



U6 Fix

Just Fine

GORDON GRAY | AUGUST 4, 2023

Today's employment report from the Bureau of Labor Statistics (BLS) is perhaps remarkable for how unremarkable it is. Headline payroll growth came in a bit below expectations, but private sector payroll growth was notably stronger than last month. It is unlikely additional government hiring would add much for shine, for example. The household and payroll surveys were coherent, there were no major industrial declines or spikes (ahem, ADP), and the labor force participation stayed right where it seems to want to be in 2023. All in all, this report is just fine.

BLS reported that employers added 187,000 new workers to payrolls in the month of July, which is the second-lowest monthly change since December of 2020. The private sector added 172,000 workers to their rolls last month. While the headline payroll growth figure is slightly lower than June's revised figure, the private-sector gain in July is over 40,000 workers stronger. Government employment increased 15,000. Goods-producing industries added 18,000 new workers, led by a pickup in construction employment of 19,000. Manufacturing lost 2,000 workers in July, the net effect of an 8,000-worker gain in durable goods manufacturing and 10,000-worker loss in nondurable manufacturing employment. The service sector gained 154,000 workers, substantially driven by a 100,000-worker increase in the private education and health services industry. Other services and the financial activities industries saw gains of 20,000 and 19,000, respectively. The information-services industry lost 12,000 workers last month. Employment gains in May and June were revised downward by 49,000.

BLS reported that the unemployment rate in July declined to 3.5 percent. The labor force participation rate held at 62.6 percent for the fifth straight month, reflecting a 152,000-worker increase in the labor force over the month. The household survey and the payroll survey remained consistent, as was the case in June, with the household survey reflecting a decline in unemployed workers of 116,000 and an increase in the number of employed workers of 268,000.

The unemployment rate dropped for two races, rose for one, and remained constant for one. It fell for two education levels and remained constant for two. By race, it fell for Asians by 0.9 points and for Blacks by 0.2 points. It rose for Hispanics by 0.1 points and remained constant for Whites. By education, it dropped most for those with less than a high school diploma by 0.8 points. High school graduates with no college saw a 0.5-point drop. It remained constant for those with some college or an associate degree and those with a bachelor's degree or higher.

Average hourly earnings increased by 14 cents, reflecting a 4.4 percent yearly gain. With revisions, earnings increased 0.4 percent over the month and 4.4 percent over the year, as was the case in June. Average hourly earnings for production and non-supervisory workers increased by 31 cents, for a 4.8 percent gain over the year.

Data junkies, here's your fix: The July U-6 (the broadest measure of unemployment) was pulled down to 6.7 percent, driven by a decline in the U-3 and declines in those marginally attached to the labor force and those working part time for economic reasons.