



U6 Fix

August Cools Off

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The August employment report disappointed relative to expectations, not least because of flat gains in the leisure and hospitality industry. This industry has averaged over 300,000 new jobs per month for the last 6 months. Were those new jobs to have shown up in August, this report would look substantially different. This industry has been most susceptible to changes in the public health outlook, underscoring rising concern over new variants of the coronavirus.

Employers added 235,000 jobs to their payrolls in August, somewhat below analysts' expectations, and down considerably from June and July's (upwardly revised) job gains of 962,000 and 1,053,000, respectively. Private-sector payrolls increased by 243,000 jobs while government shed 8,000 workers on net. The service sector gained 203,000 workers, with the largest gains in professional and business services and transportation and warehousing, with each industry gaining 74,000 and 53,000 jobs, respectively. Employment in leisure and hospitality was flat, however, after averaging over 350,000 new jobs per month over the last 6 months. Goods-producing industries gained 40,000 jobs, with manufacturers adding, 37,000 workers. Since May of 2020, the labor market has recovered 76 percent of the 22 million net employment loss in March and April 2020 – leaving employment about 5.3 million below February 2020 levels.

The unemployment rate fell by two percentage points to 5.2 percent, the lowest level of unemployment seen since March of 2020. While the payroll survey showed more modest job gains, the household survey showed somewhat stronger growth – 509,000 – in the number of employed workers. The labor force grew by 190,000 workers, keeping the labor force participation rate steady at 61.7 percent. Since February 2020, the labor force is down 2.9 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 but one race and education level. By race, Blacks were the only group to experience an increase in unemployment, rising by 0.6 points. Asians had the largest drop at 0.7 percentage points, followed by Whites and Hispanics at 0.3 and 0.2 points, respectively. By education, all but one education level noted a drop in unemployment, as the unemployed among those with some college or associate degree increased 0.1 points. Those without a high school diploma had the greatest drop at 1.7 points. Both high school graduates with no college and those with a bachelor's degree or higher saw their rate decrease by 0.3 percentage points.

Average hourly earnings increased by 17 cents, reflecting a 4.3 percent yearly gain though BLS 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 14-cent gain and a 4.8 percent gain over the year.

Data junkies here's your fix: The August U-6 (the broadest measure of unemployment) fell 0.4 percentage points to 8.8 percent due to declines in the regular unemployment rate, the contribution of those working part time for economic reasons, and the contribution of those marginally attached to the labor force to this unemployment measure.