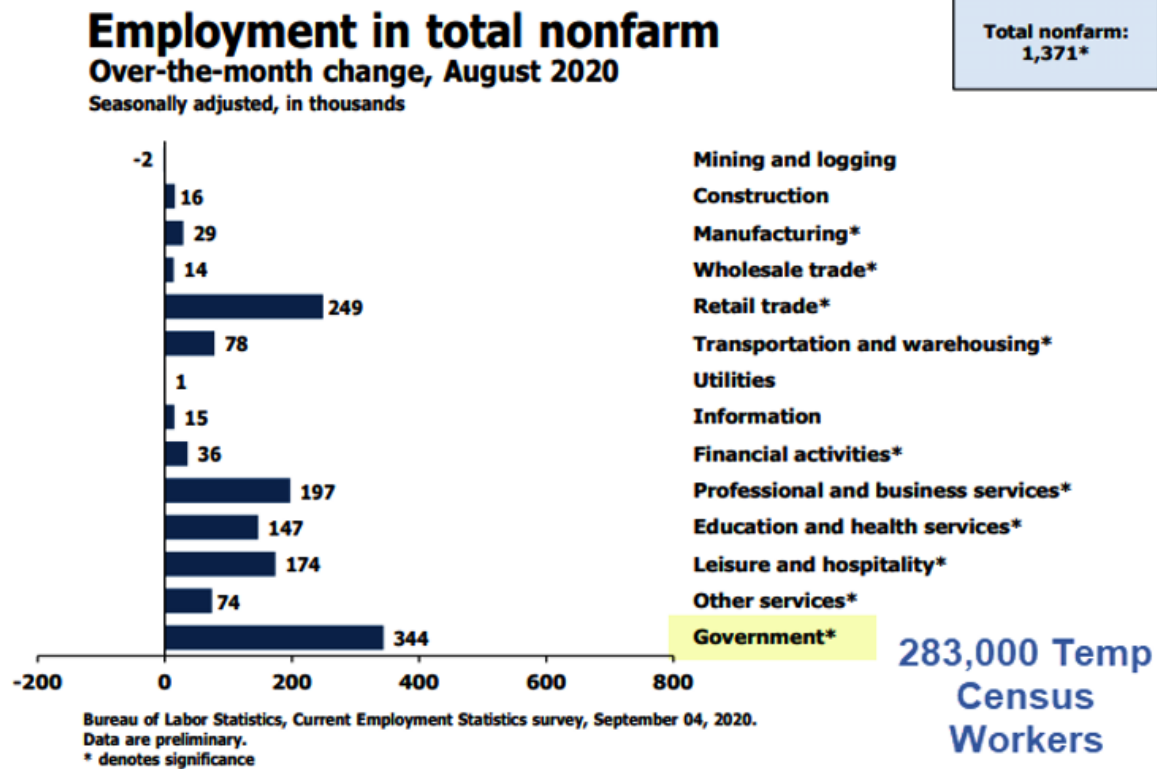Jobs expanded by 1.4 million and the unemployment rate fell to a much better than expected 8.4%.
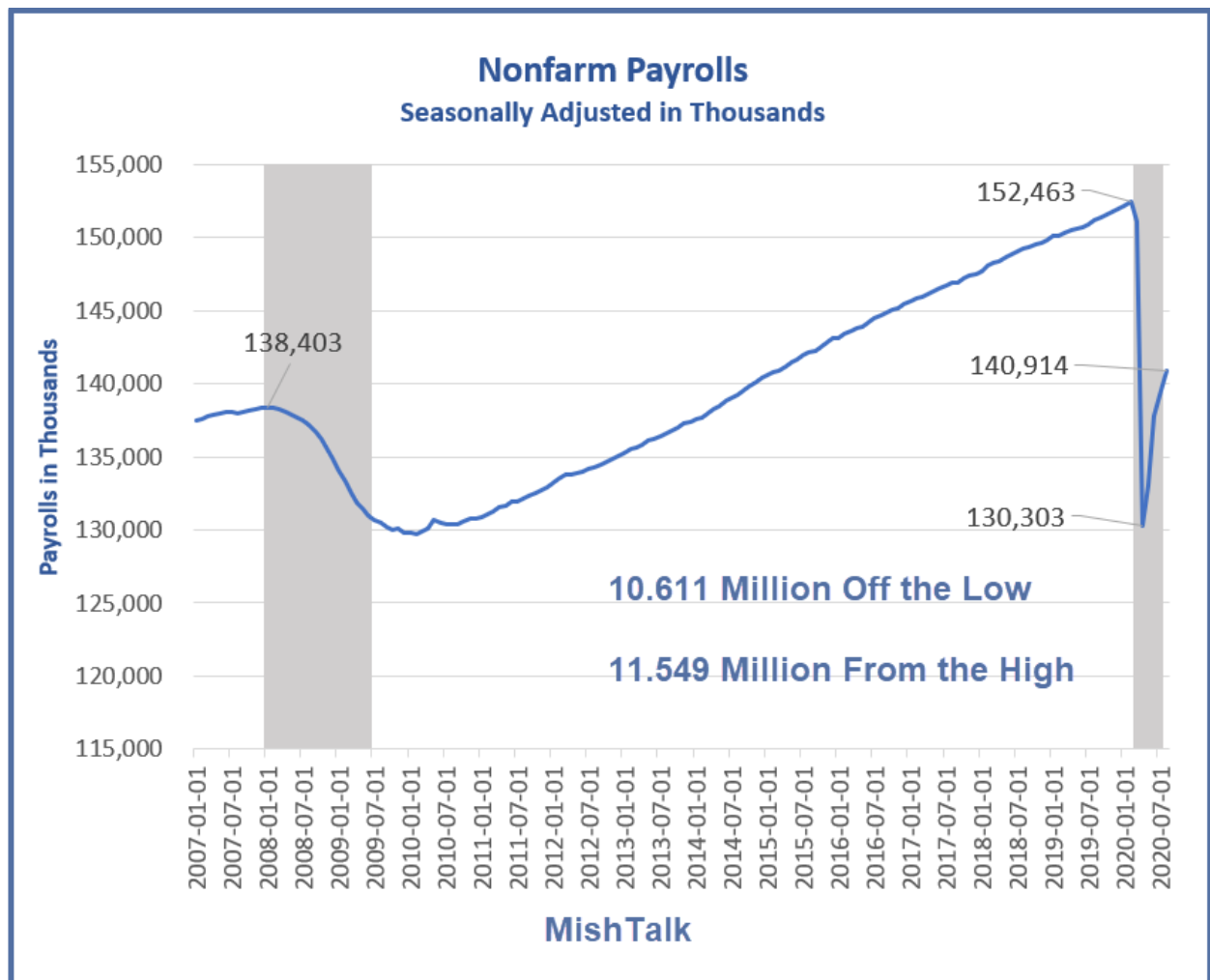

The BLS Employment Report for July shows employment rose by 1.4 million in August following a gain of 1.8 million in July, 4.8 million in June, and 2.7 million in May.

BLS Jobs Statistics at a Glance

- *Nonfarm Payroll: +1,371,000 to 140,914,000 - **Establishment Survey***
- *Employment: +3,756,000 to 147,228,000 - Household Survey*
- *Unemployment: -2,788,000 to 13,550,000 - Household Survey*
- *Baseline Unemployment Rate: -1.7 to 8.4% - Household Survey*
- *U-6 unemployment: -2.3 to 14.2% - Household Survey*
- *Civilian Non-institutional Population: +185,000 to 260,558,000*
- *Civilian Labor Force: +968,000 to 160,838,000 - Household Survey*
- *Not in Labor Force: -783,000 to 99,720,00 - Household Survey*
- *Participation Rate: +0.3 to 61.7% - Household Survey*

Nonfarm Payroll

Nonfarm Payrolls
Seasonally Adjusted in Thousands

Initial Reaction

The Bloomberg Econoday consensus jobs estimate was +1.4 million right on the nose.

The Bloomberg unemployment rate consensus was 9.8%, missing by a mile. I was much closer at 9.1% but still not close.

For discussion, please see [*Where is the US Unemployment Rate Headed?*](#)

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

BLS Error Rate

For March through July, BLS published an estimate of what the unemployment rate would have been had misclassified workers been included. ***Repeating this same approach, the overall August unemployment rate would have been 0.7 percentage points 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, the data from the household survey are accepted as recorded. To maintain data integrity, no ad hoc actions are taken to reclassify survey responses.

I question the accuracy of the BLS assertion that 0.7% is the high end of their error rate.

Job Revisions

- *The change in total nonfarm payroll employment for June was revised down by 10,000, from +4,791,000 to +4,781,000.*
- *The change for July was revised down by 29,000, from +1,763,000 to +1,734,000.*
- *With these revisions, employment in June and July combined was 39,000 less than previously reported.*
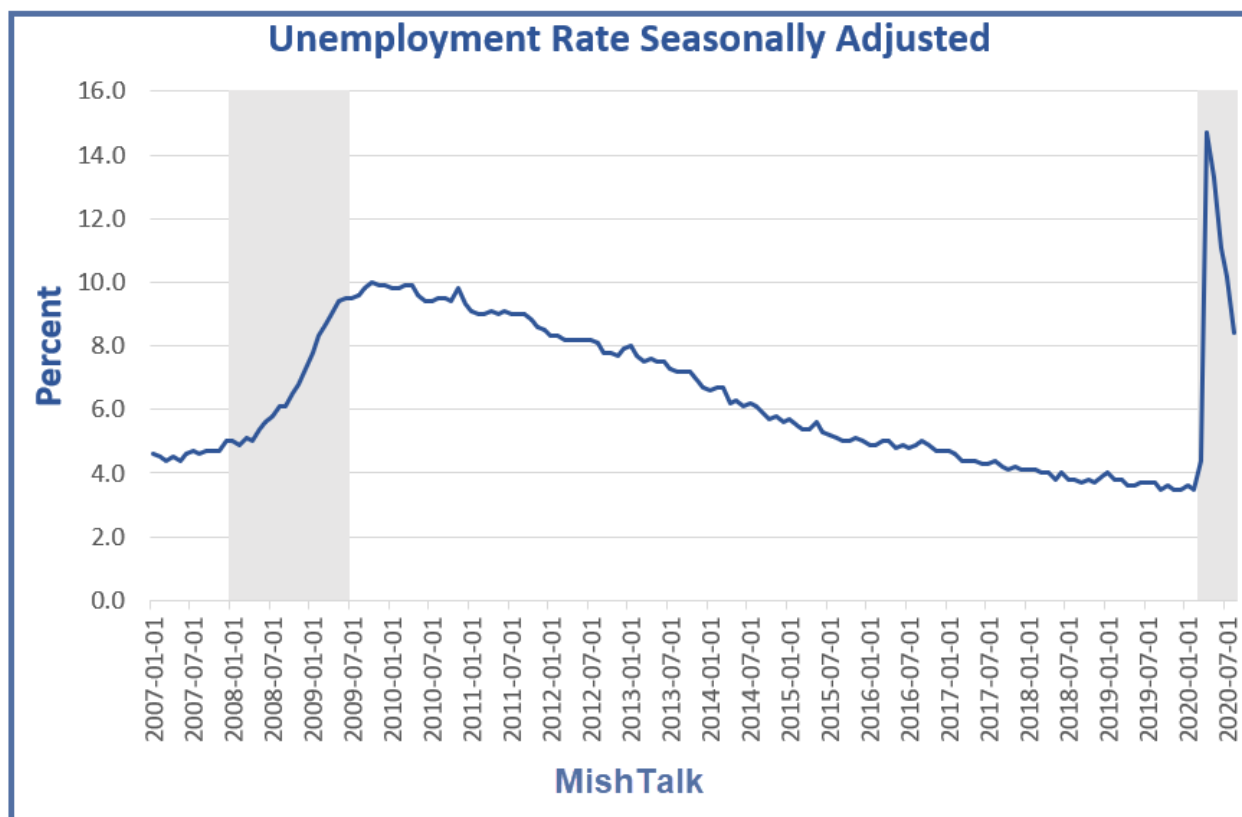
Part-Time Jobs

- *Involuntary Part-Time Work: -871,000 to 7,572,000*
- *Voluntary Part-Time Work: +838,000 to 18,630,000*
- *Total Part-Time Work: +991,000 to 24,973,000*
- *Total Full-Time Work: +2,837,000 to 122,369,000*

Part-Time Reporting Silliness

- *The net of voluntary vs involuntary part-time work is -33,000.*
- *Total part-time work rose by 991,000*

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

Unemployment Rate ? Seasonally Adjusted

Unemployment Rate Seasonally Adjusted

MishTalk

Hours and Wages

The average weekly hours of all private employees rose 0.1 hours to 34.6 hours. Hours of all private service-providing employees rose 0.1 hours to 33.6 hours. The average weekly hours of manufacturers rose 0.3 hours to 40 hours.

Average Hourly Earnings of All Nonfarm Workers rose $0.09 to $29.47.

Year-over-year, wages rose from $28.16 to $29.47. 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 rose $0.18 to $24.81.

Year-over-year, wages rose from $23.64 to $24.81. That's a gain of 4.9%.

For a discussion of the income distribution, please see What?s ?Really? Behind Gross Inequalities In Income Distribution?

Table 15 BLS Alternative Measures of Unemployment

HOUSEHOLD DATA
Table A-15. Alternative measures of labor underutilization
[Percent]

Measure	Not seasonally adjusted			Seasonally adjusted					
	Aug. 2019	July 2020	Aug. 2020	Aug. 2019	Apr. 2020	May 2020	June 2020	July 2020	Aug. 2020
U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force	1.2	4.9	5.0	1.3	1.1	1.4	2.1	5.0	5.1
U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force	1.8	8.1	6.4	1.7	13.2	11.6	8.9	8.1	6.4
U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)	3.8	10.5	8.5	3.7	14.7	13.3	11.1	10.2	8.4
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers	4.1	10.8	8.8	3.9	15.1	13.6	11.5	10.6	8.7
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	4.7	11.6	9.7	4.6	16.0	14.6	12.5	11.3	9.6
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	16.8	14.3	7.2	22.8	21.2	18.0	16.5	14.2

?Table A-15 is where one can find a *better* approximation of what the unemployment rate really is.

The official unemployment rate is 8.4%. **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 14.2%. 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. 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.

Recovery Will Take Years

The improvement is welcome but the surge in jobs recovery has slowed. Huge headwinds remain.

Note that The Fed Promotes a Quickening that Takes Many Years

The economy has added about 10.6 million jobs since the April lows.

However, jobs remain 11.5 million jobs below the February 2020 peak. Millions of those jobs will not return.

Those that do return will take many months.

Huge Discrepancies In The Data

The BLS says the unemployment rate fell from 10.2% to 8.4%. Other BLS data casts doubt on the number.

Questioning the Unemployment Rate

Category	Aug. 2019	June 2020	July 2020	Aug. 2020	Change from: July 2020- Aug. 2020
Employment status					
Civilian noninstitutional population	259,432	260,204	260,373	260,558	185
Civilian labor force	163,894	159,932	159,870	160,838	968
Participation rate	63.2	61.5	61.4	61.7	0.3
Employed	157,895	142,182	143,532	147,288	3,756
Employment-population ratio	60.9	54.6	55.1	56.5	1.4
Unemployed	5,999	17,750	16,338	13,550	-2,788
Unemployment rate	3.7	11.1	10.2	8.4	-1.8
Not in labor force	95,538	100,273	100,503	99,720	-783

MishTalk

Unemployment Rate Calculation

The unemployment rate is calculated by dividing the number of unemployed by the civilian labor force.

Unemployment Rate = 13.550 million / 160.838 million = 8.42%

Note that the reported headline jobs number today (+1.4 million) has nothing to do with anything. That is the establishment report number.
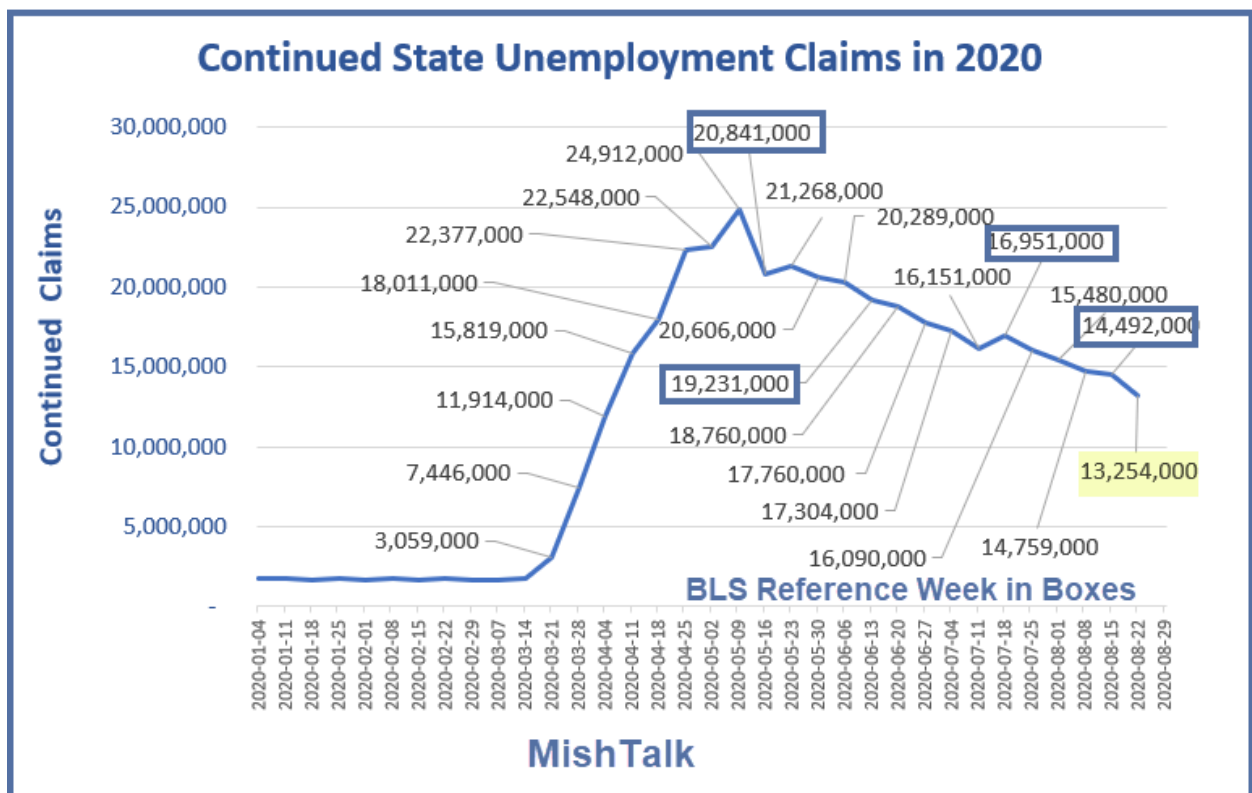
The number of employed (+3.756 million) does play into the calculation, but indirectly, as the labor force denominator.

Labor Force vs Employment

Note that employment rose by 3.756 million but the Labor Force only rose by 968,000. The impact of this discrepancy actually boosts the unemployment rate, but only by a tiny amount.

It's the numerator that matters. The numerator should match continuing claims. It doesn't.

Continuing Claims

The BLS reference week is the week that contains the 13th of the month. That is the week of August 9-15.

Major Discrepancy

- Continued claims for the week ending August 15 was *14.492* million as per the BLS.
- Yet, the BLS also says the number of unemployed for that week was *13.550* million.

Minimum Number

14.492 million is the extreme lower bound we should see for the number of unemployed.
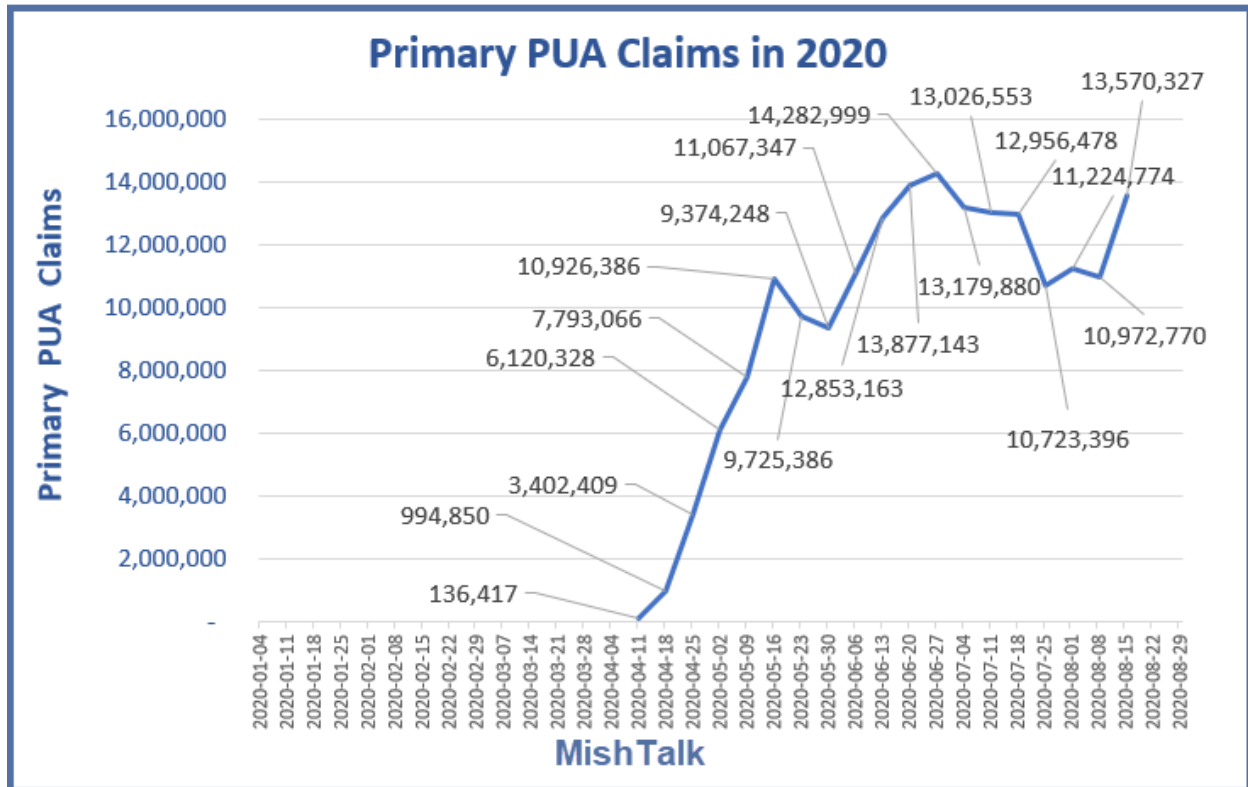
Why?

State claims only include those eligible for state unemployment insurance.

Missing From Continued Claims Number

1. Gig workers
2. Self-employed
3. Those who have not worked long enough to qualify for state benefit requirements
4. Those who have maxed out the number of weeks the states allow

Primary PUA Claims

Pandemic Assistance

Primary PUA claims for the reference week were 13.57 million, an increase of 2.6 Million.

PUA picks up all 4 categories missing from Continued Claims. But it also picks up some number of part-time workers.

But at least some of those 13.57 million did not work at all.

For the sake of argument, assume a mere 3.0 million of these workers did not work at all.

Unemployment Calculation

Unemployment Rate = (14.942 Million + 3.0 Million) / 160.838 Labor Force = 11.16%

Methodology Change

On top of this mess is a BLS methodology change that artificially lowered the number of initial and continued claims starting yesterday.

For discussion, please see Unemployment Claims Improve But It's a Manipulation Mirage.

I suppose it is possible for the claims revision to be correct, but that still does not account for all the gig etc. workers on Pandemic Assistance that are genuinely unemployed.

Conclusion

My conclusion is today's unemployment rate numbers are total garbage.