



U6 Fix

A Working Summer

GORDON GRAY | AUGUST 6, 2021

The July employment report underscored continued strength in the late spring and early summer labor market. With this report, U.S. payrolls have now recovered 16.6 million of the 22.3 million jobs lost over March and April of 2020, fully three quarters of the losses. While the headline job growth in July may be a bit propped up by massive gains in government payrolls, the direction of the labor market over the past three months is robust. While new virus variants, policy challenges, and stubborn growth in the labor force may pose risks in the future, the story for summer labor markets is undeniably positive.

Payrolls in July gained 943,000 jobs, with private sector payrolls gaining 703,000 jobs. The May and June payroll survey notably were revised up by 31,000 and 88,000, respectively, underscoring growing hiring strength throughout the late spring and early summer. The service sector picked up 659,000 new workers. Leisure and hospitality continued to lead the service-sector gains with 380,000 new jobs, while the education and health services saw payroll gains of 87,000. Goods-producing industries gained 44,000 jobs, with manufacturers adding 27,000 workers. While the topline payroll gain was strong, gains in government payrolls of 240,000 made for an outsized contribution to payrolls from the public sector. Indeed, the government gain was the 5th largest in history, and is likely animated at least in part by seasonal adjustment factors. Since May of 2020, the labor market has recovered 75 percent of the 22 million net employment loss in March and April 2020 – leaving employment about 5.7 million below February 2020 levels.

The unemployment rate fell by half a percentage point to 5.4 percent. While payroll gains were strong, the labor force saw a comparatively modest increase of 261,000 workers, enough to increase the participation rate by a tenth of a percentage point to 61.7 percent. Since February 2020, the labor force is down 3.1 million workers, while the labor force participation rate remains 1.4 percentage points below the average that prevailed for the year prior to February 2020.

The unemployment rate dropped for all races and education levels. By race, it dropped the most for Blacks, by 1.0 percentage points. For Whites, Asians, and Hispanics, it dropped by 0.4, 0.5, and 0.8 points, respectively. By education, it dropped the least for those with a bachelor's degree or higher, by only 0.4 percentage points. For those with some college or an associate degree, the rate dropped 0.8 percentage points. Both high school graduates with no college and those without a high school diploma saw their rate decrease by 0.7 percentage points.

Average hourly earnings increased 11 cents, reflecting a 4.0 percent yearly gain, although the Bureau of Labor Statistics continues to observe that these measures remain distorted due to the major labor market disruptions since February 2020. Average hourly earnings for production and non-supervisory workers similarly increased, showing a 11-cent gain and a 3.7 percent gain over the year.

Data junkies here's your fix: The July U-6 (the broadest measure of unemployment) fell 0.6 percentage points to 9.2 percent, largely due to the fall in the regular unemployment rate and the contribution of those working part time for economic reasons to this unemployment measure.