



U6 Fix

Beyond the Headlines...

GORDON GRAY | OCTOBER 6, 2023

The headline payroll numbers in the September employment report will rightly raise eyebrows – defying expectations by about 2x jobs will do that. But looking more closely at the report shows other data that suggest a labor market that's a bit more grounded. To be sure, there remains healthy demand for labor, but the household and payroll surveys are telling somewhat different stories for the second month in a row. This month's payroll revisions to prior months essentially reversed prior mark-downs. That might well reverse again, bringing the headline numbers a bit closer to the ground.

Today, the Bureau of Labor Statistics (BLS) released the monthly employment report and, according to surveyed U.S. firms, employers hired 336,000 new workers in the month of September. Of these, 263,000 were added to private-sector rolls while 73,000 workers joined the government ranks. Goods-producing industries added 29,000 new workers, led by a 17,000 increase in manufacturing employment followed by an 11,000-worker pick-up in construction. The service sector, which constitutes about 70 percent of U.S. employment, gained 234,000 workers driven by a 96,000-worker increase in leisure and hospitality employment, as well as an increase in education and health services employment of 70,000 workers. No major service industry saw net declines in employment, though within the professional and business service industry, temporary help services employment declined for the eighth straight month. Payroll employment was revised up by a combined 119,000 in July and August.

The household survey told a somewhat different story than did the payroll survey. BLS reported that, based on surveyed responses from households, the unemployment rate in September stayed at 3.8 percent, maintaining the highest rate since February of 2022. The labor force participation rate similarly stayed flat at 62.8 percent with a modest 70,000 workers entering the workforce in September. The household survey and the payroll survey diverged, with the household survey reflecting an increase in unemployed workers (for the second straight month) and a modest increase in the number of employed workers of 86,000.

By race, unemployment increased for Blacks by 0.4 points, while it fell for Asians and Hispanics by 0.3 points and stayed flat for Whites. By education, unemployment increased by 0.1 point for those with no high school diploma, and 0.3 percentage points for high school graduates. Unemployment was flat for those with some college or associate degree and fell by 0.1 points for those with a bachelor's degree or higher.

Average hourly earnings increased by 0.7 cents, maintaining a 0.2 percent monthly change and reflecting a 4.2 percent yearly gain. Average hourly earnings for production and non-supervisory workers increased by 6 cents, for a 0.2 percent monthly gain and a 4.3 percent gain over the year.

Data junkies, here's your fix: The September U-6 (the broadest measure of unemployment) inched down to 7.0 percent, driven by a light decline in those working part time for economic reasons.