



U6 Fix

A Warm June

GORDON GRAY | JULY 8, 2022

The June jobs report reflected continued tightness in the labor market, replete with historically low rates of unemployment, broad employment growth, and robust wage growth. This report should disabuse some of the more alarmist recession watchers but will be less conciliating for those looking for signs of tempering inflationary pressures.

The Bureau of Labor Statistics (BLS) reported that employers added 372,000 to their payrolls in June, with 381,000 joining the private sector, while government agencies lost 9,000 employees. Private-sector gains were broadly disbursed, incrementally more so than in May. Goods-producing industries added 48,000 employers, down a bit from the prior month, but consistent with strong growth among these industries. The service sector gained 333,000 workers. 96,000 workers joined the education and health services industry, followed by a 74,000 gain in new workers in professional and business services. No major industry group saw a net employment decline this month. Employment gains in prior months were revised downward modestly, with April and May employment marked down by a combined 74,000 workers. The labor market has now recovered nearly 98 percent of the 22 million jobs lost in March and April of 2020.

BLS reported that the unemployment rate in June was 3.6 percent, the fourth straight month at this rate, and just above the 3.5 percent seen the month prior to the onset of the pandemic. The labor force lost 353,000 workers, and the participation rate declined to 62.2 percent. The labor force is 560,000 Americans short of the level observed in February of 2020, while the labor force participation rate stands at 0.8 percentage points below the average that prevailed for the year prior to February 2020. If the labor force participation rate was at a similar level, the current labor force would be just over 2 million workers stronger.

The unemployment rate rose for two education levels and fell for two; it rose for two races, fell for one, and one saw no change. By race, it rose for Asians and Whites by 0.6 points and 0.1 points, respectively. For Blacks, it fell 0.4 points. Hispanics saw no change. By education, it rose for those with less than a high school diploma and those with a bachelor's degree or higher by 0.6 points and 0.1 points, respectively. It fell for high school graduates and those with some college or associates degree by 0.2 points and 0.3 points, respectively.

Average hourly earnings increased by 10 cents, reflecting a 5.11 percent yearly gain, and is the sixth straight month of yearly growth above 5 percent. Average hourly earnings for production and non-supervisory workers increased by 13 cents, for a 6.35 percent gain over the year.

Data junkies, here's your fix: The June U-6 (the broadest measure of unemployment) declined to 6.7 percent, the lowest rate on record. The measure was largely driven down by a 0.4 percentage point decline in the contribution of those working part time for economic reasons.