

04.Jun.2021

Employment: Labor Gains Modest But Wages Push Higher

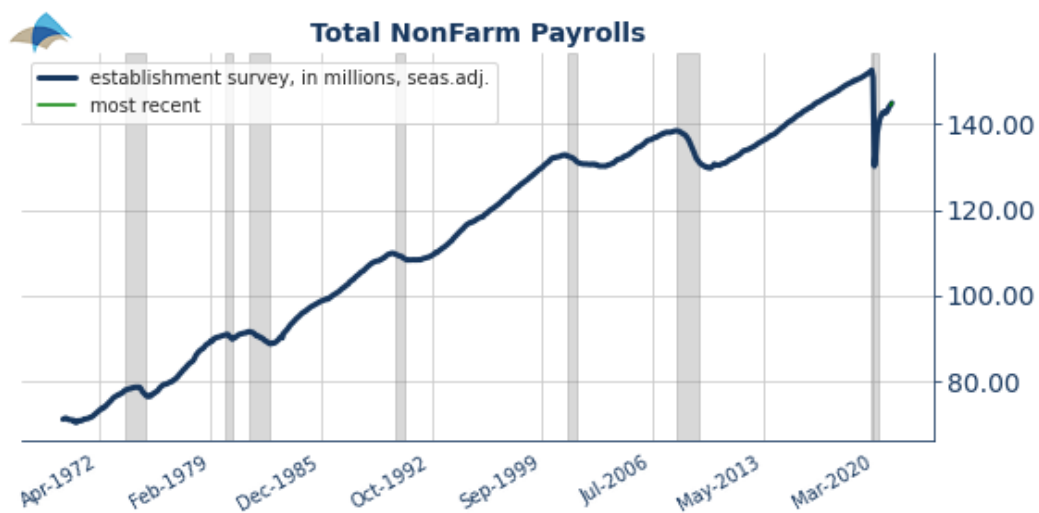
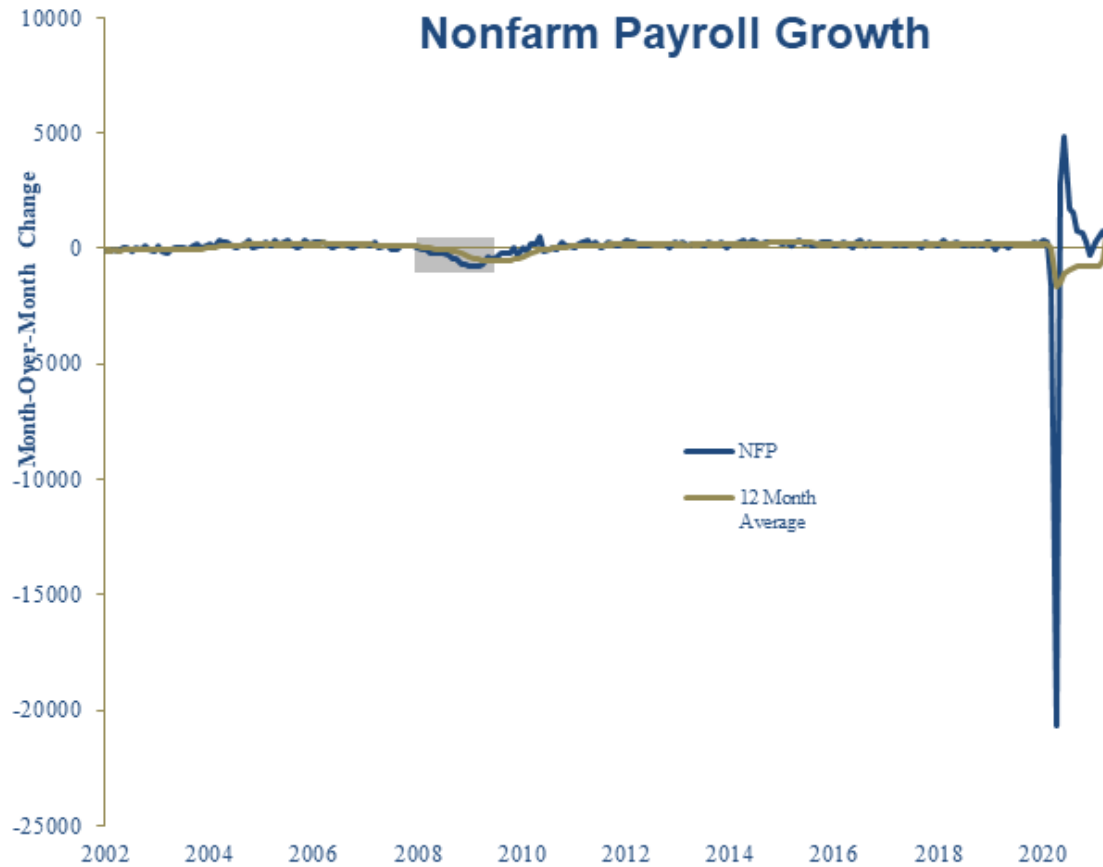
Bottom Line: Employment rose less than expected for the second month in a row in May, up 559k versus expectations for 675k. Revisions to April's anemic gains were modest, up just 12k to 278k. Construction jobs fell as non-residential construction remained weak and residential activity started to decelerate from a torrid pace. Retail trade employment also fell. Leisure and hospitality jobs led the gains, up 292k, as more reopenings allowed more guests at restaurants and bars.

Average hourly earnings were the big story of this report, up 0.5% versus expectations for 0.2%. In the last year, gains in hourly earnings were usually the result of composition -- fewer jobs in the lowest-paid sector meant higher average hourly earnings and vice-versa. But the leisure and hospitality sector is the lowest paid and led job gains in May. This suggests that this sector and others saw higher wages, likely to attract workers to return to the labor force or choose to work rather than receive unemployment benefits.

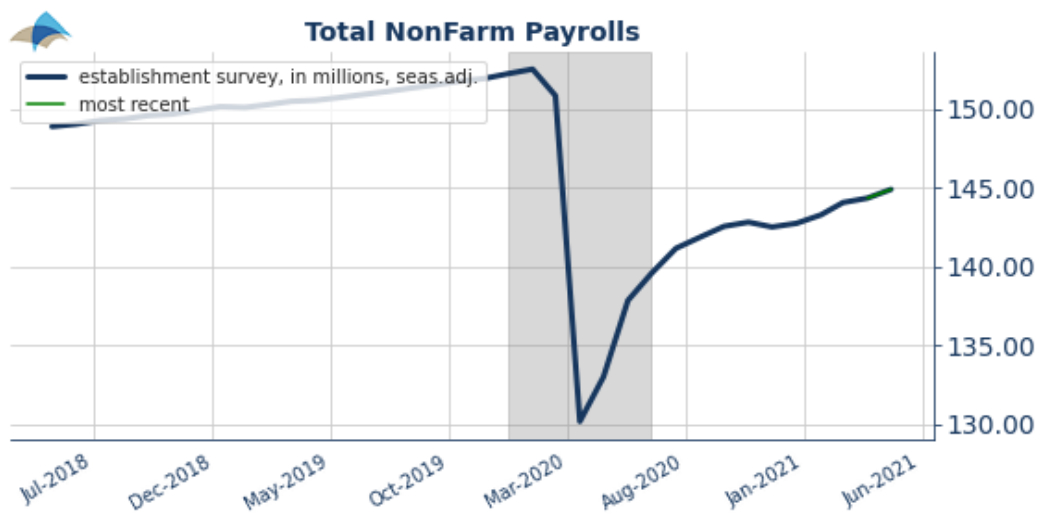
The household employment used for the unemployment rate was in line with the establishment survey for the non-farm payroll report. While the labor force participation rate fell just slightly, the employment-to-population ratio, increasingly on the radar of many Fed officials, edged higher.

Overall, for the second month in a row, we **could be confirming the anecdotes that businesses are having a hard time finding employees.** Over the last six months, average hourly earnings have grown at an annualized pace of 4.5%, well above pre-pandemic normals of 2.9 - 3.4%. While we still can't say this is sustainable wage inflation, there is certainly a growing risk that these wage gains could be sustained longer than previously thought. **Sustained goods and services inflation only comes with sustained wage gains in the long-term, so this bears close watching and will likely be high on the Fed's radar.**

	Cons.	Actual	Prior
Non Farm Payroll	675k	559k	278k
U-rate	5.9%	5.8%	6.1%
Hourly Earnings	0.2%	0.5%	0.7%



- looking at just the last two years:



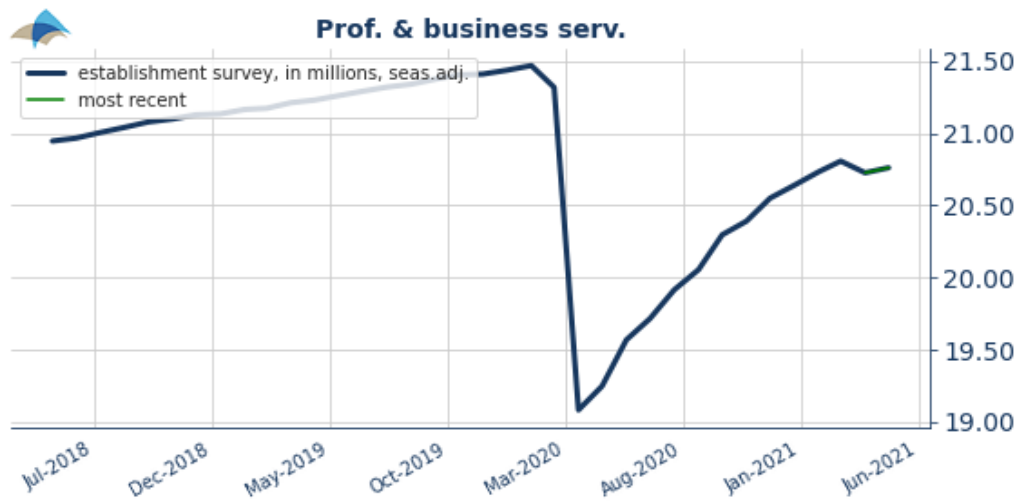
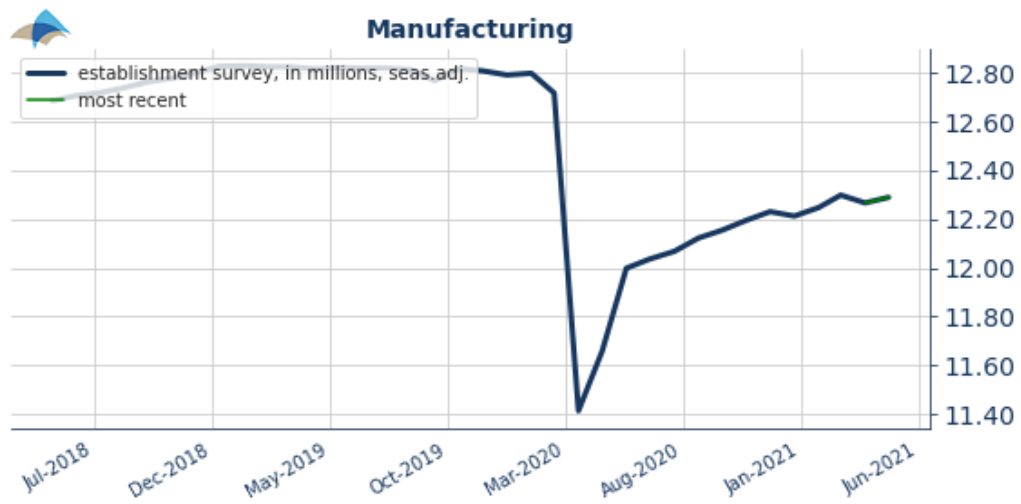
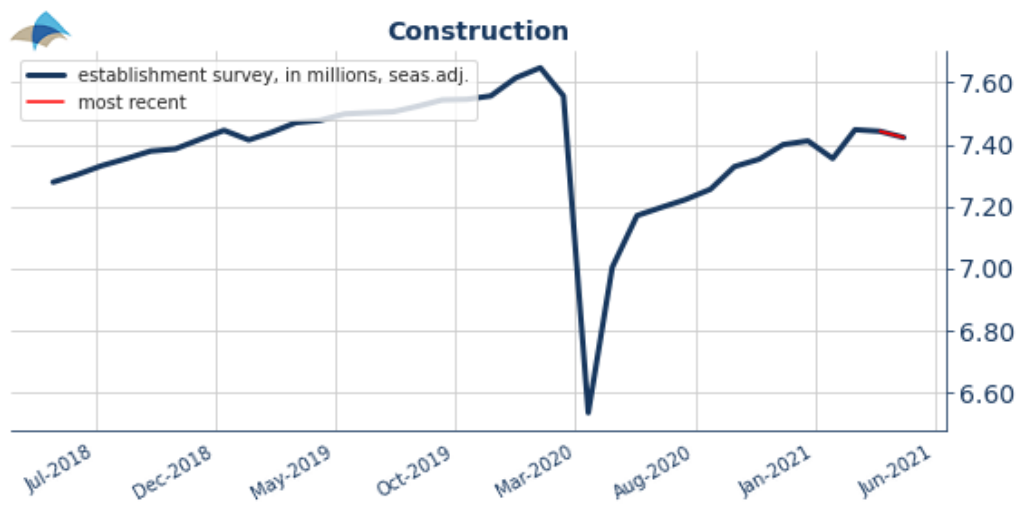
Payroll Employment rose by 559k in May, compared with market expectations for an increase of 675k. The prior 2 months were revised, higher in April by 12k and higher in March by 15k.

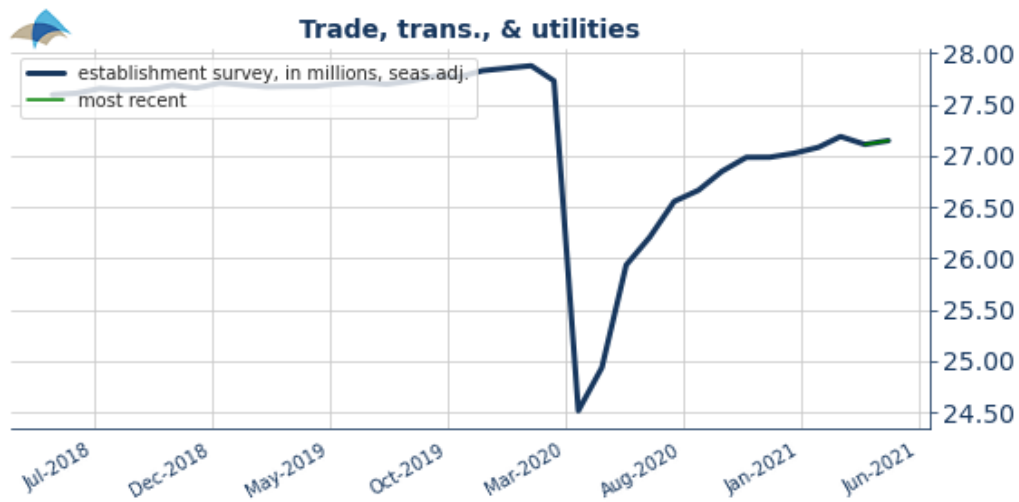
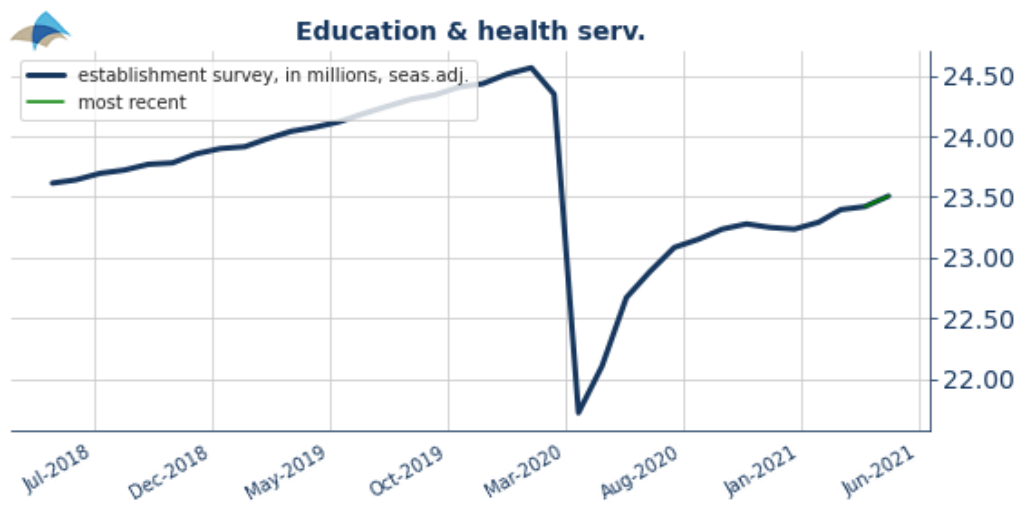
Government jobs ROSE by 67k. Consequently, **private sector jobs** ROSE by 492k. **Private education jobs** rose by 41k. State and Local education jobs rose by 103k. Overall employment is now 8.9% ABOVE its year-ago level, Over the past 12 months, 11,900k jobs have been created.

In May, the job gains were in Trade, Transportation & Utilities (+43k with -6k of those in Retail Trade), Professional & Business Services (+35k with the addition of 4.4k in Temp Help Services), Leisure & Hospitality (+292k), Government (+67k), Education & Health Services (+46k), Information (+29k), Manufacturing (+23k), and Other Services (+10k).

Jobs were shed in Financial Activities (-1k), and Construction (-20k).





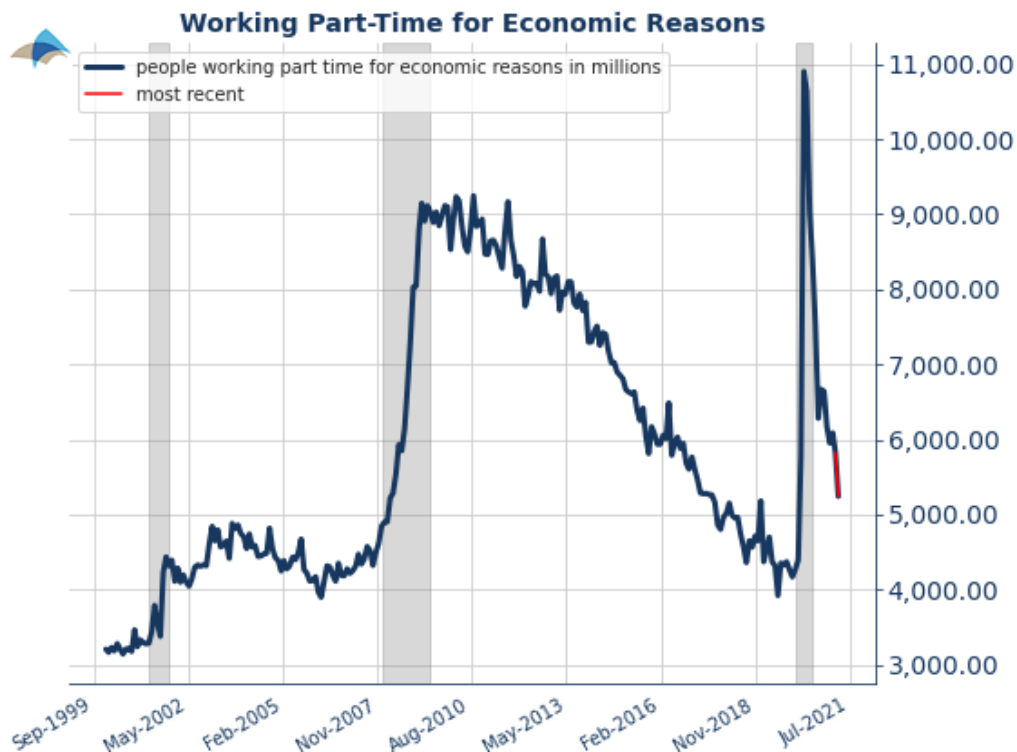


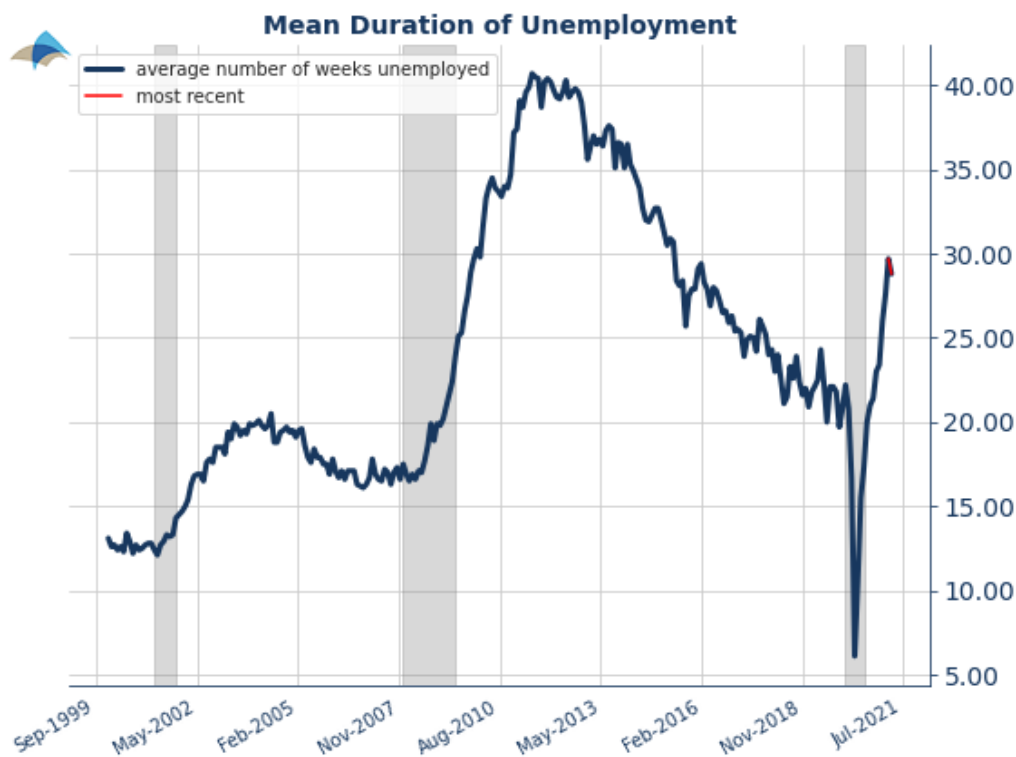
Change in US Employment - Major Sectors in 000s	May-21	Apr-21	Mar-21	Feb-21	Total Since May-20	Total Mar-20 to Apr-20	3m. avg.	6m. avg.	12m. avg.	2020	Avg Mo. prior 5 yrs.
Total nonfarm	559	278	785	536	14733	-22362	541	348	992	-785	-10
Trade, trans., & utilities	37	-77	105	58	2633	-3363	22	27	184	-70	0
Education & health serv.	87	25	104	57	1786	-2843	72	38	117	-99	15
Government	67	59	61	-86	-158	-1009	62	30	30	-106	-11
Prof. & business serv.	35	-81	74	93	1679	-2387	9	62	126	-72	10
Leisure & hospitality	292	328	227	413	5686	-8224	282	124	353	-306	-38
Manufacturing	23	-32	51	35	876	-1385	14	16	53	-48	-2
Financial activities	-1	16	13	-7	206	-279	9	8	16	-5	10
Construction	-20	-5	93	-57	888	-1113	23	12	35	-13	13
Other serv.	10	35	37	22	1057	-1410	27	16	67	-38	-3
Information	29	9	5	6	88	-281	14	12	11	-20	-2
Mining & logging	0	1	15	2	-8	-68	5	3	1	-8	-2

The Unemployment Rate FELL by 0.3 percentage points in May to 5.8%, compared with market expectations for a small decline to 5.8%.

Household employment rose by 444k while **the labor force** declined by 53k, resulting in a decrease in the number of unemployed of 496k. **The Labor Force Participation Rate** FELL by 0.1 percentage points to 61.6%.

The Employment-Population Ratio ROSE by 0.1 percentage points to 58.0%. The number of people **Working Part-Time for Economic Reasons** ROSE by 53k to 5,231k. while **Long-Term Unemployment** FELL by 431k to 3,752k (accounting for 40.3% of the unemployed), while the **Mean Duration of Unemployment** ROSE by 1.1 weeks to 29.9 weeks. There are now 9.3 million people officially unemployed. In addition, there are another 6,600k people who say they want a job but are not currently looking for one. Finally, another 5,231k people are working part-time because of slack economic conditions.





	Average for										
	Three	Six	Twelve					Five	Ten		
	May-21	Apr-21	Mar-21	Feb-21	Months	Months	Months	2019	2018	Years	Years
Unemployment Rate	5.8%	6.1%	6.0%	6.2%	6.0%	6.2%	7.4%	3.7%	3.9%	4.4%	6.2%
Civilian Labor Force (mln.)	160.9	161.0	160.6	160.2	160.8	160.6	160.5	164.6	163.1		
Change (thousands)	-53	430	347	50	241	67	228	121	215	137	96
Household Employment (mln.)	151.6	151.2	150.8	150.2	151.2	150.6	148.7	158.7	156.7		
Change (thousands)	444	328	609	208	460	302	1,200	166	236	185	173
Unemployed (mln.)	9.3	9.8	9.7	10.0	9.6	9.9	11.8	5.8	6.4	6.9	9.3
Change (thousands)	-496	102	-262	-158	-219	-235	-972	-45	-21	-48	-77
Not in the Labor Force (mln.)	100.3	100.1	100.4	100.7	100.3	100.5	100.4	95.6	95.8	95.2	92.1
Currently wants a job (mln.)	6.6	6.6	6.9	6.9	6.7	6.9	7.1	4.9	5.4	5.4	5.9
Adjusted Unemployment Rate	9.5%	9.8%	9.9%	10.1%	9.7%	10.1%	11.3%	6.3%	7.0%	7.4%	9.3%
Not at work due to weather ('01)	43.0	46.0	116.0	897.0	68.3	231.5	134.9	112.0	187.0	140.6	151.4
Mean Duration (in weeks)	29.9	28.8	29.7	27.6	29.5	27.6	23.6	20.8	22.0	24.2	30.3
Long-Term Unemployed ('000's)	3,752	4,183	4,218	4,148	4,051	4,047	3,215	1,177	1,302	1,594	3,142
Part-Time for Economic Reason ('000's)	5,231	5,178	5,804	5,986	5,404	5,684	6,513	4,119	4,559	5,012	6,420

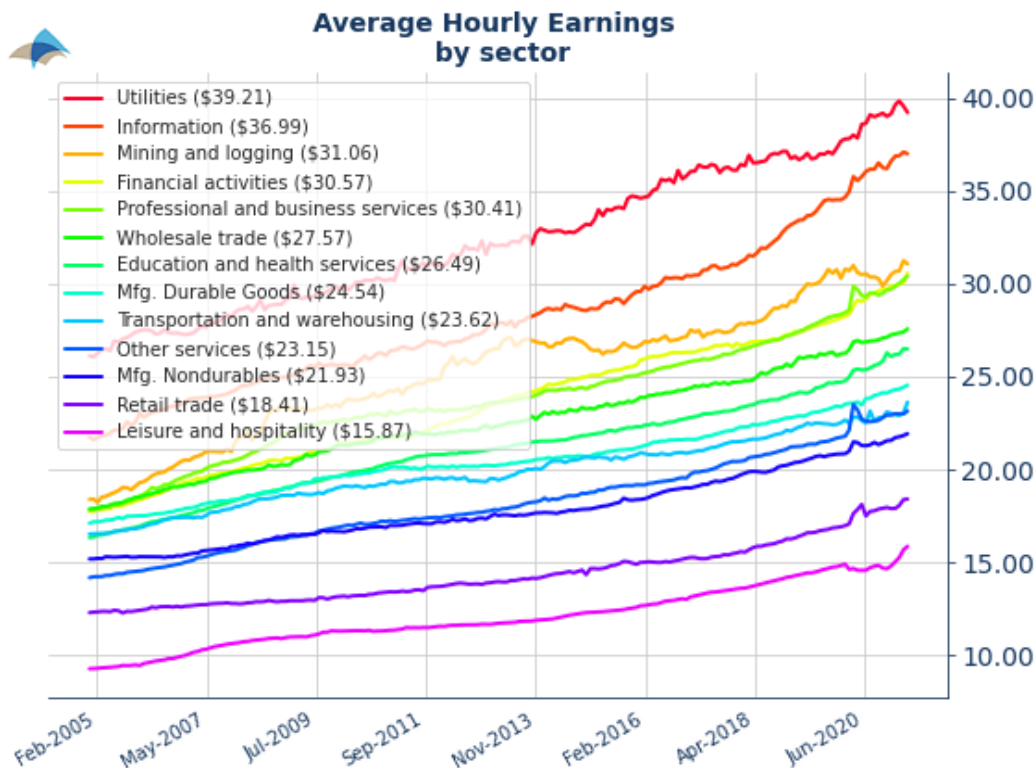
Source: Bureau of Labor Statistics, Department of Labor via Bloomberg. Our calculations.

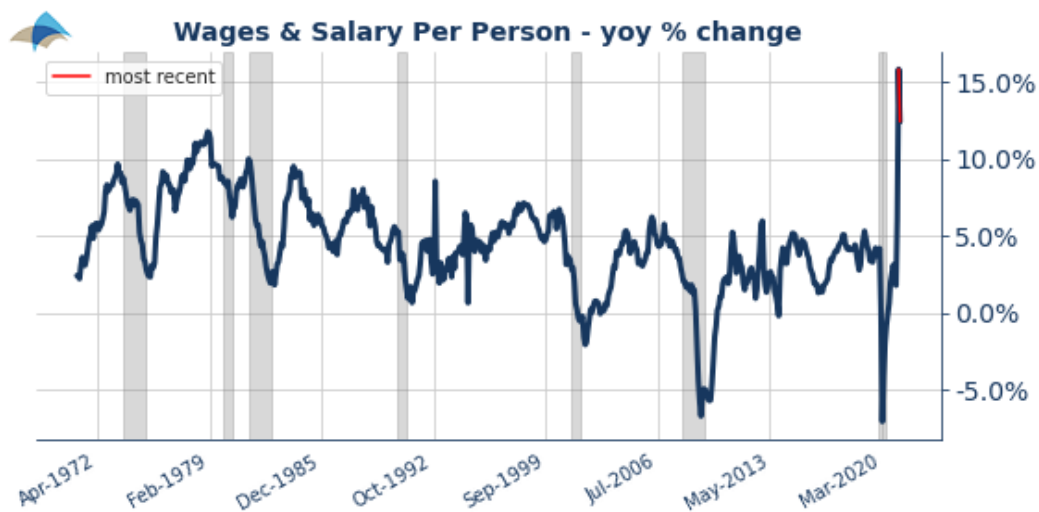
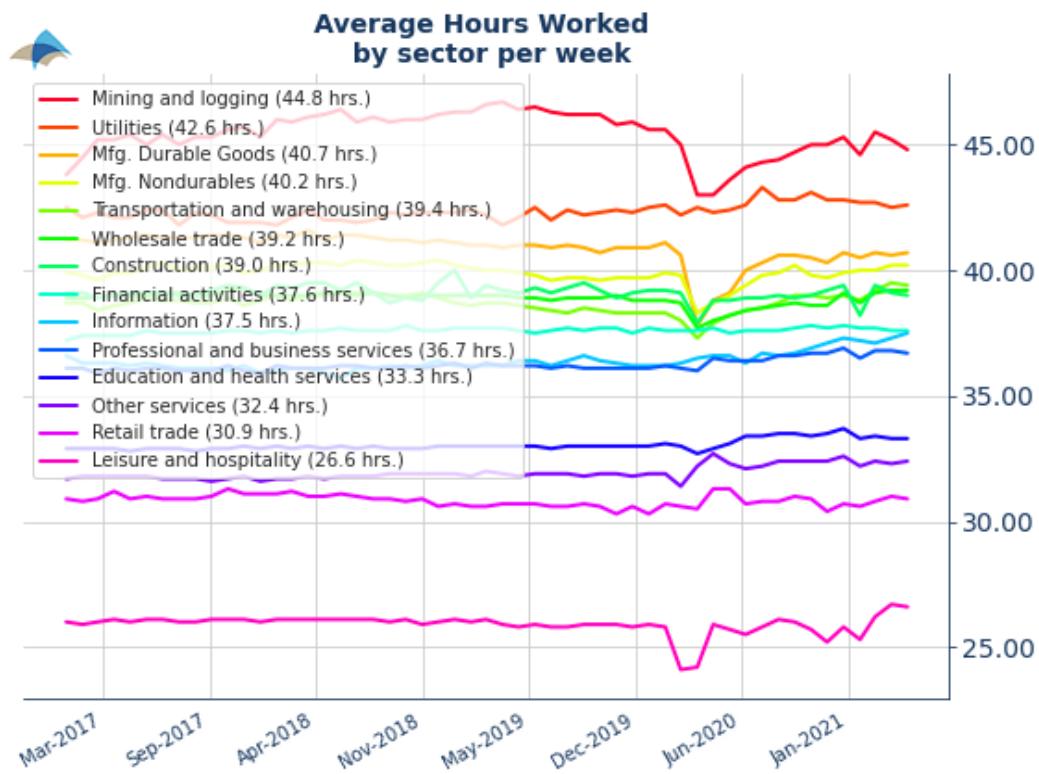
The Index of Aggregate Hours ROSE by 0.5%, combining the moderate gain in private payroll employment and the steady workweek.

Hourly Earnings ROSE by 0.5% in May, above market expectations of 0.2%. Hourly earnings are now 2.0% ABOVE their year-ago level. **Weekly Earnings** also ROSE by 0.5%, the result of the change in hourly earnings and a steady workweek. Weekly earnings are now 2.6% ABOVE their year-ago level. **The Average Workweek** was UNCHANGED by 0.0 to 34.9 hours, inline the market consensus at 34.9 hours.

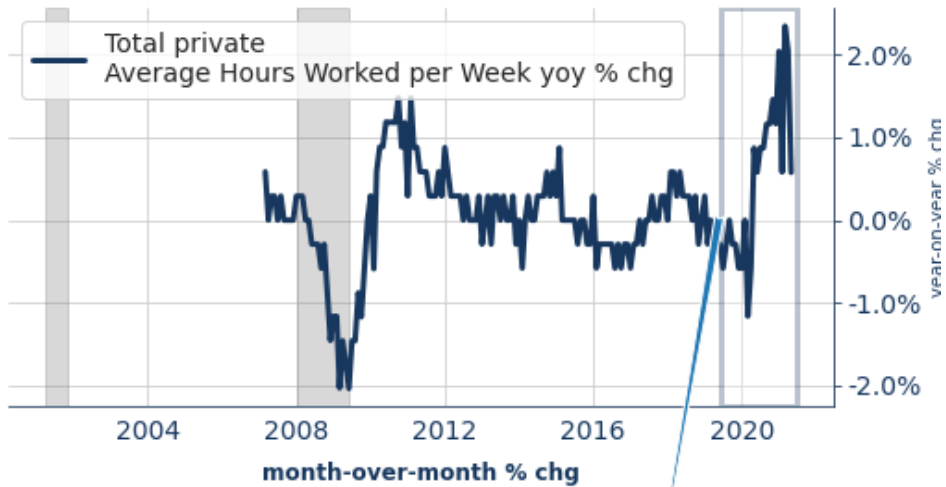
						Annualized Averages for					
						Three	Six	Twelve		Five	Ten
	May-21	Apr-21	Mar-21	Feb-21	Months	Months	Months	2019	2018	Years	Years
Average Hourly Earnings	0.50%	0.7%	-0.1%	0.3%	4.5%	4.9%	2.0%	2.9%	3.4%	2.9%	2.2%
<i>Prior Estimate</i>		<i>0.7%</i>	<i>-0.1%</i>	<i>0.3%</i>							
Average Weekly Earnings	0.50%	0.7%	0.8%	-0.9%	8.1%	5.5%	2.6%	2.3%	3.4%	2.7%	2.2%
Average Weekly Hours											
Total Private	34.9	34.9	34.9	34.6	34.9	34.8	34.8	33.5	33.7	33.6	33.7
<i>Prior Estimate</i>		<i>35.0</i>	<i>34.9</i>	<i>34.6</i>							
Goods Producing	40.1	40.1	40.2	39.7	40.1	40.0	39.9	40.1	40.6	40.4	40.3
Manufacturing	40.5	40.4	40.5	40.3	40.5	40.4	40.2	40.4	40.9	40.7	40.7
Overtime	0.0	3.2	3.2	3.2	2.1	2.7	2.8	3.2	3.5	3.3	3.3
Service Producing	33.8	33.9	33.8	33.6	33.8	33.8	33.7	33.2	33.3	33.3	33.3
Index of Aggregate Weekly Hours											
Total Private	0.5%	0.2%	1.4%	-0.7%	8.6%	3.8%	11.0%	0.8%	1.8%	1.6%	1.7%
<i>Prior Estimate</i>		<i>0.5%</i>	<i>1.4%</i>	<i>-0.7%</i>							
Goods Producing	0.0%	-0.3%	2.0%	-1.3%	6.7%	2.9%	8.8%	-0.8%	3.6%	1.3%	1.8%
Manufacturing	0.3%	-0.4%	0.9%	0.0%	3.2%	2.5%	10.0%	-1.2%	2.4%	0.5%	1.0%
Service Producing	0.2%	0.5%	1.2%	-0.3%	7.9%	4.0%	11.3%	1.3%	1.5%	1.7%	1.8%

Source: Bureau of Labor Statistics, Department of Labor via Bloomberg. Our calculations.

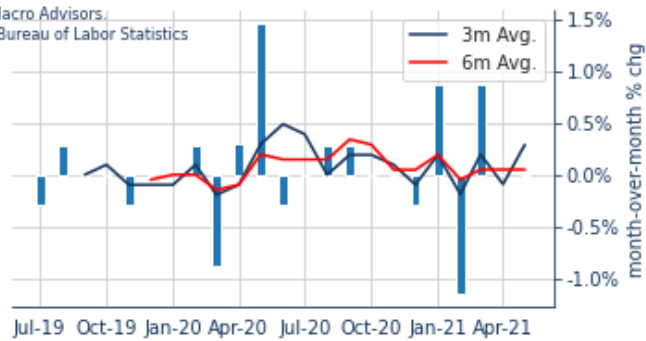




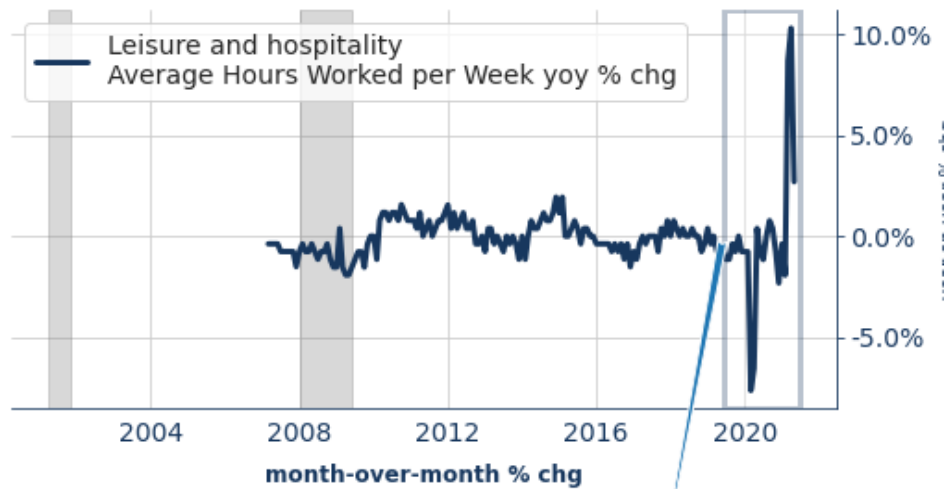
Total private Average Hours Worked per Week



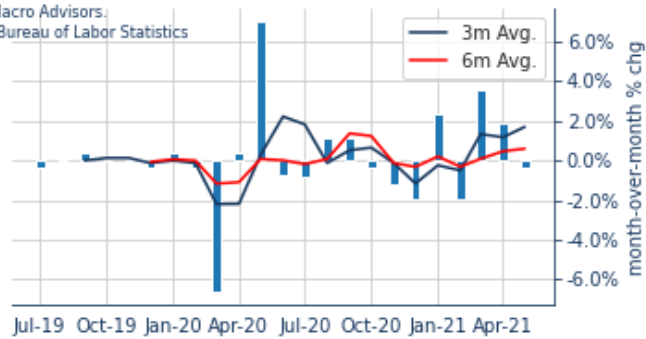
Contingent Macro Advisors,
source: U.S. Bureau of Labor Statistics



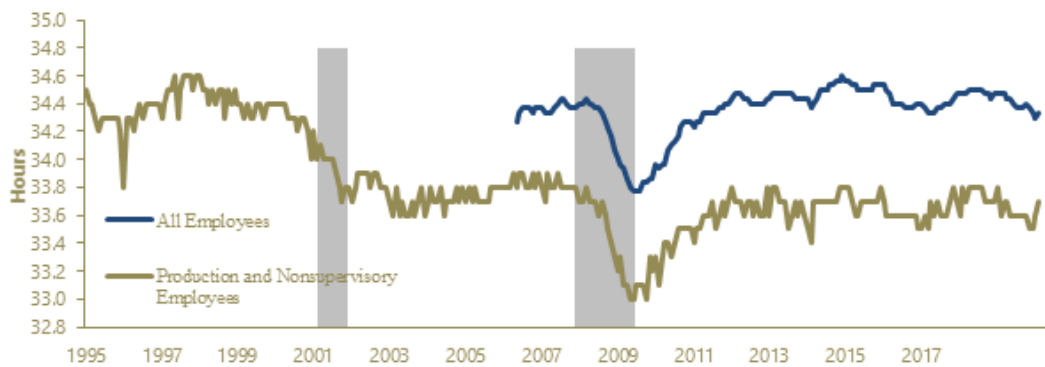
Leisure and hospitality Average Hours Worked per Week



Contingent Macro Advisors,
source: U.S. Bureau of Labor Statistics



Average Weekly Hours (3 Month Average)



Index of Aggregate Hours

