experienced the smallest over-the-year increase in employment since 2010.

Food services and drinking places, the largest component of leisure and hospitality, was the main cause of the employment slowdown because 2016 was the weakest year for food services and drinking places employment since 2010—immediately after the recession.[6] (See figure 6.) The slowdown in employment in food services and drinking places coincides with a slowdown in restaurant openings. Food services firms are scaling back their business plans after overexpanding in previous years.[7] Food services sales grew by just 2.5 percent in 2016 versus 7.5 percent in 2015 and 8.9 percent in 2014.[8]

Figure 6. Employment in food services and drinking places, over-the-year change, 2010–16, seasonally adjusted, in thousands

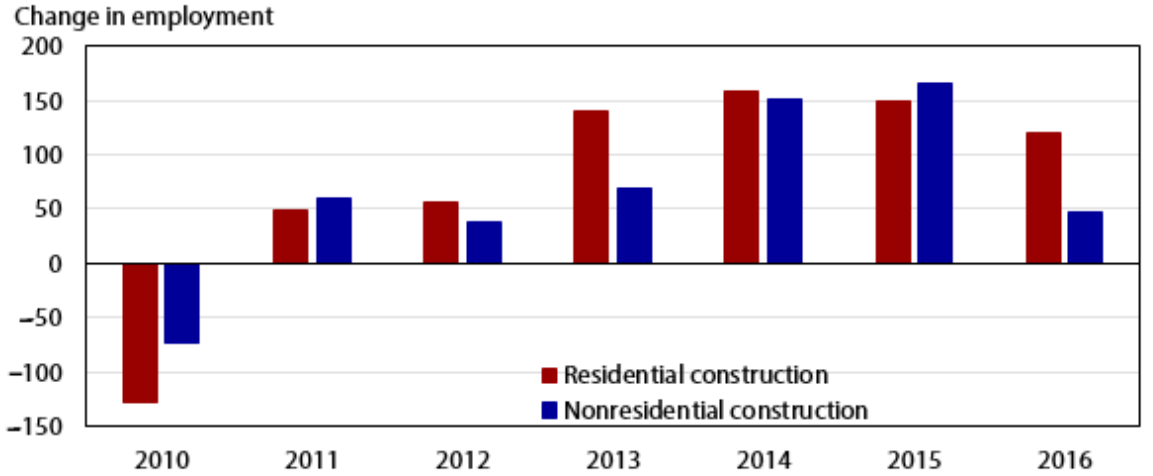


Note: Over-the-year changes are calculated from December of the previous year through December.
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics survey.

Construction

Construction employment growth was weaker in 2016 than in 2015, adding only 155,000 jobs, compared with 336,000 in 2015. Construction of buildings industries added 45,000 jobs in 2016 compared with 69,000 in 2015, its weakest annual growth since 2012. Specialty trade contractors also saw its weakest growth since 2012, adding 124,000 jobs in 2016 versus the previous year's increase of 244,000.

Figure 7. Employment in residential and nonresidential construction, over-the-year change, 2010–16, seasonally adjusted, in thousands



Notes: Residential construction includes residential construction of buildings and residential specialty trade contractors. Nonresidential construction includes nonresidential construction of buildings and nonresidential specialty trade contractors and excludes heavy construction. Over-the-year changes are calculated from December of the previous year through December.
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics survey.

Combining the residential construction and nonresidential construction employment series and comparing them can be helpful in analyzing trends in construction.[9] Since 2012, job growth in construction has mostly been concentrated in residential construction industries. (See figure 7.) In residential construction, employment grew by 121,000 in 2016. In the prior 2 years, employment growth in residential construction had averaged 153,000 a year. In nonresidential construction, employment grew by 48,000 in 2016, compared with an average of 158,000 a year in the prior 2 years.

Continued but stronger growth in 2016

Retail trade

Retail trade employment grew by 203,000 in 2016, up from an increase of 186,000 in 2015. Several industries within retail trade experienced stronger employment gains than in 2015, including general merchandise stores, food and beverage stores, furniture and home furnishings stores, and building material and garden supply stores.

General merchandise stores (mainly other general merchandise stores) was the largest contributor to these job gains, adding 37,000 jobs. Strong employment gains also occurred in food and beverage stores, which added 37,000 jobs in 2016—exceeding the 10,000 in 2015.

Furniture and home furnishing stores, as well as building and garden supply stores, also had stronger job growth in 2016 versus 2015. The strengthening housing market may help explain the kind of strength that these two industries demonstrated throughout the year.[10]

Employment growth in motor vehicle and parts dealers decelerated in 2016, adding 41,000 jobs in 2016 versus 68,000 in 2015 and 69,000 in 2014. The recent slowing of employment gains in motor vehicle and parts dealers coincides with a slowdown in motor vehicle and parts manufacturing employment during 2016.

Clothing and clothing accessories stores have been experiencing weakness since 2013. Some retailers have been reluctant to increase hiring and are shutting down brick-and-mortar stores as growth in e-commerce continues.[11] The nonstore retailers industry, which includes e-commerce, added 20,000 jobs during 2016, a growth rate of 3.8 percent, which is weaker than previous year's growth rate of 5.3 percent. E-commerce sales grew 14.3 percent from the 4th quarter of 2015 to the 4th quarter of 2016. By the 4th quarter of 2016, e-commerce sales had grown to 8.3 percent of total retail sales.[12]

Financial activities

Financial activities added 176,000 jobs in 2016, compared with 146,000 in 2015, because of the strength in credit intermediation and related services, insurance carriers and related activities, and real estate.

Within credit intermediation, the industry of activities related to credit intermediation, which includes mortgage and nonmortgage loan brokers, was the standout performer. Employment in this industry was up 4.6 percent in 2016, marking its strongest year since 2012. Commercial banking, the largest industry within credit intermediation, flattened out over 2015 and 2016. Legal problems, regulation, flattened revenues, and the migration of mortgage business to nonbank financial entities have helped depress employment in commercial banking since the financial crisis of 2008.[13]

Real estate employment saw its best year of employment growth since before the 2007–09 recession, growing by 3.4 percent. Historically low mortgage rates in 2016 helped spur housing market activity, which may have supported stronger employment in real estate-related industries despite rising housing prices.[14]

Government

Government added 201,000 jobs in 2016, up from an increase of 152,000 in 2015. This 2016 increase was mainly due to job gains in local government, which added 160,000 jobs, well above the 89,000 gain in 2015.

Local government, excluding education, had a strong year in 2016, adding 90,000 jobs.[15] Local government, excluding education, has driven job gains in government over the past few years. In 2016, it accounted for almost half the employment gains in government overall.

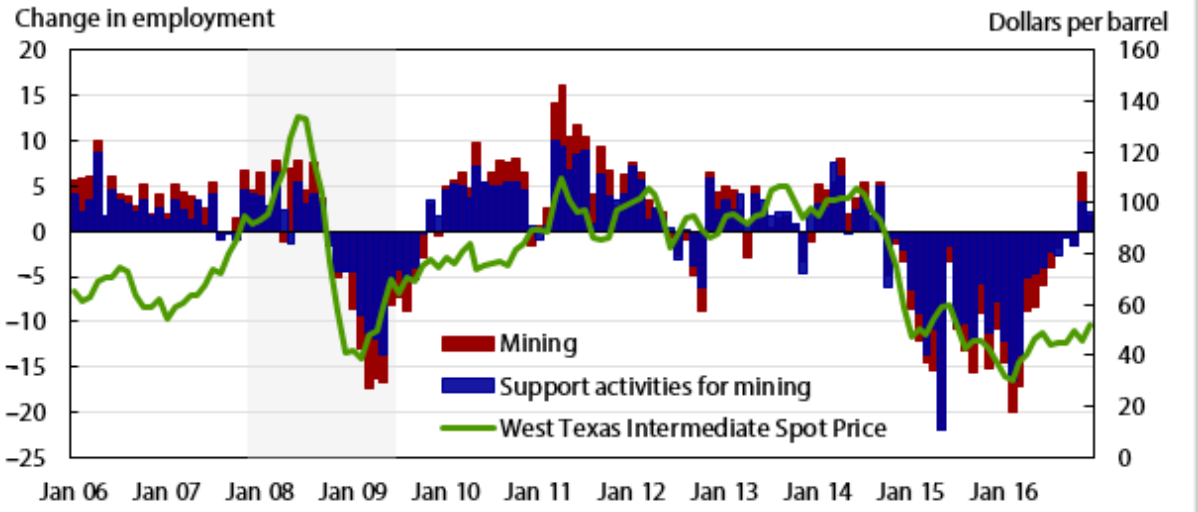
Moderating employment losses in 2016

Mining

Employment losses in mining, the major component industry within mining and logging, continued through 2016, but at a slower pace than in 2015. Mining lost roughly 6,000 jobs a month in 2016 compared with 13,000 jobs a month in 2015. In both years, most job losses were located within support activities for mining.

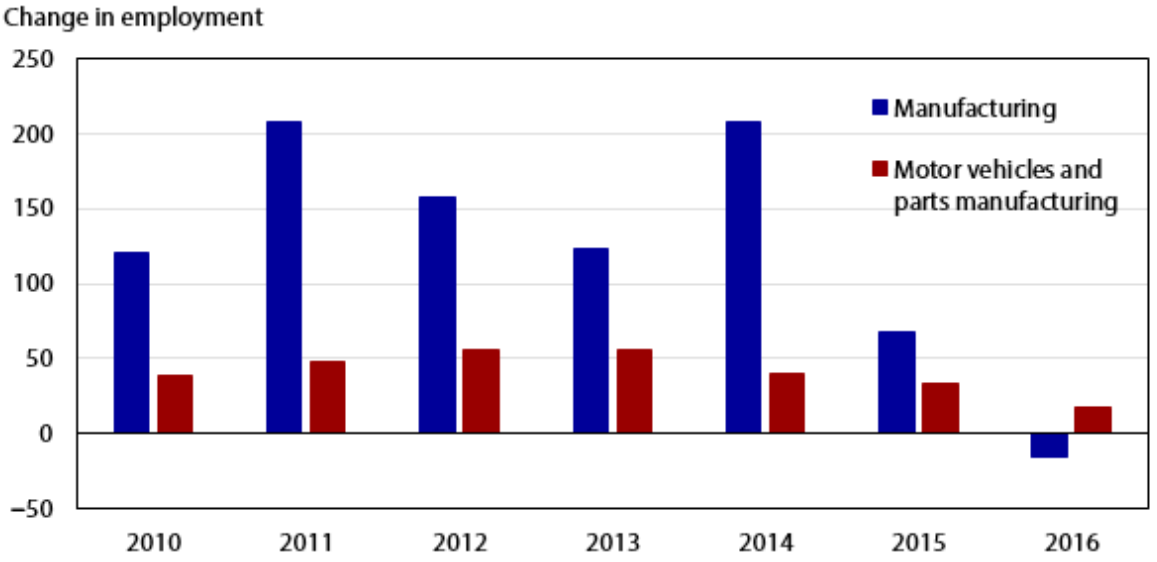
The moderation of job losses in mining over the year can largely be explained by a stabilization of oil prices between $40 and $50 a barrel, which may have driven a slowdown in oil rig shutdowns during 2016.[16] (See figure 8.) Employment losses in mining may have also curtailed orders for heavy mining equipment, negatively affecting employment in oil- and gas-related machinery manufacturing industries.

Figure 8. Employment in mining and support activities for mining by West Texas Intermediate crude oil, January 2006–December 2016, seasonally adjusted, in thousands



Notes: Shaded area represents recession as denoted by the National Bureau of Economic Research.
Sources: U.S. Bureau of Labor Statistics, Current Employment Statistics survey, and the U.S. Energy Information Administration.

Figure 9. Employment in manufacturing and motor vehicles and parts manufacturing, over-the-year change, 2010–16, seasonally adjusted, in thousands



Note: Over-the-year changes are calculated from December of the previous year through December.
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics survey.

Manufacturing

Employment in manufacturing, after increasing by 68,000 in 2015, was essentially flat over the year (–16,000), marking the weakest year for manufacturing employment since the Great Recession. (See figure 9.) Weakness in manufacturing employment occurred throughout the component industries, but the largest declines came in machinery, which lost 23,000 jobs, and in fabricated metal products, which lost 18,000. Employment losses in machinery, which includes mining and oil and gas field machinery, coincide with lower oil prices and the continued decline of mining employment.

Motor vehicles and parts manufacturing employment slowed in 2016, gaining only 17,000 jobs compared with a gain of 33,000 in 2015. Food manufacturing added the most jobs within manufacturing, adding 38,000 jobs over the year.

Summary—slow but steady

Despite decelerated employment growth across many industries, total nonfarm employment continued to expand in 2016—adding over 2.2 million jobs. Goods-producing industries continued to struggle, but service-providing industries, notably in education and health services and in professional and business services, continued to add jobs over the year. Smaller, but still substantial, job growth in several other industries, such as retail trade and leisure and hospitality, also contributed to make 2016 a positive one for job growth. Overall, 2016 was a year of decelerating but consistent job growth.

SUGGESTED CITATION

Michael Calvillo, "Employment expansion continues but at a slower pace," *Monthly Labor Review,* U.S. Bureau of Labor Statistics, April 2017, https://doi.org/10.21916/mlr.2017.12.

NOTES

1 For Current Employment Statistics (CES) program definitions of employment peak, trough, recovery, and expansion, see "CES peak–trough tables," *Current Employment Statistics—CES (national)* (U.S. Bureau of Labor Statistics, December 10, 2012), https://www.bls.gov/ces/cespeaktrough.htm.

2 The CES program, which provides detailed industry data on employment, hours, and earnings of workers on nonfarm payrolls, is a monthly survey of about 147,000 businesses and government agencies representing approximately 634,000 individual worksites. For more information on the program's concepts and methodology, see "Technical notes for the Current Employment Statistics survey," *Current Employment Statistics—CES (national)* (U.S. Bureau of Labor Statistics, February 8, 2016), https://www.bls.gov/web/empsit/cestn.htm. To access CES data, see https://www.bls.gov/ces/. The CES data are seasonally adjusted unless otherwise noted. Over-the-year changes are calculated from December of the previous year through December of the reference year.

3 The Current Employment Statistics program dates back to 1915, with total nonfarm employment data beginning in 1939. For more information on the history of the CES survey, see "One hundred years of Current Employment Statistics—an overview of survey advancements," *Monthly Labor Review*, August 2016, https://www.bls.gov/opub/mlr/2016/article/one-hundred-years-of-current-employment-statistics-an-overview-of-survey- advancements.htm.

4 "Annual trade highlights," *Foreign Trade* (U.S. Census Bureau, 2016 press highlights), https://www.census.gov/foreign-trade/statistics/highlights/annual.html.

5 For more information on increased hospital employment, see "American Hospital Association uncompensated hospital care cost fact sheet, American Hospital Association," January 2016; and "Hospital merger and acquisition activity expands in first half of 2016, according to Kaufman Hall analysis," *Health IT Outcomes*, July 25, 2016, http://www.healthitoutcomes.com/doc/hospital-merger-acquisition-activity-expands-according-kaufman-hall-analysis-0001.

6 The recession occurred from December 2007 to June 2009, as denoted by the National Bureau of Economic Research.

7 Julie Jargon and Lillian Rizzo, "Restaurant chains get burned by overexpansion, new rivals," *The Wall Street Journal*, October 16, 2016.

8 "Monthly retail trade report," *Monthly & Annual Retail Trade* (U.S. Census Bureau, December 2016), https://www.census.gov/retail/index.html.

9 Residential construction industry consists of the residential construction of buildings industry and residential specialty trade contractors industry. Nonresidential construction consists of residential construction of buildings industry and nonresidential specialty trade contractors industry.

10 Paul R. La Monica, "Layoffs in aisle 4! Retailers are big job killers," *CNN Money*, June 8, 2016.

11 Miriam Gottfried, "Retailers need to close some doors to survive," *The Wall Street Journal*, June 17, 2016.

12 "Latest quarterly e-commerce report," *Monthly & Annual Retail Trade* (U.S. Census Bureau, February 17, 2017), https://www.census.gov/retail/index.html.

13 Ben McLannahan and Alistair Gray, "Big U.S. bank revenue growth is flat as a pancake," *Financial Times*, January 20, 2016; Andrea Riquier, "Big banks are fleeing the mortgage market," *MarketWatch*, February 12, 2016; and Michele Lerner, "The mortgage market is now dominated by non-bank lenders," *The Wall Street Journal*, February 23, 2016.

14 "After housing's best year in a decade, what's next?" *FreddieMac*, December 21, 2016, http://www.freddiemac.com/finance/report/20161221_whats_next.html.

15 Local government, excluding education, includes noneducation administrative agencies of town, city, and county government.

16 Aikin Oyedele, "U.S. oil rig count rises for 9th straight week to the highest level in a year," *Business Insider*, December 30, 2016.

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