

# U.S. Data Review

- Employment: soft, but not horrible

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## The Labor Market in September

Nonfarm payrolls rose 194,000 in September, far below the expected increase of 500,000 and the average of 607,000 in the first eight months of the year. The modest advance left a soft tone to the overall report, but digging into the details shows a few bright spots, and thus the results were not deeply disappointing. Five positive aspects should not be overlooked: results in the prior two months were revised upward, with the combined adjustments totaling 169,000; much of the softness in September occurred in education (both public and private), where pandemic-related disruptions to normal school patterns combined with ordinary seasonal adjustment are generating noise; the length of the average workweek rose noticeably, which can substitute for employment in producing output; average hourly earnings rose sharply; unemployment fell noticeably.

Although payrolls rose much less than expected, some areas posted fine results. Two highly cyclical areas – manufacturing and construction – both posted good gains. Air transportation, despite possible constraints from Covid, posted respectable results, and the information sector, a broad category, seems to be gathering momentum after slow results in prior months. Of course, given the mediocre headline figure, there were soft areas. In addition to education, financial activities, health care, and leisure & hospitality were all well shy of recent norms.

## Employment Report\*

	Nonfarm Payrolls (Chg., Thousands)	Private- Sector Payrolls	Unemp. Rate (Percent)	Broad Unemp. Rate (Percent)	Household Emp. (Chg., Thousands)	Labor Force	Emp.- Population Ratio (Pct.)	Median Duration of Unemp. (Weeks)	Part-Time Econ. Reasons (Thou.)	Avg. Hourly Earnings % Chg.	Avg. Workweek (Hours)
<b>Annual Average</b>											
2019	168	150	3.7	7.2	166	121	60.8	9.2	4,408	0.2	34.4
2020	-785	-679	8.1	13.7	-742	-334	56.8	12.6	7,227	0.5	34.6
2021	561	502	5.7	10.0	428	87	58.0	17.3	5,159	0.3	34.8
<b>Qtrly. Average</b>											
20-Q2	-4,333	-3,860	13.1	20.7	-4,479	-975	52.9	7.6	10,190	0.7	34.5
20-Q3	1,342	1,174	8.8	14.5	1,814	94	56.1	16.5	7,405	0.2	34.7
20-Q4	213	346	6.8	11.9	762	163	57.4	18.2	6,493	0.5	34.8
21-Q1	518	489	6.2	11.0	339	-3	57.6	17.8	5,956	0.1	34.8
21-Q2	615	530	5.9	10.1	251	430	58.0	19.6	5,047	0.5	34.8
21-Q3	550	488	5.1	8.8	693	89	58.5	14.4	4,473	0.4	34.7
<b>2021 Monthly</b>											
Jan.	233	122	6.3	11.1	201	-406	57.5	15.3	5,954	0.0	35.0
Feb.	536	622	6.2	11.1	208	50	57.6	18.3	6,088	0.3	34.6
Mar.	785	724	6.0	10.7	609	347	57.8	19.7	5,826	-0.1	34.9
Apr.	269	226	6.1	10.4	328	430	57.9	19.8	5,243	0.7	34.9
May	614	555	5.8	10.2	444	-53	58.0	19.3	5,271	0.5	34.8
June	962	808	5.9	9.8	-18	151	58.0	19.8	4,627	0.4	34.7
July	1,091	(1,053) 816	5.4	9.2	1,043	261	58.4	15.2	4,483	0.4	34.7
Aug.	366	(235) 332	5.2	8.8	509	190	58.5	14.7	4,469	0.4	34.6
Sept.	194	317	4.8	8.5	526	-183	58.7	13.3	4,468	0.6	34.8

\* Preliminary readings on nonfarm payrolls are shown in parenthesis.  
 Source: Bureau of Labor Statistics via Haver Analytics

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The unemployment rate was perhaps the most notable aspect of the report, as the headline measure fell 0.4 percentage point to 4.8 percent. Some of the drop was the result of individuals dropping out of the labor force (off 183,000), but employment as measured by the household survey accounted for most of the drop in joblessness (up 526,000). The broad unemployment rate also fell noticeably (off 0.3 percentage point to 8.5 percent). This drop was a bit smaller than that for the traditional measure because of an increase in the number of marginally attached workers (those that would like a job but are not actively searching).

The length of the average workweek is an under-appreciated component of the labor market report. Businesses can alter production noticeably by altering the worktimes of existing employees, and employers boosted hours in September (up 0.2 hour to 34.8 hours). The index of total work time, a measure that combines the effects of employment and the workweek, rose 0.8 percent in September, one of the strongest gains in the current expansion.

Average hourly earnings rose 0.6 percent, also one of the firmest readings in the current expansion.