U6 Fix

Some Good, Some Bad, But Certainly Not Ugly

GORDON GRAY | JUNE 3, 2022

The May jobs report may have come in on the slightly warmer side for those mindful of inflationary pressures. Earnings continued to grow at substantially elevated rates, and broad private-sector employment gains show no sign of an economy cooling off. That said, payroll growth slowed a bit off of recent trends and increases in the labor force are exactly the sort of movement that can temper tight labor markets.

390,000 new workers were added to employers' rolls in May, with 330,000 joining the private sector, while government agencies added 59,000 new workers. Private-sector gains were broadly dispersed, though less so than in April. Goods-producing industries added 59,000 workers to payrolls in May, nearly meeting the prior two months' gains of over 60,000. The service sector gained 275,000 workers. 84,000 workers joined leisure and hospitality, the largest gain in a single industry for the month, followed by a 75,000 payroll increase in professional and business services. One conspicuous decline was in the retail industry, which lost 61,000 workers. Revisions to prior months were modest, with March being marked down by 30,000 and April's employment gain revised upward by 8,000. The labor market has now recovered 96 percent of the 22 million jobs lost in March and April of 2020.

The unemployment rate remained at 3.6 percent, which is one-tenth of a percentage point from the 3.5 percent seen in February of 2020 – one month prior to the onset of the pandemic. The labor force gained 330,000 workers, and the participation rate ticked up by a tenth of a percentage point to 62.3 percent. The labor force is 79,000 Americans short of the level observed in February of 2020, while the labor force participation rate stands at 0.8 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 one education level, fell for one, and remained constant for two; it rose for two races, fell for one, and one saw no change. By race, it fell for Asians by 0.7 points. For Blacks and Hispanics, it rose 0.3 and 0.2 points, respectively. Whites saw no change. By education, it rose for those with some college or associate degree by 0.3 points. It fell for those with less than a high school diploma by 0.2 points. It remained constant for high school graduates and those with a bachelor's degree or higher.

Average hourly earnings increased by 10 cents, reflecting a 5.24 percent yearly gain, and is the fifth straight month of yearly growth above 5 percent. Average hourly earnings for production and non-supervisory workers increased by 15 cents, for a 6.57 percent gain over the year.

Data junkies, here's your fix: The May U-6 (the broadest measure of unemployment) increased 0.1 percentage points to 7.1 percent, driven by a 0.2 percentage point increase in the contribution of those working part time for economic reasons that exceeded the 0.1 percentage point decline in the contribution of workers marginally attached to the labor force.