The Daily Dish

September Jobs

FRED ASHTON, JORDAN HARING | OCTOBER 4, 2024

THE IMPORTANCE OF GOOD DATA

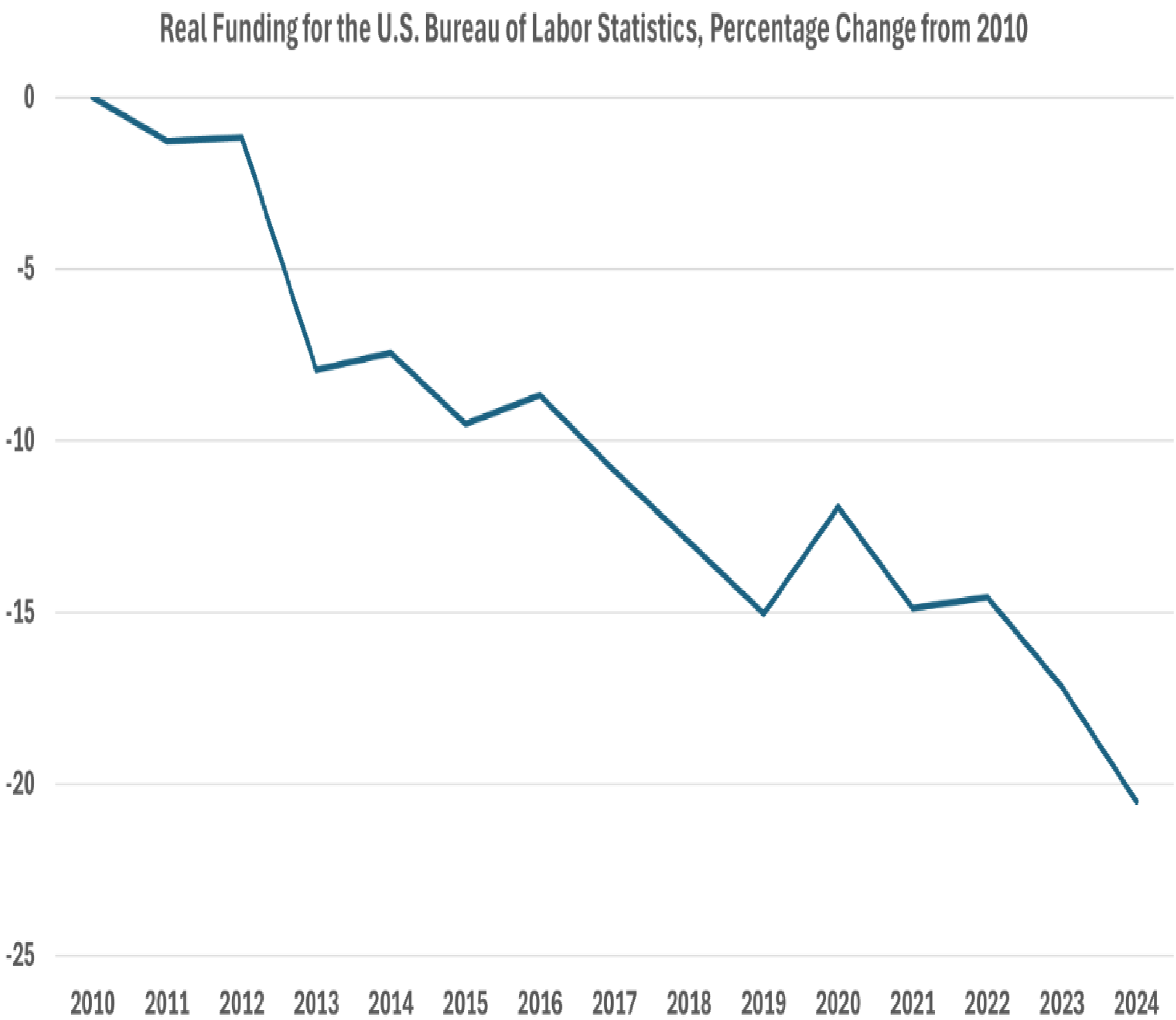
Last week, the Friends of the Bureau of Labor Statistics, an independent organization focused on the agency's fiscal well-being, sent two letters to the House and Senate Appropriations Committees alerting lawmakers to the "emergent threat to the quality of" the Current Population Survey (CPS) due to a lack of adequate funding.

The first letter, sent September 24, was signed by 141 "civil society organizations and businesses alongside two former [BLS] Commissioners." The second, sent September 25, was supported by 120 former chairs, members, and staff of the U.S. President's Council of Economic Advisers.

The CPS is a monthly survey conducted by the BLS and the U.S. Census Bureau and is the primary source of the country's labor force statistics, including the unemployment rate. As explained in the letters, the data provided by the CPS inform global financial markets and macroeconomic policymaking, making the need to "preserve the accuracy and integrity" of the data paramount.

Following years of declines in inflation-adjusted funding, which has dropped more than 20 percent since 2010 (see below), and after implementing several cost-saving measures including delays to modernizing data collection methods, the BLS announced plans to reduce the CPS survey sample size from 60,000 households to 55,000 for each month's survey starting in January 2025. A reduction in the number of surveyed households will likely reduce the reliability of the national unemployment rate and other data included in the CPS. Moreover, the smaller survey sample coincides with already depressed response rates, which have fallen nearly 20 percent over the past decade.

Policymakers, both in Congress and at the Federal Reserve, as well as data users should be concerned about any potential decline in the reliability of some of the most closely watched economic indicators. Less-than-reliable data could lead to poor policy decisions and increase uncertainty in the private sector, negatively affecting domestic investment.



SEPTEMBER JOBS

Guest Authored by Director of Fiscal Policy Jordan Haring

The August jobs report showed employers added 142,000 new hires to their payrolls while the unemployment rate ticked down to 4.2 percent after reaching 4.3 percent in July, which was the highest level since October 2021. Wage gains were up 3.8 percent from August 2023, an uptick from the 3.6 percent reported in July.

The August jobs report and the revisions to the June and July reports lend credence to the notion that the labor market is cooling. In fact, the Fed used this as evidence in its decision to cut interest rates by 50 basis points at its September meeting – the first rate cut in over four years.

ADP reported that 143,000 workers were added to private-sector payrolls, a rebound in job growth following a five-month slowdown. The manufacturing sector added 2,000 jobs – the first increase since April. Meanwhile, the leisure and hospitality sector added 34,000 jobs, the construction sector added 26,00 jobs, the education and health services sector added 24,000 jobs, and the professional and businesses services sector added 20,000 jobs. The information sector was that only industry that reported job losses, with a 10,000 decline.

The Institute for Supply Management showed that hiring in the manufacturing sector continued to contract in September; it contracted at the same rate recorded in August. Meanwhile, the pace of the services-sector hiring slowed in September compared to the prior month.

Initial employment claims and JOLTS data confirmed that the ongoing labor market cooldown is coming in the form of a slowdown in the path of hiring rather than layoffs. For the week ending September 28, initial claims increased by 6,000 to 225,000 while layoffs in the JOLTS report remained relatively unchanged. JOLTS data also showed that the number of job openings increased slightly to 8.04 million from 7.71 million in July and slightly above expectations of 7.65 million. The ratio of job openings per available worker increased to just over 1.1, about half of where it was at its peak in early 2022.

Expect the topline payroll number to increase slightly to 145,000 and the unemployment rate to tick back up to 4.3 percent. Growth in hourly earnings dips to 11 cents, or 0.2 percent.