



The jobs report dramatically missed expectations today, especially with private jobs.

### ?Initial Reaction - Huge Misses

- The Econoday consensus was for a payroll expansion of 163,000 jobs, 150,000 of them private. The ADP forecast was 195,000 jobs.
- ADP missed consensus by 65,000 jobs.
- Econoday missed consensus by 33,000 jobs.
- Econoday missed the private consensus by 54,000 jobs.
- The Econoday lowest estimate missed the private consensus by 40,000 jobs.

*A 34,000 surge in government jobs was primarily due to temporary census hiring of 25,000. So this report is far weaker than the headline number indicates.*

By the way, revisions were negative for the third time.

The one positive in the report was a household survey surge in employment coupled with a household surge in the labor force thereby keeping the unemployment rate unchanged.

Even then, things are weaker than they look. The surge in involuntary part-time work was +397,000 and voluntary part-time work rose by +260,000. Don't add those numbers together as it does not work that way.

U-6 Unemployment jumped 0.2% to 7.2%.

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### Job Revisions

The change in total nonfarm payroll employment for June was revised down by 15,000 from +193,000 to +178,000, and the change for July was revised down by 5,000 from +164,000 to +159,000. With these revisions, employment gains in June and July combined were 20,000 less than previously reported.

Also recall my August 21 report: [BLS Revises Payrolls 501,000 Lower Through March.](#)

### BLS Jobs Statistics at a Glance

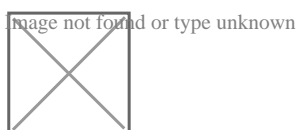
- Nonfarm Payroll: +130,000 - Establishment Survey
- Private Nonfarm Payroll: +96,000 - Establishment Survey
- Employment: +590,000 - Household Survey
- Unemployment: -19,000 - Household Survey
- Involuntary Part-Time Work: +397,000 - Household Survey
- Voluntary Part-Time Work: +260,000 - Household Survey
- Baseline Unemployment Rate: 3.7% - Household Survey

- U-6 unemployment: up 0.2 to 7.2% - Household Survey
- Civilian Non-institutional Population: +207,000
- Civilian Labor Force: +370,000 - Household Survey
- Not in Labor Force: -364,000 - Household Survey
- Participation Rate: +0.2 to 63.2% - Household Survey

## Employment Report Statement

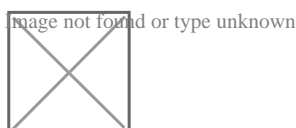
Total nonfarm payroll employment rose by 130,000 in August, and the unemployment rate was unchanged at 3.7 percent, the U.S. Bureau of Labor Statistics reported today. Employment in federal government rose, largely reflecting the hiring of temporary workers for the 2020 Census. Notable job gains also occurred in health care and financial activities, while mining lost jobs.

## Unemployment Rate ? Seasonally Adjusted



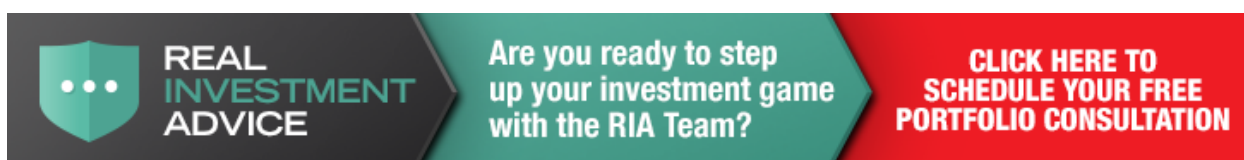
The above [Unemployment Rate Chart](#) is from the BLS. Click on the link for an interactive chart.

## Nonfarm Employment Change from Previous Month



## Hours and Wages

[Average weekly hours](#) of all private employees rose 0.1 hours to 34.4 hours. Average weekly hours of all private service-providing employees rose 0.1 hours to 34.3 hours. Average weekly hours of manufacturers rose 0.2 hours to 40.6 hours.



[Average Hourly Earnings of All Nonfarm Workers](#) rose \$0.11 to \$28.11. That's a 0.39% gain.

[Average hourly earnings of Production and Supervisory Workers](#) rose \$0.11 to \$23.59. That's a 0.47% gain.

## Year-Over-Year Wage Growth

- All Private Nonfarm from \$27.23 to \$28.11, a gain of 3.2%
- All production and supervisory from \$22.80 to \$23.46, a gain of 3.5%.

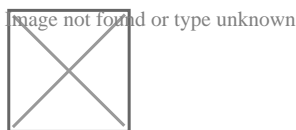
For a discussion of income distribution, please see [What's Really? Behind Gross Inequalities In Income Distribution?](#)

## Birth Death Model

Starting January 2014, I dropped the [Birth/Death Model](#) charts from this report. For those who follow the numbers, I retain this caution: Do not subtract the reported Birth-Death number from the

reported headline number. That approach is statistically invalid. Should anything interesting arise in the Birth/Death numbers, I will comment further.

## Table 15 BLS Alternative Measures of Unemployment



[Table A-15](#) is where one can find a *better* approximation of what the unemployment rate really is.

Notice I said *better*? approximation not to be confused with *good*? approximation.

The official unemployment rate is 3.7%. However, if you start counting all the people who want a job but gave up, all the people with part-time jobs that want a full-time job, all the people who dropped off the unemployment rolls because their unemployment benefits ran out, etc., you get a closer picture of what the unemployment rate is. That number is in the last row labeled U-6.

U-6 is much higher at 7.2%. Both numbers would be way higher still, were it not for millions dropping out of the labor force over the past few years.

Some of those dropping out of the labor force retired because they wanted to retire. The rest is disability fraud, forced retirement, discouraged workers, and kids moving back home because they cannot find a job.

### Strength is Relative

It's important to put the jobs numbers into proper perspective.

In the household survey, if you work as little as 1 hour a week, even selling trinkets on eBay, you are considered employed.

In the household survey, if you work three part-time jobs, 12 hours each, the BLS considers you a full-time employee.

In the payroll survey, three part-time jobs count as three jobs. The BLS attempts to factor this in, but they do not weed out duplicate Social Security numbers. The potential for double-counting jobs in the payroll survey is large.



### Household Survey vs. Payroll Survey

The payroll survey (sometimes called the establishment survey) is the headline jobs number, generally released the first Friday of every month. It is based on employer reporting.

The household survey is a phone survey conducted by the BLS. It measures unemployment and many other factors.

If you work one hour, you are employed. If you don't have a job and fail to look for one, you are not considered unemployed, rather, you drop out of the labor force.

Looking for jobs on Monster does not count as *looking for a job*?. You need an actual interview or send out a resume.

These distortions artificially lower the unemployment rate, artificially boost full-time employment, and artificially increase the payroll jobs report every month.

### **Final Thoughts**

This was a huge miss vs expectations, especially on the private side. The addition of temporary census workers is not a positive.

Job volatility remains high. Revisions continue to be negative. Excluding January, job growth is clearly slowing.

This report is way weaker than the headline numbers.