

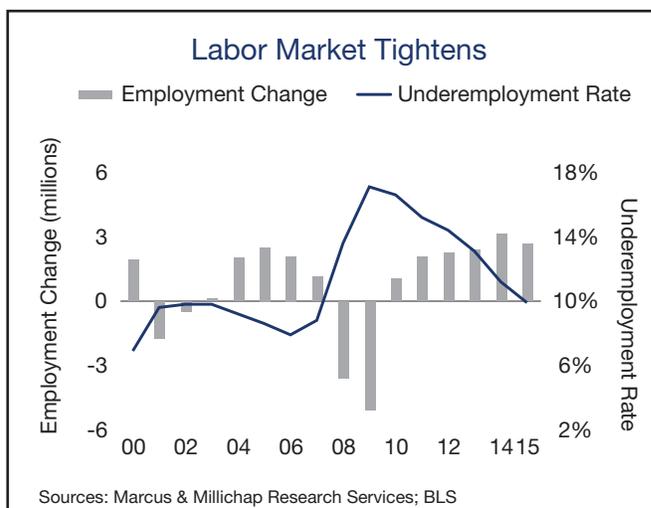


RESEARCH BRIEF: EMPLOYMENT

Broad-Based December Hiring Solidifies 2015 Results; Tightening Labor Market Keeps Fed's Options Open

- U.S. employers pushed ahead with hiring plans in December to top off a strong year of job creation. The vigor of the U.S. labor market evident throughout 2015 will enable the Federal Reserve to place greater weight on inflation trends in guiding its monetary policy decisions this year. Nonetheless, a chaotic opening week of 2016 highlighted by volatile global equity markets and concerns over China serve as a reminder that potential disruptions to U.S. economic growth persist and that the path forward contains hidden obstacles.

- Growth across multiple industries enabled U.S. employers to add 292,000 jobs last month, pushing total new jobs in 2015 to 2.65 million, the second-highest annual total of the current expansion cycle. Service providers led the way in December, with professional and business services adding 73,000 workers during the month. Medical practices and testing facilities also chipped in with nearly 53,000 positions in response to the enrollment of new workers in employee-sponsored healthcare plans and growing needs of an aging population. Education employers also added jobs during the month, capping a year of consistent monthly gains. The sound state and security of the job market continues to provide the means for many workers to pursue educational goals that were put off during the recession and in the early stages of the recovery.



- Several gauges of labor-market slack ended 2015 on a high note and will provide confidence to Federal Reserve policymakers. The underemployment rate registered 9.9 percent in December, marking the third consecutive month with a reading of less than 10 percent, the first such occurrence since 2008. The number of workers who could find only part-time work also fell for the second consecutive year in 2015, a sign of greater employer willingness to make long-term commitments that was not evident in the early phases of the current expansion.
- Including the gain in professional and business services payrolls last year, the primary office-using employment sectors added more than 800,000 positions during 2015. The hiring of more than 4 million workers in the principal office-using sectors over the past five years places the U.S. office sector at an inflection point as 2016 begins. Vacancy was on track to fall modestly in 2015, but the sector could perform more vigorously this year as recent staffing gains translate into actual requirements for larger workspaces.
- Trade employers created 31,000 positions last month, including a nominal addition to retail payrolls. Overall, new-store openings supported the hiring of 274,000 retail workers in 2015 and coincided with an estimated 40-basis-point dip in U.S. retail vacancy to 6.1 percent during the year. The average rent rose nominally during the year, but minimal new construction and tight vacancy will enable more property owners to push up rents more forcefully in 2016.