



U6 Fix

A “Satisfying” Report

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The August jobs report is likely as significant to policymakers as any one government report should be. A seriously weak or strong report may have shifted the entrenched views of policymakers decisively either toward or away from more intervention. Today’s report likely does neither, and perhaps encourages a compromise that shades to a more modest follow-on fiscal intervention.

American employers added 1.371 million new workers to payrolls in August, with private sector payrolls picking up just over 1 million new employees. The private sector gains were largely concentrated in service jobs, which saw 984,000 employees gained. Overall government gained 344,000 jobs, of which 238,000 were added to federal job rolls due to temporary hiring for the 2020 Census. Combined, over the last 4 months payrolls have recovered about 48 percent of the jobs lost in March and April. An additional measure of the strength of gains to payrolls is reflected in the indices of weekly hours and payrolls, which both posted gains of over a percentage point and presently stand at 103.4 and 145.6 percent, respectively.

The unemployment (U-3) rate fell to 8.4 percent, a monthly decline of 1.8 percentage points, the second largest such in decline in U.S. history. The labor force participation rate increased to 61.7 percent on the strength of nearly 1 million new entrants to the U.S. labor force. Since May, 4.3 million Americans have entered the labor force, just over half of the roughly 8 million lost in March and April. Misclassification of workers continues to shrink, and now has no greater effect on U3 than 0.7 percentage points.

The unemployment rate dropped for all education levels, although it still remains the highest for those without a high school diploma, falling 1.2 percentage points to 15.4 percent. High school graduates with some college and those with some college or an associate degree saw their rates fall a similar amount to 10.8 and 10.0 percent, respectively. Those with a bachelor’s degree or higher saw their rate fall the least, by only 0.2 percentage points, to 6.7 percent. The unemployment rate decreased for all races as well. Unemployment decreased by 1.3, 1.6, and 1.9 percentage points for Asians, African Americans, and Whites, respectively. Unemployment decreased the most for Hispanics, dropping by 2.4 percentage points.

Average hourly earnings increased by 11 cents, marking a 4.65 percent yearly gain, while production and nonsupervisory workers gained 18 cents per hour for a 4.96 percent yearly gain. Both figures remain substantially elevated due to the compositional changes in the measured workforce.

Data junkies here’s your fix: The August U-6 (the broadest measure of unemployment) decreased to 14.1 percent, reflecting declines in all measures of labor underutilization, again, except U-1, which increased by 0.1 percentage points.