U6 Fix

Time for a Spring

GORDON GRAY | APRIL 2, 2021

The March employment report was the strongest since August, showing a gain of over 900,000 jobs, a decline in the U-6, and growth in the labor force. Leisure and hospitality gained 280,000 jobs while the construction industry saw one of the largest gains, outside of the pandemic era, in recent history. Government hiring reflects increased in-school learning and other needs. The upshot of the report reflects a labor market that appears to be springing forward.

Employers in March added 916,000 jobs, with private-sector payrolls gaining 780,000 jobs. The service sector picked up 597,000 new workers. Leisure and hospitality led the gains with 280,000, 176,000 of which were concentrated in bars and restaurants. Goods-producing industries gained 183,000 workers, with construction picking up 110,000 jobs. Government payrolls grew by 136,000 jobs, reflecting an increase in in-person and other educational demands. Since May, the labor market has recovered 62 percent of the 22 million net employment loss in March and April – leaving employment about 8.4 million below February 2020 levels.

The unemployment rate fell 0.2 percentage points to 6.0 percent. The labor force picked up 347,000 workers, pushing up the labor force participation rate to 61.5 percent. Since February 2020, about 3.9 million workers have left the workforce, and the labor force participation rate remains 1.6 percentage points below the average that prevailed for the year prior to February 2020.

The unemployment rate dropped for all education levels except for those with some college or an associate degree, for whom it remained flat. The rate for those with less than a high school degree or those with a diploma dropped by 1.9 and 0.5 percentage point, respectively. Those with a bachelor's degree or higher saw their rate drop by 0.1. The unemployment rate decreased for most races, but it increased for Asians by 0.9 percentage point. Unemployment decreased by 0.2 for Whites, 0.3 for African Americans, and 0.6 for Hispanics.

Average hourly earnings declined 4 cents, reflecting a 4.24 percent yearly gain. The decline is more a reflection of the return of hundreds of thousands of workers, such as in leisure or hospitality, who are lower paid on average than those workers who have remained in the sample over the course of the pandemic. Average hourly earnings for production and non-supervisory workers were somewhat unchanged, showing a 4-cent gain and a 4.4 percent gain over the year.

Data junkies here's your fix: The March U-6 (the broadest measure of unemployment) fell 0.4 percentage points to 10.7 percent, largely due to the fall in the regular unemployment measure and the decline in the contribution of workers working part time for economic reasons.