



U6 Fix

Cool, Cool

GORDON GRAY | SEPTEMBER 1, 2023

Today's jobs report aligned fairly neatly with expectations for payroll growth and reflects something like an orderly deceleration in hiring. The household survey was a bit less tidy, posting a three-tenths of a percent jump in the unemployment rate. To be sure we've seen a jump in the U3 of this magnitude already this year, which eventually came down. And the jump in the unemployment rate was paired with the second largest increase in the labor force in 20 months, but the uptick in the household survey's count of employed workers can't be easily dismissed. The upshot is a clear picture of a labor market that is cooling off, and for some indicators, summer appears well and truly over.

The Bureau of Labor Statistics (BLS) reported that employers added 187,000 new employees to their job rolls in the month of August. The private sector added 179,000 workers, while government employers increased payrolls by 8,000. Goods-producing industries added 36,000 new workers, led by a 22,000-employee increase in construction employment. Manufacturing rebounded from last month's loss to a 16,000-worker payroll gain in August. The service sector gained 143,000 workers driven by an increase in the private education and health services industry of 102,000 workers, the second month in a row of 100,000-plus employment gains. Leisure and hospitality employment increased by 40,000. Elsewhere in the service sector, employment gains were more modest or negative. Conspicuously, the transportation and warehousing industry lost 34,200 workers in August, while the information industry saw a 15,000-worker decline in employment. Payroll employment was revised down by a combined 110,000 in June and July. Except for December of 2020, inclusive of August, the last three months have seen the smallest monthly payroll gains since onset of the pandemic.

BLS reported that the unemployment rate in August jumped to 3.8 percent, which is the highest rate since February of 2022. The labor force participation rate, animated by a 736,000-worker increase in the labor force, similarly jumped to 62.8 percent. This is highest rate for this measure since February of 2020. The household survey and the payroll survey diverged, with the household survey reflecting a significant increase in unemployed workers of 514,000 and an increase in the number of employed workers of 222,000.

The unemployment rate rose for all but one race and one education level. By race, it fell for Blacks by 0.5 points. It rose most for Asians by 0.8 points. Hispanics and Whites saw 0.5- and 0.3-point increases, respectively. By education, it fell for those with some college or associate degree by 0.1 points. It rose most for high school graduates with no college by 0.4 points. Both those without a high school diploma and those with a bachelor's degree or higher saw a 0.2-point increase.

Average hourly earnings increased by 11 cents, reflecting a 4.4 percent yearly gain, and a downshift in monthly growth to 0.2 percent. Average hourly earnings for production and non-supervisory workers increased by 6 cents, for a 4.5-percent gain over the year and a 0.2-percent monthly gain – half the prior month's growth rate.

Data junkies, here's your fix: The August U-6 (the broadest measure of unemployment) jumped to 7.1 percent, the highest rate since May of 2022, driven by an increase in the U-3, and an increase in those working part time for economic reasons.