



U6 Fix

Summer Warming Up

GORDON GRAY | JULY 2, 2021

The June employment report showed an upshift in employment growth, nearly doubling the average job growth rate that has prevailed over the year, and it may mark an overall acceleration in the pace of hiring as viral and policy issues recede as potential labor supply constraints. Notwithstanding payroll growth, however, the flat labor force and increase in job leavers reveal that there remain features of the labor supply challenge that may persist.

Employers in June added 850,000 jobs, with private-sector payrolls gaining 662,000 jobs. The service sector picked up 642,000 new workers, comprising nearly all of the net private-sector gain. Leisure and hospitality led the gains with 343,000, while the retail sector gained 67,000. Goods-producing industries gained 20,000 jobs. Manufacturing payrolls gained 15,000 workers, though construction *lost* 7,000 jobs, the third straight month of decline for construction payrolls. Government payrolls grew by 188,000 jobs, driven by the payroll growth in state and local education, though this monthly gain may largely reflect seasonal adjustment factors and their interaction with education staffing fluctuations. Since May, the labor market has recovered 70 percent of the 22 million net employment loss in March and April – leaving employment about 6.8 million below February 2020 levels.

The unemployment rate inched up to 5.9 percent. The labor force gained 151,000 workers, but the labor force participation rate remained flat at 61.6 percent. Since February 2020, about 3.4 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 rose for all education levels except those with some college or an associate degree, for whom it dropped by 0.1 percentage point. Those with less than a high school diploma saw their rate rise by the most, at 1.1 percentage points, while high school graduates and those with a bachelor's degree or higher saw their rates rise by 0.2 and 0.3 percentage point, respectively. The unemployment rate rose for all races: by 0.1 percentage point for Whites, African Americans, and Hispanics, and by 0.3 for Asians.

Average hourly earnings increased 10 cents, reflecting a 3.6 percent yearly gain though BLS notes that these measures remain distorted due to the major labor market disruptions from the pandemic. Average hourly earnings for production and non-supervisory workers similarly increased, showing a 10-cent gain and a 3.7 percent gain over the year.

Data junkies here's your fix: The June U-6 (the broadest measure of unemployment) fell 0.4 percentage points to 9.8 percent largely due to the fall in the contribution to this unemployment measure of those working part time for economic reasons.