Another blockbuster jobs report and still room for more hiring

EDI Note on the Employment Situation
March 4, 2022

The strong momentum in job growth detailed in last month's Employment Situation continued through February 2022, with an additional 678,000 jobs added to non-farm payrolls. Today's Employment Situation release also revised job growth estimates for both December 2021 (up by 78,000) and January 2022 (up by 14,000), bringing average monthly payroll gains to over 582,000 in the past three months. The leisure and hospitality and professional and business services sectors led the job growth charge.

Key findings

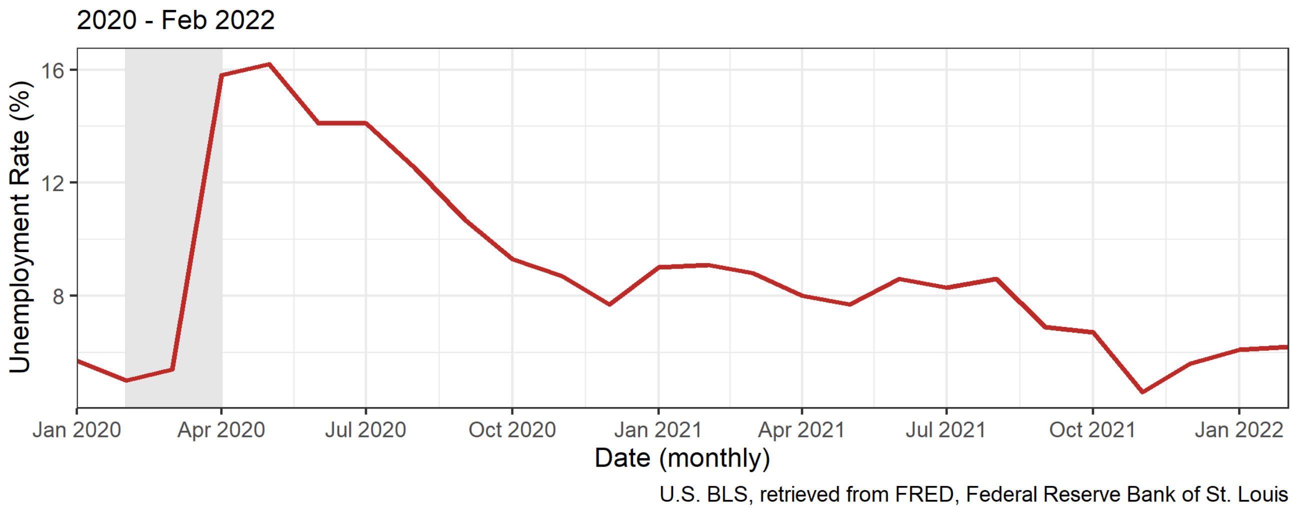
- Another month of strong jobs growth.
- There is still slack remaining in the labor market, and gains are not shared widely.
- The rise in involuntary part-time work, drop in employment among Black women, and possible slowdown in the share of newly-employed workers entering from outside of the labor force, all point to a labor market which is yet to fully recover.

These gains contributed to a rise in February's labor force participation rate to 62.3 percent along with a drop in the unemployment rate to 3.8 percent. To be sure, this is all welcome news. February's blockbuster numbers show what job growth is possible with strong fiscal support. Job gains over the past six months demonstrate how insufficient fiscal responses were in the post-2009 period. February's job growth, on the heels of already large gains in January and December, also indicates that many people are still looking and willing to work. Announcements that the U.S has reached full employment – in the sense that all those wanting a job can get one – therefore seem premature, given recent job growth. Still, the latest report indicates progress in that direction.

We at EDI are watching several trends in the labor market in order to discern how widely these employment gains are shared across the U.S. population. Men made out particularly well in February, with higher employment levels across different social groups. For example, after being stuck in the 61 percent range from October to December 2021, the employment-population ratio for Black men climbed to 64.5 in February.

February's data on employment among women was more ambiguous. Employment levels and participation rates for women both declined slightly. The unemployment rate for women was unchanged at 3.9 percent. However, employment and participation rates for white and Hispanic or Latine women are up, meaning that falling employment and participation rates for Black women made a large contribution to the overall decline among women workers. The unemployment rate of Black women ticked up again in February. As Figure 1 below shows, it has now increased every month since November 2021. The pandemic's disproportionate labor market impact on women has a distinct racial component, demonstrating the need for intersectional analysis of labor market outcomes.

Figure 1: Falling employment and participation rates for Black women make a large contribution to the overall decline among women workers



Part-time employment

EDI has been monitoring part-time employment closely over the course of the pandemic. While the total number of part-time workers fell in February, the number of involuntary part-time workers rose to over four million, marking the first increase in the level of involuntary part-time employment since May 2021.

As a result, the U-6 unemployment rate, a broader measure of un- and under-employment edged up slightly from 7.1 in January to 7.2 in February. Although this is a negligible increase, it is the first one since April 2020 near the start of the pandemic. Hopefully the uptick in the U-6 unemployment rate is just a blip and not a sign of a more serious issue. We will be watching the shifts to less accommodative fiscal and monetary policy on the U-6 readings in the coming months.

Labor force flows

A well-known feature of the U.S. labor market is that fewer workers enter employment from a previous state of official unemployment than enter directly from out of the labor force.

But the composition of newly employed workers coming from these two categories varies over the business cycle. In recessions, as unemployment increases, the share of formerly unemployed workers amongst those entering employment rises. During brisk expansions, as the number of unemployed workers falls the opposite happens. Newly-employed workers increasingly come from out of the labor force instead of the ranks of the unemployed. The behavior of the ratio between these two flows is therefore a helpful metric for considering which types of workers are securing new employment, since the characteristics of the officially unemployed differs from those who are not in the labor force.

As Figure 2 below shows, this pattern is playing out over the pandemic. Figure 2 plots the number of workers transitioning from not in the labor force into employment divided by the number entering employment from unemployment. On the eve of the pandemic, over three workers entered employment directly from out of the labor force for every one worker entering employment from unemployment. Data from the most recent Employment Situation Reports shows this ratio appearing to settle around 2.4 over the past few months. Though one month is not enough to draw major conclusions from these monthly data, the noticeable drop from January to February 2022 is consistent with the rise in involuntary part-time work, despite positive job growth overall.

While the increase in job growth and participation signal progress, the rise in involuntary part-time work, drop in employment among Black women, and possible slowdown in the share of newly-employed workers entering from not in the labor force all point to a labor market which is yet to fully recover.

Figure 2: At the onset of the Coronavirus Pandemic three workers entered employment from not-in-the-labor-force for every one worker entering employment from unemployment