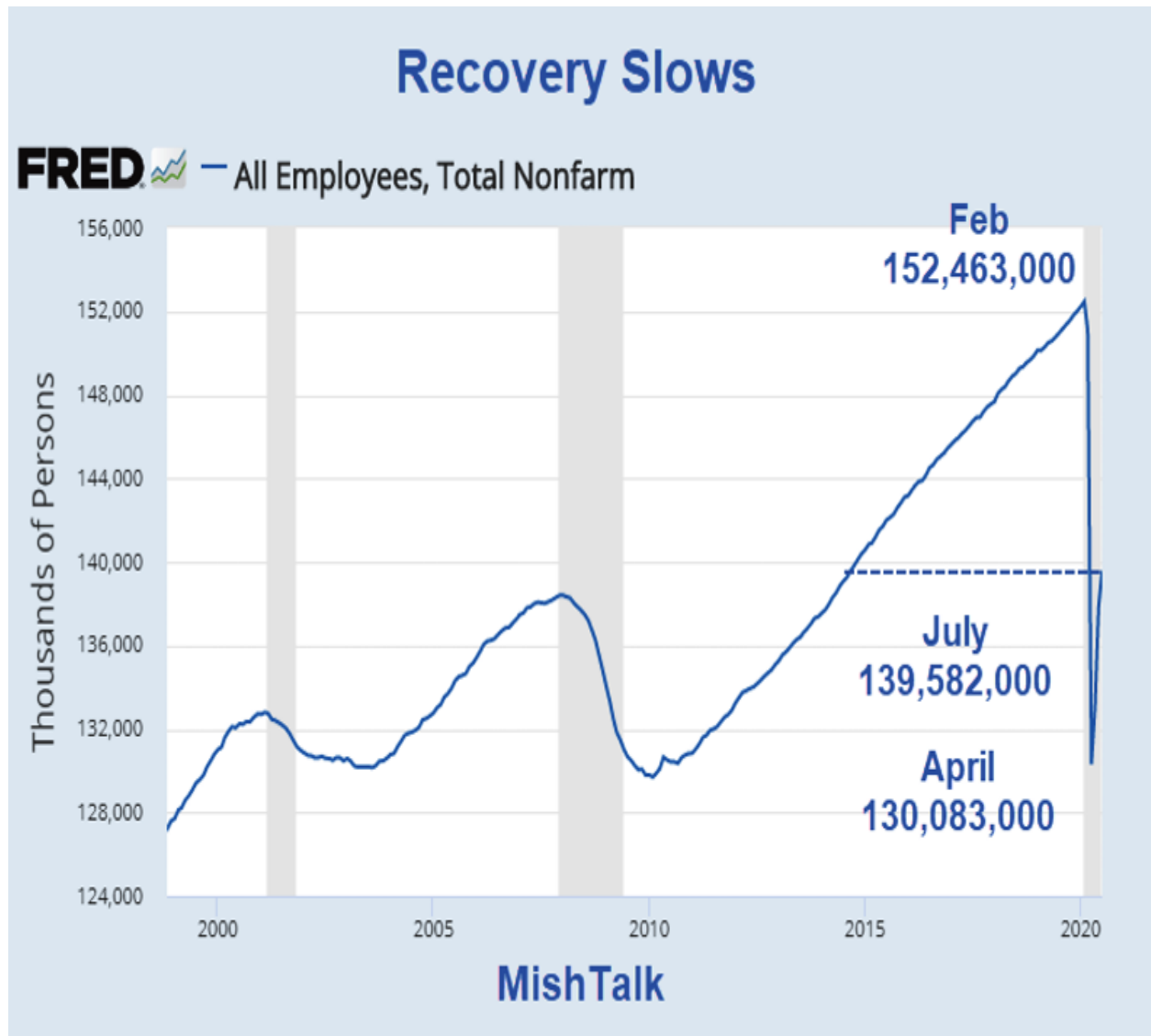


*The employment report showed an increase of 1.8 million in July, nearly in line with the economic consensus. However, looking below the headlines the report was not nearly as strong as it seems.*



The [BLS Employment Report](#) for July shows employment rose by 1.8 million in July following a gain of 4.8 million in June and 2.7 million in May. The unemployment rate fell slightly to 10.2%.

## Initial Reaction

The Bloomberg Econoday consensus jobs estimate was +1.677 million, and the unemployment rate consensus was 10.5%.

The BLS said that errors that plagued the household survey since March was not as bad this month.

### BLS Error Rate

*For March through June, BLS published an estimate of what the unemployment rate would have been had misclassified workers been included. **Repeating this same approach, the overall July unemployment rate would have been about 1-percentage point higher than reported.** However, this represents the upper bound of our estimate of misclassification and probably overstates the size of the misclassification error.*

*According to usual practice, we accept the data from the household survey as recorded. To maintain data integrity, we take no ad hoc actions to reclassify survey responses.*

**Add 1-percentage to the unemployment rate for a better estimate.**

### Job Revisions

The change in total nonfarm payroll employment for May was revised up by 26,000, from +2,699,000 to +2,725,000, and the change for June was revised down by 9,000, from +4,800,000 to +4,791,000. With these revisions, employment in May and June combined was 17,000 higher than previously reported.

*(Monthly revisions result from additional employment reports received from businesses and government agencies since the last published estimates and from the recalculation of seasonal factors.)*

### BLS Jobs Statistics at a Glance

- Nonfarm Payroll: +1,800,000 - Establishment Survey
- Employment Report: +1,350,000 - Household Survey
- Unemployment: -1,412,000 - Household Survey
- **Baseline Unemployment Rate: -0.9 to 10.2% - Household Survey**
- U-6 unemployment: -1.5 to 16.5% - Household Survey
- Civilian Non-institutional Population: +169,000
- **Civilian Labor Force: -620,000 - Household Survey**
- **Not in Labor Force: +230,000 - Household Survey**
- **Participation Rate: -0.1 to 61.4% - Household Survey**



REAL  
INVESTMENT  
ADVICE

Are you ready to step  
up your investment game  
with the RIA Team?

**CLICK HERE TO  
SCHEDULE YOUR FREE  
PORTFOLIO CONSULTATION**

### Part-Time Jobs

- Total Part-Time Work Change: -1,571.000

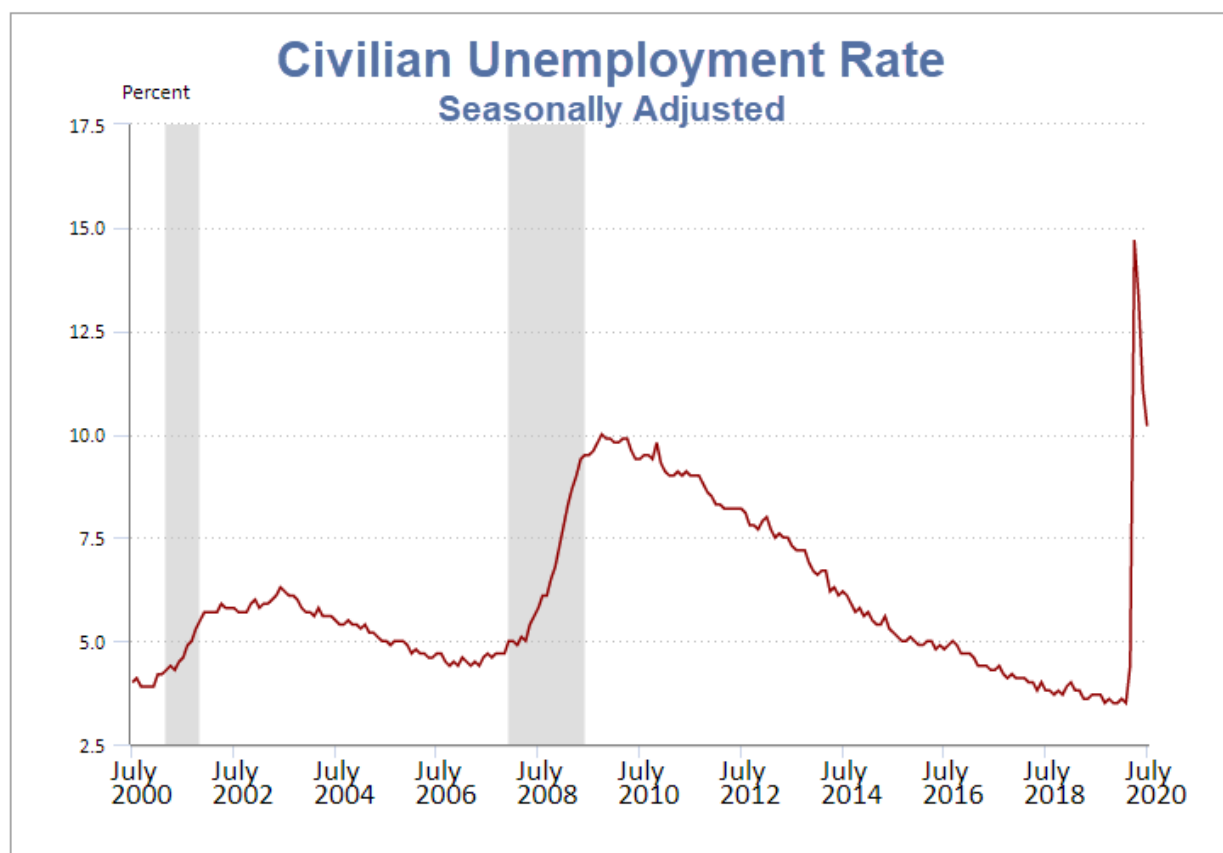
- *Involuntary Part-Time Work: -1,605,000 - Household Survey*
- *Voluntary Part-Time Work: +2,743,000 - Household Survey*

Don't try to make sense of those numbers as they never add up. I list them as reported.

## BLS Employment Report Statement

Total nonfarm payroll employment rose by 4.8 million in June. The unemployment rate declined to 11.1 percent, the U.S. Bureau of Labor Statistics reported today. These improvements in the labor market reflected the continued resumption of economic activity curtailed in March and April due to the coronavirus (COVID-19) pandemic and efforts to contain it. In June, employment in leisure and hospitality rose sharply. Notable job gains also occurred in retail trade, education and health services, other services, manufacturing, and professional and business services.

## Unemployment Rate ? Seasonally Adjusted



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

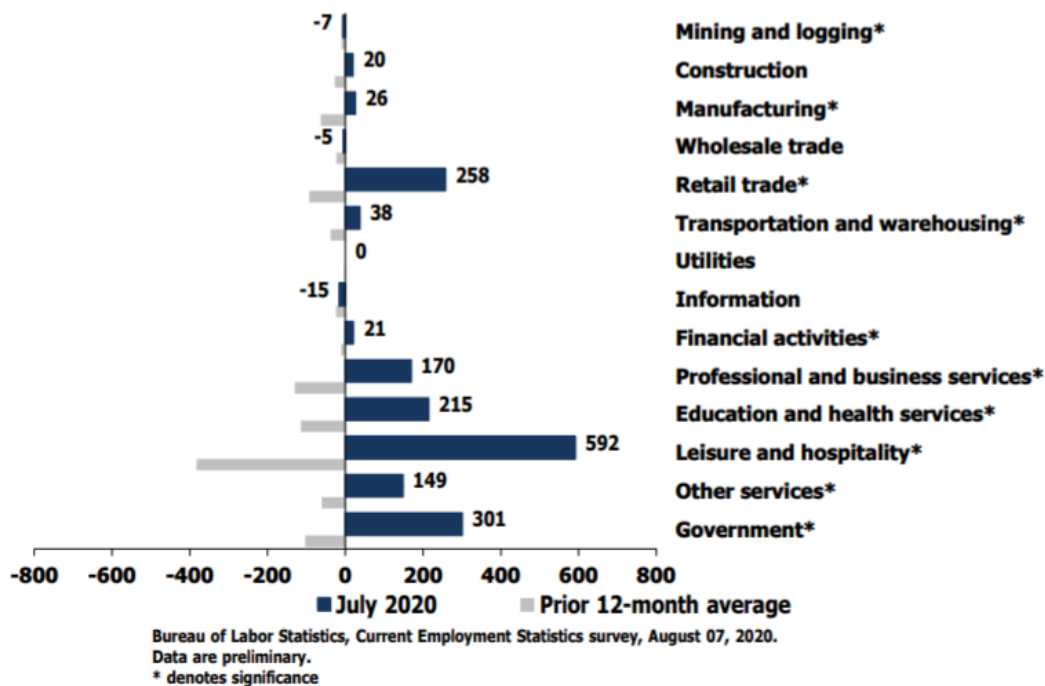
## Month-Over-Month Changes By Job Type

## Employment in total nonfarm

### Over-the-month change, July 2020

Seasonally adjusted, in thousands

Total nonfarm:  
1,763\*



## Hours and Wages

[Average weekly hours](#) of all private employees declined 0.1 hours to 34.5 hours while average weekly hours of all private service-providing employees decline 0.1 hours to 33.5 hours. For manufactures, average weekly hours rose 0.7 hours to at 39.7 hours.

[Average Hourly Earnings of All Nonfarm Workers](#) rose \$0.07 to \$29.39.

Year-over-year, wages rose from \$28.05 to \$29.39. That's a gain of 4.7%.

*The month-to-month and especially year-over-year gains are very distorted because more higher-paid workers kept their jobs than lower-paid employees.*

[Average hourly earnings of Production and Supervisory Workers](#) fell \$0.11 to \$24.63.

The decline is a good thing in that it reflects more people returning to work.

Year-over-year, wages rose from \$23.54 to \$24.63. That's a gain of 4.6%.

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.

## BLS Covid-19 Statement on the Birth-Death Model

The widespread disruption to labor markets due to the COVID-19 pandemic and the potential impact on the birth-death model have prompted BLS to revisit research conducted in the aftermath of the Great Recession (2008-2009) and incorporate new ideas to account for changes in the number of business openings and closings. The BLS is implementing two areas of research to improve our birth-death model's accuracy in the CES estimates. These adjustments will better reflect the net effect of the contribution of business births and deaths to the estimates. These two methodological changes are the following:

1: A portion of both reported zeros, and returns from zero, in the current month from the sample, were used in estimation to better account for the fact that business births and deaths will not offset.

2: Current sample growth rates were included in the net birth-death forecasting model to better account for the changing relationships between business openings and closings.

BLS will determine monthly if the adjusted birth-death model described here continues to be necessary. We will disclose these changes each month in the [Employment Situation](#) news release. All months in the [tables of net birth-death forecasts](#) on this page include footnotes for any month in which we use a regressor to supplement the forecasts.

**The Birth-Death model is essentially garbage but we likely will not find how distorted this is until the annual revisions next year.**

## Table 15 BLS Alternative Measures of Unemployment

### HOUSEHOLD DATA

**Table A-15. Alternative measures of labor underutilization**

[Percent]

Measure	Not seasonally adjusted			Seasonally adjusted					
	July 2019	June 2020	July 2020	July 2019	Mar. 2020	Apr. 2020	May 2020	June 2020	July 2020
U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force	1.2	2.0	4.9	1.3	1.2	1.1	1.4	2.1	5.0
U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force	1.8	8.8	8.1	1.7	2.4	13.2	11.6	8.9	8.1
U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)	4.0	11.2	10.5	3.7	4.4	14.7	13.3	11.1	10.2
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers	4.2	11.6	10.8	3.9	4.7	15.1	13.6	11.5	10.6
U-5 Total unemployed, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force	4.8	12.6	11.6	4.5	5.2	16.0	14.6	12.5	11.3
U-6 Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force	7.3	18.3	16.8	6.9	8.7	22.8	21.2	18.0	16.5

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

The official unemployment rate is 10.2%. However, suppose you start counting all the people who want a job but gave up. Then count all the people with part-time jobs that want a full-time job. Finally, add all the people who dropped off the unemployment rolls because their unemployment benefits ran out, etc. Now, you get a closer picture of the unemployment rate. That number is in the last row labeled U-6.

**U-6 is much higher at 16.5%. 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 essential to put the jobs numbers into proper perspective.

**If you work as little as 1-hour a week in the household survey, even selling trinkets on eBay, the BLS considers you employed.**

**Furthermore, 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, which the BLS releases on the first Friday of every month. The BLS bases its estimates on employer reporting.

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

If you work for 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.

## **Seasonal Adjustments**

The report this month is weaker than it looks. Huge seasonal adjustments were in play as were temporary Census jobs.

I discussed this yesterday evening in [Seasonal Adjustments Likely to Boost Friday's Job Numbers](#)

## **Recovery Will Take Years**

Last month I noted [The Fed Promotes a Quickening that Takes Many Years](#)

This report provides evidence. The recovery has slowed. Furthermore, huge headwinds remain, and the reopenings reversed in July.

The economy has added about 9.5 million jobs since the April lows.

However, jobs remain nearly 13 million jobs below the February 2020 peak. Millions of those jobs will not return.