



U6 Fix

# The Labor Market Starts to Bounce Back

GORDON GRAY | JUNE 5, 2020

The May jobs report surprised substantially to the upside this morning, beating expectations for millions of additional jobs losses with a 2.5 million job gain. More frequent data had been telegraphing a slowdown in the deterioration of the labor market – suggesting that we were approaching bottom – but this report suggests the bottom occurred somewhat sooner than expected. This print suggests reason for optimism that the hard recovery from this challenge may be beginning.

Payrolls in May *increased* (!) by 2.5 million with private sector payrolls shedding 3.1 million jobs. The service-sector gained 2.4 million jobs. The leisure and hospitality industry picked up 1.2 million jobs. Goods-producing industries saw an increase 669,000 jobs. Government continued to see significant losses, losing 585,000 jobs. The net change in May employment, reflected an 11 percent replacement of the jobs lost in March and April.

The unemployment rate fell to 13.3 percent. The labor force gained 1.7 million workers, the second-largest gain on record.

By education, every group saw their unemployment decline. Those with less than a high school diploma, those with some college or an associate degree, and those with a bachelor's degree or higher saw their unemployment rates decline by 1.3, 1.7, and 1.0 percentage points, respectively. Those with a high school degree but no college saw their unemployment rate decline the most by 2.0 percentage points. By race, unemployment decreased 1.8 and 1.3 percentage points for Whites and Hispanics, respectively. Unemployment increased, however, 0.1 percentage point for African Americans and 0.5 percentage point for Asians.

Average hourly earnings fell by 29 cents, still reflecting a substantial gain – 6.95 percent for the year. Average hourly earnings for production and non-supervisory workers declined by 14 cents for a 6.93 percent gain over the year. These substantial increases continue to reflect the compositional effects of the substantial loss of lower-paid workers.

**Data junkies here's your fix: The May U-6 (the broadest measure of unemployment) decreased to 21.2 percent, largely reflecting a decline in U-3.**