



# Economics Group

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## Lower Unemployment, but Signs of Fatigue

**Unemployment sank to 8.4% in August, but the jobs recovery is showing signs of slowing. Employers added 1.37M jobs last month, including temporary Census workers. Less than half the jobs lost have been recovered.**

### Chipping Away...

The jobs market continues to slowly heal, with employers adding 1.37 million jobs in August. That marked a slowdown from prior months, however, and is another indication that the recovery is losing momentum after the initial burst of activity from re-opening. What's more, the headline overstates the underlying strength of labor demand, as 238K workers were temporarily hired for the 2020 Census. Private employment rose by 1.03 million, down from an average of 2.4 million the prior three months.

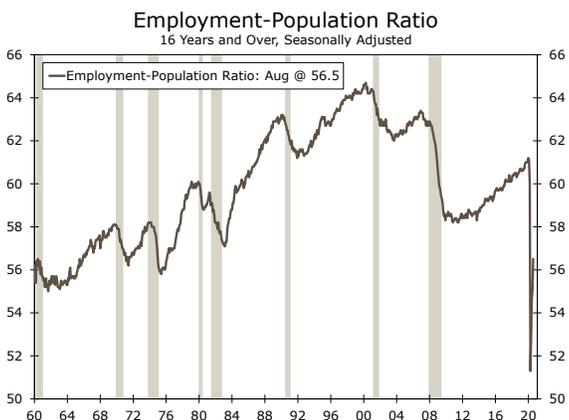
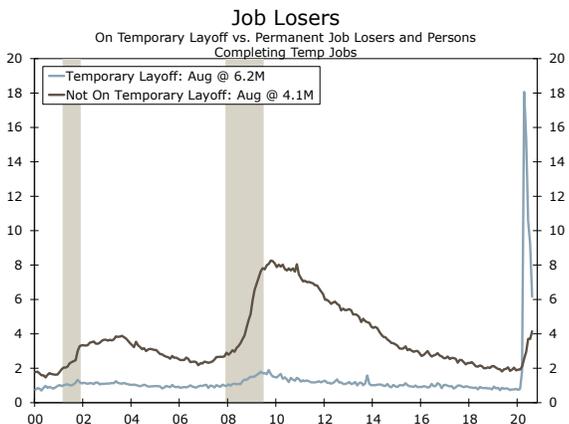
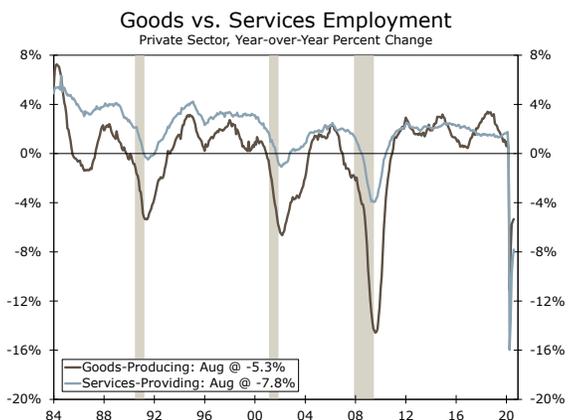
Across industries, gains were widespread. Private services employment increased 984K versus a 43K rise in goods sector employment. Yet given that the pandemic has hit in-person services particularly hard, which is unique to this cycle, weakness remains concentrated in services. Employment in goods-producing industries has hardly been unscathed, but is down 5.9% compared to February versus an 8.7% decline in services.

Notably, the unemployment rate plummeted to 8.4% as 3.8 million more workers were reported as employed in August. The jump in the household survey's measure looks to be somewhat overstated by seasonal factors, as unadjusted household employment rose by a million fewer people. At the same time, the surge could merely reflect the usual volatility in the small household survey, just amplified by the magnitude of pandemic moves. But the leap raises the possibility that gig workers are returning to work, as the jump was not matched by the increase in private payrolls.

### ...But Still Dismal

In ordinary times, a 1.37 million gain in payrolls would be considered substantial, but of course these are no ordinary times. Payrolls remain 11.5 million below their February level, with still under half of the jobs lost recovered. An increasing share of the jobs lost since the start of the pandemic have become permanent. While encouragingly, the number of workers reported on temporary layoff plunged 3.2 million, permanent job losers rose by 536K (both unadjusted). Meanwhile, the median duration of unemployment has stretched to 16.7 weeks.

As fewer workers expect to be recalled, links to the labor market become more tenuous and the outlook for the recovery lengthens. Labor force participation resumed its rise in August, but remains down 1.7 points since February. The underwhelming rebound underscores that participation will not only be hindered by the weak jobs market, but by the accompanying challenges of the pandemic. The health risks posed by the virus and need for remote learning will make the decision to return to the labor force particularly difficult for older workers and parents in the near term. Despite the improvement in both participation and unemployment in August, as we head into a weekend that celebrates the American worker, the smallest share of the population is working since the mid-1970s.



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