



U6 Fix

A Signal Amid the Noise

GORDON GRAY | AUGUST 7, 2020

American payrolls gained 1.8 million jobs in July, modestly beating expectations amid a mixed near-term economic outlook. While the public health and economic recoveries face challenges in the coming months, this report reflects a labor market that has recovered over 9 million of the 22 million jobs lost in March and April.

Payrolls in July gained 1.8 million jobs, bringing the total job gains in the last 3 months to just under 9.3 million. Private sector payrolls gained 1.462 million jobs, with the service sector picking up 1.423 million jobs. The leisure and hospitality industry gained 592,000 jobs. Government added 301,000 workers to payrolls, 241,000 of which were local government workers. There is reason to believe that this is substantially driven by seasonal adjustment factors, however, and, warrants scrutiny.

The unemployment rate fell to 10.2 percent, reflecting a decline of 0.9 percentage points. The labor force declined by 62,000 workers, the first decline since April. Misclassification of workers as employed rather than unemployed in surveys has declined further such that this effect now has an impact of no greater than one percentage point on the unemployment rate.

The unemployment rate dropped for all education levels. Those with less than a high school diploma have the highest unemployment rate, at 15.4 percent. Those with a high school degree and those with some college or an associate degree stand at 10.8 and 10.0 percent, respectively. Those with a bachelor's degree or higher have a 6.7 percent unemployment rate. The unemployment rate decreased for all races as well. Unemployment decreased by 0.8, 0.9, and 1.6 percentage points for African Americans, Whites, and Hispanics, respectively. Unemployment decreased the most for Asians, dropping by 1.8 percentage points.

Average hourly earnings gained 7 cents, a reversal of the declines seen in the prior two months. Average hourly earnings for production and non-supervisory workers declined by 11 cents for a 5.59 percent gain over the year. Both earnings measures remain substantially elevated over their February levels, and should see continuing volatility as the composition of the workforce changes substantially from month to month.

Data junkies here's your fix: The July U-6 (the broadest measure of unemployment) decreased to 16.5 percent, reflecting declines in all measures of labor underutilization *except* U-1, which increased by 2.9 percentage points.