## The Daily Dish

# The Household Survey Story of Employment

**FRED ASHTON | AUGUST 6, 2026**

As readers of Freddy's Forecast already know, the monthly employment report comprises two surveys: the establishment survey and the household survey (the Bureau of Labor Statistics offers a detailed summary of how they both work here). Sometimes, the stories of the labor market told by each survey diverge, creating a gap between headline numbers and the "vibe" of the labor market – and that's exactly what's happening now.

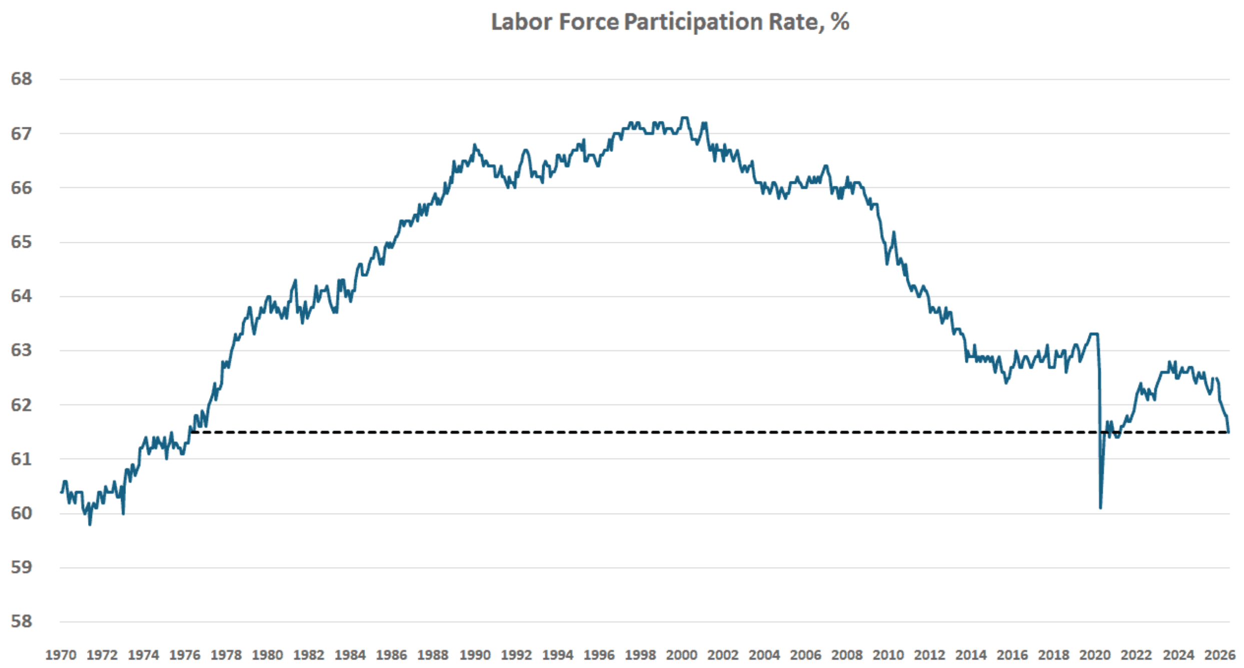
From June 2025–June 2026, the establishment survey showed that 506,000 jobs were created. The household survey, meanwhile, revealed that the level of employment *fell* by over 1 million over the same period. The household survey also showed that despite the drop, the unemployment rate – the ratio of the unemployed and the labor force – was essentially unchanged from a year ago.

How does that happen?

There are two ways the unemployment rate can decline. The first is that the unemployed find work. The second is what happened in June. The June household survey showed that the number of unemployed dropped by 213,000, which is typically good news. The reason the unemployment rate fell, however, is because there was a larger proportional drop in the size of the labor force, which shrank by 720,000 workers. In other words, rather than going from unemployed to employed to push down the unemployment rate, these workers transitioned out of the labor force entirely – they went to school, retired, or otherwise stopped looking for work. Here is how it worked mechanically:

$$\text{May: } \frac{7.3M\ Unemployed}{170.1M\ Labor\ Force} \approx 4.3\% \qquad \text{June: } \frac{7.1M\ Unemployed}{169.4M\ Labor\ Force} \approx 4.2\%$$

The drop in the labor force dragged down the labor force participation rate to 61.5 percent. Excluding the 2020–21 COVID-19 disruption, it was the lowest level since June 1976.




*Source: Bureau of Labor Statistics

While statistical anomalies contributed to the decline (See Federal Reserve Bank of St. Louis for a detailed explanation), a drop of 0.6 percentage points in the prime working-age (25–54 years) wiped out much of the gains that began a year ago. The coming months should reveal whether the drop was a statistical anomaly or the beginning of a worrisome trend.

## FREDDY’S FORECAST: JULY JOBS

The June jobs report showed that payrolls increased by 57,000. The unemployment rate ticked lower to 4.2 percent, the lowest level in a year. Average hourly earnings inched up 0.3 percent for the month and 3.5 percent for the year.

Since that last report, data from ADP showed the pace of private-sector hiring continued to slow in July to 44,000. It was the slowest pace since the 11,000 in January. Small businesses added 23,000 workers while large and medium businesses increased headcount by 13,000 and 8,000, respectively. Job gains were entirely concentrated in the services sector, which added 47,000 workers to payrolls. Education and health services led the way, adding 36,000 workers, while trade, transportation, and utilities sector cut 8,000. Goods-producing industries slashed 3,000 workers during the month, dragged down by 6,000 job losses in the natural resources and mining industry. Construction, meanwhile, added 1,000 jobs and manufacturing boosted employment by 2,000.

The Bureau of Labor Statistics' Job Openings and Labor Turnover Survey data showed that job openings dipped to under 7.4 million in June amid a drop in openings in manufacturing and private education and health services. The hiring rate, however, remained low at 3.4 percent.

Initial jobless claims increased for a second straight week ending August 1 but remained historically low at 199,000. Claims had dropped to 189,000 for the week ending July 18, which was the lowest since September 1969, when the labor force was less than half the size it is today. The four-week moving average, which smooths out weekly volatility, was also low at 198,750. Continuing claims, meanwhile, which trended higher since April, dipped in the most recent week to 1.812 million.

The Institute for Supply Management reported that manufacturing activity expanded in July at a faster pace than in June. The overall index increased 2.3 percentage points to 55.6 as production rose sharply and new export orders climbed. The employment index signaled increased hiring in July after employment contracted in the prior month. The services sector, meanwhile, held steady as the index ticked up 0.1 percentage points to 54.1. Production and new orders boosted the overall index, but the employment index signaled contraction.

For July, expect gains in payrolls to hold steady at 75,000 and the unemployment rate to remain at 4.2 percent. Growth in average hourly earnings continues to chug along at 0.3 percent for a 3.5-percent annual gain.