



U6 Fix

Down the Middle

GORDON GRAY | SEPTEMBER 2, 2022

The August jobs report came in very close to expectations, with continued strong employment gains, though somewhat off from last month's surprise. The increase in the regular unemployment rate reflected a strong increase in the labor force, which is very much a feature rather than a bug in this report. The deceleration in monthly earnings growth may give comfort to those minding the inflation store but is nevertheless reflective of strong labor demand.

Today, the Bureau of Labor Statistics (BLS) reported that employers hired 315,000 workers in the month of August, with 308,000 joining the private sector, while government rolls grew by 7,000. Goods-producing industries added 45,000 employees. The service sector gained 263,000 workers. The education and health services industry and the professional and business services industry both added 68,000 workers to their rolls. No major industry group saw a net employment decline this month. Employment gains in June were marked down by 105,000, while the July employment gain was revised down by a modest 2,000. As of this print, the labor market has recovered (240,000) more than the 22 million jobs lost in March and April of 2020.

BLS reported that the unemployment rate in August was 3.7 percent, an uptick of 0.2 percentage points. The labor force gained 786,000 workers, the second largest gain since June of 2020. The participation rate increased 0.3 percentage points to 62.4 percent, which matches the highest rate for this measure since the pandemic began. The labor force is now 163,000 workers greater than the level observed in February of 2020, while the labor force participation rate stands at 0.7 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 about 2 million workers stronger.

The unemployment rate rose for all races, and it rose for all but one education level. By race, it rose the most for Hispanics, by 0.6 points. Whites, Asians, and Blacks saw 0.1-, 0.2-, and 0.4-point increases, respectively. By education, it fell by 0.1 point for those with a bachelor's degree or higher. It rose the most for high school graduates, by 0.6 points. Those without high school diplomas and those with some college or associate degree saw 0.3- and 0.1-point increases, respectively.

Average hourly earnings increased by 10 cents, reflecting a 5.2 percent yearly gain and a deceleration in the monthly rate of change to 0.31 percent, and is the eighth straight month of yearly growth above 5 percent. Average hourly earnings for production and non-supervisory workers increased by 10 cents, for a 6.1 percent gain over the year.

Data junkies, here's your fix: The August U-6 (the broadest measure of unemployment) increased to 7.0 percent, driven by upticks in the regular unemployment rate and the contribution of those working part time for economic reasons.