U6 Fix

Modestly Better

GORDON GRAY | JUNE 4, 2021

The May employment report was an improvement over last month's modest gain, but it reflects the reality of growing demand for labor and a labor supply that isn't keeping pace. Whether a function of the virus, policy, other circumstances or some combination, today's report falls short of the best expectations for a post-pandemic labor market trajectory. Progress is being made, and those constraints on labor supply will likely evolve quickly in the months to come.

Employers in May added 559,000 jobs, with private-sector payrolls gaining 492,000 jobs. The service sector picked up 489,000 new workers, essentially all of the net private-sector gain. Leisure and hospitality led the gains with 292,000, while education and health services also showed strong gains of 89,000. Goods-producing industries were essentially flat with a gain of 3,000. Manufacturing payrolls gained 23,000 workers, though construction *lost 2*0,000 jobs. Government payrolls grew by 67,000 jobs, reflecting in part a stabilization in subnational budgets. Since May, the labor market has recovered 66 percent of the 22 million net employment loss in March and April – leaving employment about 7.6 million below February 2020 levels.

The unemployment rate fell 0.3 percentage points to 5.8 percent. The labor force lost 53,000 workers, giving back a tenth of a percentage point in the labor force participation rate to 61.6 percent. Since February 2020, about 3.5 million workers have left the work force, and the labor force participation rate remains 1.5 percentage points below the average that prevailed for the year prior to February 2020.

The unemployment rate fell by between 0.1 and 0.3 percentage point for all education levels except for those with some college or an associate degree, for whom it rose by 0.1. The unemployment rate decreased for all races. Unemployment decreased by 0.2 percentage point for both Whites and Asians. It decreased the most for African Americans and Hispanics, each by 0.6 percentage point.

Average hourly earnings increased 15 cents, reflecting a 1.98 percent yearly gain. These figures will continue to be volatile as the workforce reconstitutes, but the steady return of lower-income workers make this measure increasingly reflective of the workforce. Average hourly earnings for production and non-supervisory workers similarly increased, showing a 14-cent gain and a 2.36 percent gain over the year.

Data junkies here's your fix: The May U-6 (the broadest measure of unemployment) fell 0.2 percentage points to 10.2 percent, largely due to the fall in the regular unemployment measure.