

Another strong jobs report



EDI Note on the Employment Situation

May 6, 2022

Once again, the Bureau of Labor Statistics Employment Situation Report showed impressive gains in April, even if they were not as large as in the first months of 2022. Payroll employment rose by 428,000 in April, led by the 78,000 jobs added in the leisure and hospitality sector, which is likely gearing up for the summer. The manufacturing sector, as well as the transportation and warehousing sector, also posted solid gains, coming in at 55,000 and 52,000 respectively. Overall, job growth is still proceeding at a strong pace.

Key findings

- Another strong jobs report with 428,000 new jobs created in April 2022.
- Black and Hispanic or Latino/a/e employment remains above pre-pandemic levels.
- As unemployment continues to fall and the unemployment rate remains at historically low levels, it is increasingly helpful to look to other categories of un- and underemployment for a broader assessment of the employment situation.

April also saw steady employment gains for Black workers. The employment level among Black workers continued to rise and is now just shy of 20 million, a figure which is above pre-pandemic levels. And while total employment for the Hispanic or Latina/o/a population dropped slightly in April, at 29.1 million it too is now higher than in January and February of 2020.

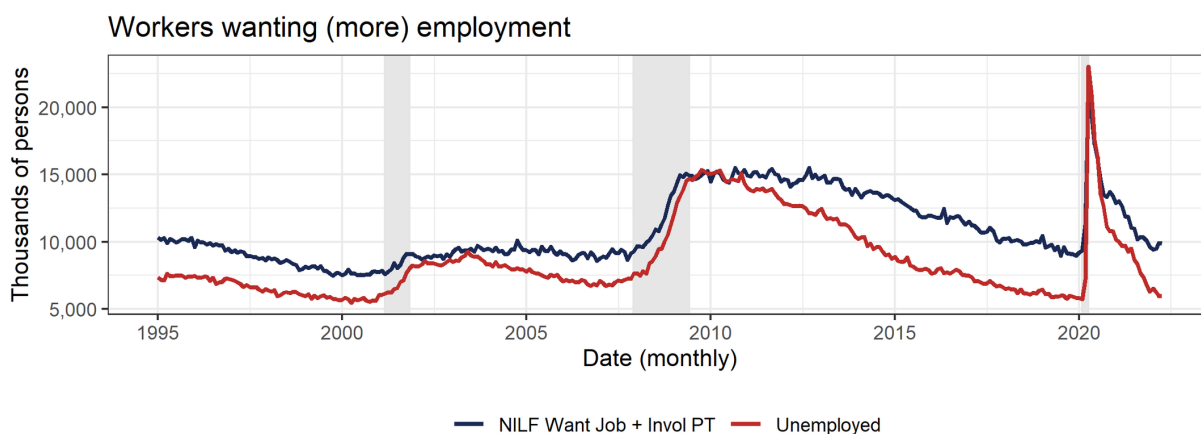
At 3.6%, April's unemployment rate was unchanged from the previous month. However, the broader U-6 unemployment measure did increase slightly, up to 7.0%, driven by a small rise in the number of workers marginally attached to the labor force, which now stands at 1.6 million. The total number of people out of the labor force who want a job now also rose to 5.6 million in April, the highest count since October 2021.

As unemployment continues to fall and the unemployment rate remains at historically low levels, it is increasingly helpful to look to other categories of un- and underemployment for a broader assessment of the employment situation. Two of the most prominent groups in this regard are those who want a job now but are not in the labor force and those who have jobs but are involuntarily working part-time schedules.

The first category represents additional unemployment. Most of those in this group are not officially classified as unemployed because they have not actively sought work in the past month. Involuntary part-time workers are underemployed, in the sense that they could and would like to work more hours but are unable to find an employment opportunity which would allow them to do so.

Just like in previous expansions, the difference between the number of unemployed workers and the combined total of those not-in-the-labor-force who want a job now and involuntary part-time workers has been increasing. This latter group constitutes additional un- and underemployment which is not captured by the U-3 measure alone. During downturns, sharp rises in unemployment push these two counts close to one another. In 2009 and 2010, as Figure 1 below shows, the size of the officially unemployed population was about the same size as the combined number of involuntary part-time workers and those who wanted a job but had not actively searched for one in the past four weeks, resulting in their exclusion from the unemployment figures.

Figure 1:

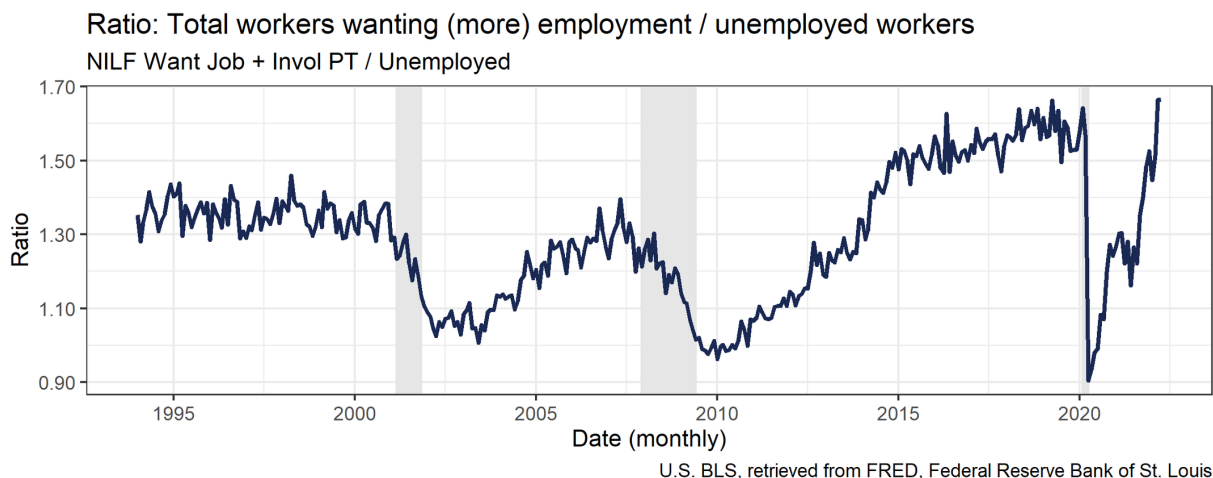


U.S. BLS, retrieved from FRED, Federal Reserve Bank of St. Louis

While the charge that the U-3 unemployment rate undercounts un- and underemployment is most commonly heard in times of recession, this consideration is just as important in times of expansion and tighter labor markets. Perhaps even more so. To illustrate this point, Figure 2 below compares the number of involuntary part-time workers and those not in the labor force who want a job to the number of unemployed workers. In other words, it charts the relation:

$$\frac{\text{Involuntary Part-Time Workers} + \text{Not in the Labor Force, Want a Job Now}}{\text{Unemployed Workers}}$$

Figure 2:



In March and April 2022, this ratio reached 1.66, the highest value since at least the mid-1990s. For every unemployed worker today, an additional 1.66 workers are either involuntarily working part-time schedules or are not in the labor force but want a job. As Figure 2 shows, this ratio increases in expansions as the number of unemployed workers falls. This is not too surprising. As a narrow measure of unemployment, the unemployment rate tends both to increase and decrease faster than the broader counts, indicating that the unemployment count alone increasingly diverges from the number of un- and underemployed workers. Monitoring this ratio, especially as the unemployment measure alone increasingly diverges from broader counts of un- and underemployed workers, helps to show the changing dynamics of additional un- and underemployment over the business cycle, especially during its 'tightest' stages.