



Employment Report Shows Another Month of Solid Job Growth

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Commentary on today's U.S. Bureau of Labor Statistics Employment Situation Report

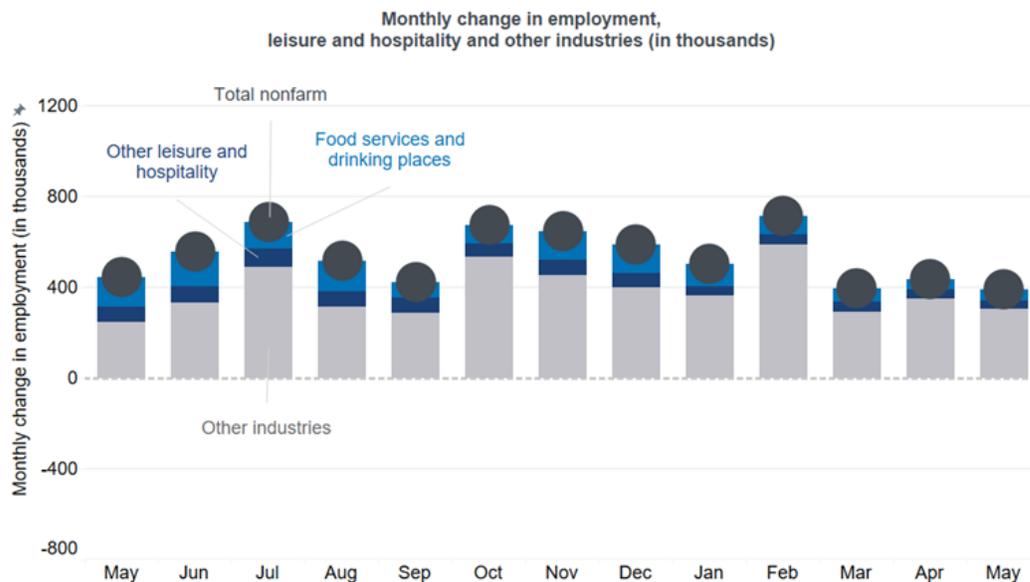
May's US jobs report showed further job gains, following months of solid growth in 2022. The labor market continues to expand at a steady rate. Leisure and hospitality, as well as in-person services industries, have experienced large job gains as consumers continue to shift spending away from goods to services. Severe labor shortages are present and will continue to drive up wages. With the US at full employment, the Federal Reserve will likely maintain its focus on stabilizing prices by increasing interest rates—accepting the risk of rising unemployment rates as a consequence.

Nonfarm payroll employment increased by 390,000 in May, after a slight upwardly revised increase of 436,000 in April. The labor force participation rate ticked up to 62.3 percent in May—up from 62.2 percent in April—while the unemployment rate remained unchanged for the third month in a row, at 3.6 percent. Demographically, Asian workers have seen the strongest recovery in their unemployment rate; the Asian unemployment rate now stands at 2.4 percent, compared to 2.5 percent prepandemic. Overall, employment has nearly returned to prepandemic levels, down only 0.5 percent—or 822,000 jobs—compared to February 2020. Job recovery has been slower for women, with employment still 0.9 percent below prepandemic levels, compared to 0.1 percent for men.

Job growth continued to be strong in leisure and hospitality, which added 84,000 jobs in May. Transportation and warehousing added 47,000 jobs with large gains for truckers. Construction added 36,000 jobs, which is helpful for completing thousands of unfinished homes. Consistent with earnings reports and projections of slower demand for goods from major US retailers, retail trade lost 61,000 jobs for the month. Still, retail jobs are 159,000 higher compared to prepandemic levels. Professional and business services continue to grow, with 75,000 jobs added in May.

Average hourly earnings rose by 5.2 percent over the past 12 months, with a 10.3 percent increase in leisure and hospitality and a 7.8 percent increase in transportation and warehousing. Wage growth has slowed but continues to remain elevated, especially in industries most impacted by labor shortages. Indeed, labor demand remains at historically high levels, with 11.4 million job openings in April. The tight labor market will continue to drive up wages as labor productivity growth remains low, and employers are unable to produce more output per hour worked.

Overall, labor shortages will remain problematic if workers do not return to the labor market or new sources of labor are not found. The labor force participation rate continues to improve for those in the prime age working group (25-54), with a slight improvement for older workers (55 and older) as well. However, participation rates are still below prepandemic levels and there will continue to be more jobs available than workers to fill them.



Source: US Bureau of Labor Statistics

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