

Labor force participation edges up



EDI Note on the Employment Situation

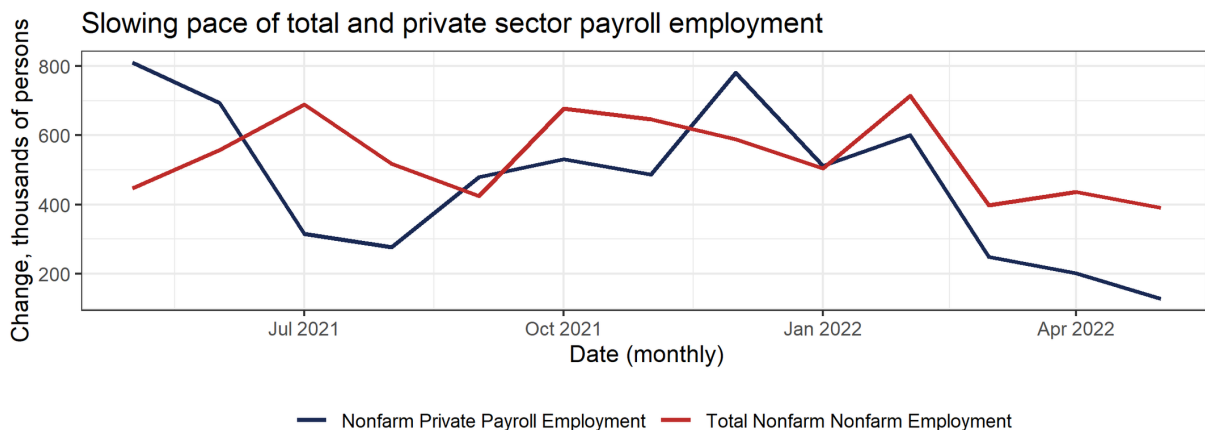
June 3, 2022

May's unemployment rate remained at 3.6%, the same value as in March and April. The labor force participation rate hardly budged either, coming in at 62.3 percent, one-tenth of a percentage point higher than last month.

Key findings

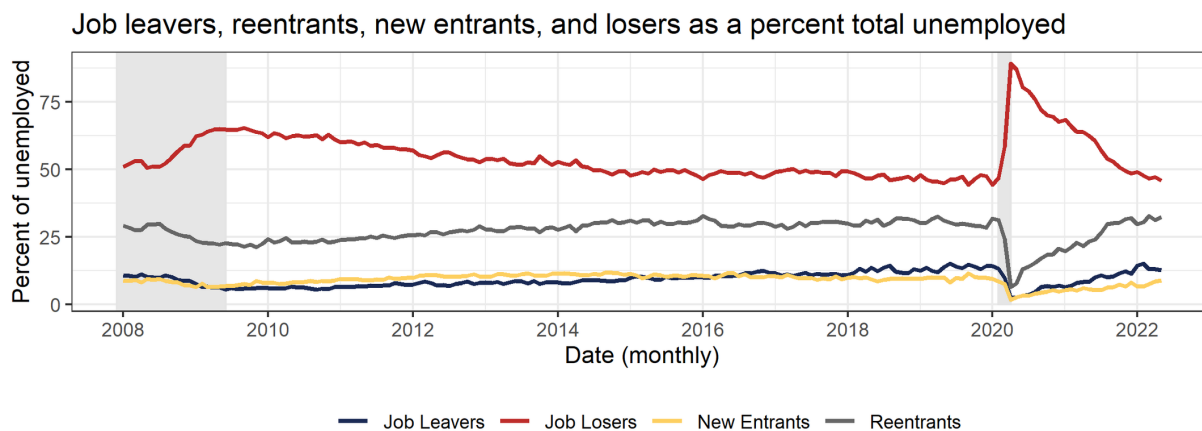
- Another strong jobs report with 390,000 new jobs created
- Unemployment rate remains at 3.6%
- Lowest number of month-over-month job growth in the past year
- Net job growth for March and April of this year was also revised downward
- At 23 percent, the share of long-term unemployed workers, those continuously unemployed for 27 weeks or more, is still above pre-pandemic values
- The ratio of total workers wanting (more) employment / unemployed workers increases again in May

Periods of rapid job growth like those of the past year have been few and far between over the past forty years. In pre-pandemic times, the 390,000 jobs added in May 2022 would be astounding. And while this figure is certainly nothing to scoff at today, it is the lowest number of month-over-month job growth in the past year. As Figure 1 below shows, the pace of both total and private sector payroll growth seem to be slowing in recent months. Net job growth for March and April of this year was also revised downwards in today's BLS release.



U.S. BLS, ADP, retrieved from FRED, Federal Reserve Bank of St. Louis

Signs of a slowing pace of employment growth are evident elsewhere in today's BLS Economic Situation report. The share of job leavers amongst the unemployed has fallen slightly in recent months. In May, the share of job leavers was 12.8 percent, down from the 14-15 percent range reported for January and February of this year (note as well that job leavers never make up a particularly large share of the unemployed; job losers always account for the bulk of the unemployed, as shown in Figure 2 below). At 23 percent, the share of long-term unemployed workers, those continuously unemployed for 27 weeks or more, is still above pre-pandemic values as well.



U.S. BLS, retrieved from FRED, Federal Reserve Bank of St. Louis

Finally, the ratio we highlighted in last month's EDI note increased again in May. In that note, we plotted the sum of involuntary part-time workers and those who are not-in-the-labor-force but want a job now divided by the unemployment level. In times of low official unemployment, this ratio increases, indicating the growing share of un- and under-employment which goes uncaptured by the official unemployment rate alone. At a value of nearly 1.7, the ratio plotted in Figure 3 below suggests that for every officially unemployed worker, there are 1.7 additional workers wanting jobs and/or more hours of employment. Translated from a ratio, that comes out to approximately 16 million un- and underemployed workers in today's hot market.



U.S. BLS, retrieved from FRED, Federal Reserve Bank of St. Louis