THE CONFERENCE BOARD

News Release

September 7, 2018

Solid employment growth and accelerating labor productivity

Comment on U.S. Bureau of Labor Statistics Employment Situation Report
Gad Levanon, Chief Economist, North America, The Conference Board

The US economy added 201,000 jobs in August, in line with the trend of the past year. Whereas we have seen a strong acceleration in GDP growth over the past two years, from about 1.5 percent to about 3.5 percent, employment growth barely accelerated at all. That means that the long-awaited improvement in productivity growth has finally arrived, at least for now.

Still, the current employment growth is more than enough to continue tightening the labor market. We expect economic growth to remain strong in the coming year, leading to more of the same: solid employment growth that will continue to tighten the labor market and draw more people back into the labor force. Growing labor market tightness will increase recruiting difficulties, labor turnover and compensation. The 12-month growth in average hourly earnings accelerated to 2.9 percent, the highest in this expansion, but still below the pre-recession rates. Labor market tightness varies significantly across occupations and geographies. Supply constraints are more visible in blue-collar occupations, where we are observing faster wage growth. We also anticipate this to provide a further incentive to businesses to raise productivity.

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