



U6 Fix

Good Progress

GORDON GRAY | JULY 2, 2020

The June jobs gain of 4.8 million job is an irreducibly good indicator in a nascent recovery. There remains tremendous uncertainty about the path of this recovery following the most severe economic shocks in U.S. history, but the June jobs report is undeniably strong.

Payrolls in June gained 4.8 million jobs, the largest single month gain in history. Private sector payrolls gained 4.77 million jobs, with the service sector picking up 4.26 million jobs. The leisure and hospitality industry gained 2.1 million jobs. Goods producing industries saw an increase of 504,000. Government also saw a modest net increase of 33,000 jobs. Combined, the net change in May and June employment reflected a 34 percent replacement of the jobs lost in March and April.

The unemployment rate fell to 11.1 percent, reflecting a decline of 2.2 percentage points, which is also a historic decline. The labor force gained 1.7 million workers for the second month in a row. Of note, misclassification of workers as employed rather than unemployed in surveys has declined, though it continues to persist. This issue artificially suppressed the unemployment rate by as much as 3 percentage points in recent prior reports, but that effect has diminished to 1 percentage point.

All education levels saw a decrease in their unemployment rate. High school graduates and those with some college or an associate degree saw their rates drop by the most, by 2.0 and 1.7 percentage points, respectively. Those with less than a high school diploma saw their rate drop by 1.3 percentage points, while college grads saw their rates drop by 1.0 percentage points. The unemployment rate decreased for all races as well. Unemployment decreased by 1.2, 1.4, and 2.3 percentage points for Asians, African Americans, and Whites, respectively. Unemployment decreased the most for Hispanics, dropping by 3.1 percentage points.

Average hourly earnings fell by 35 cents, following a 31 cent decline last month, but remain substantially elevated – 5.23 percent over the year. Average hourly earnings for production and non-supervisory workers declined by 23 cents for a 5.59 percent gain over the year. These substantial declines reflect the return to the workforce of lower-paid workers.

Data junkies here's your fix: The June U-6 (the broadest measure of unemployment) decreased to 18.0 percent, reflecting declines in all measures of labor underutilization *except* U-1.