U6 Fix

Now the Hard Part

GORDON GRAY | MAY 8, 2020

The April jobs report checked all the boxes analysts have been expecting, blowing away most historical records as a result of the necessary shuttering of the economy to weather the COVID-19 pandemic. The report is devastating, reflecting the decimation of the workforce last month and underscoring the need for substantial government intervention.

Payrolls in April fell by 20.5 million, with private sector payrolls shedding 19.5 million jobs. The service sector lost over 17 million jobs. The leisure and hospitality industry was particularly devastated, losing over 7.6 million jobs. Goods-producing industries saw a decline of over 2 million. Government shed 980,000 jobs. No industry saw net positive hiring. The unemployment rate jumped to 14.7 percent, which exceeds the highest level since the Great Depression. As BLS notes, were it not for the classification of some workers as employed but "Absent for other reasons," this number would be on the order of 5 percentage points higher. The labor force lost 6.4 million workers, the largest single month decline on record.

Average hourly earnings increased by 1.34 cents, a 8.14 percent increase over the year. Average hourly earnings for production and non-supervisory workers increased by 1.04 cents for a 7.8 percent gain over the year. These substantial increases are not cause for celebration, however, but rather reflect concentration in job losses among lower-income workers.

By education, every group saw their unemployment rise, although there was a notable distinction. Those with less than a high school diploma, those with a high school degree but no college, and those with some college or an associate degree all saw their unemployment rates rise by double digits—by 14.4. 12.9, and 11.3 percentage points, respectively. Those with a bachelor's degree or higher, in contrast, saw their unemployment rate rise by only 5.9 percentage points. By race, unemployment increased 10.0, 10.2, and 10.4 percentage points for African Americans, Whites, and Asians, respectively. Unemployment

increased the most for Hispanics, increasing 12.9 percentage points.

Data junkies here's your fix: The April U-6 (the broadest measure of unemployment) increased to 22.8 percent, reflecting a substantial increase in all measures of unemployment. This figure indicates that more than 1 in 5 working Americans are unemployed or underemployed.