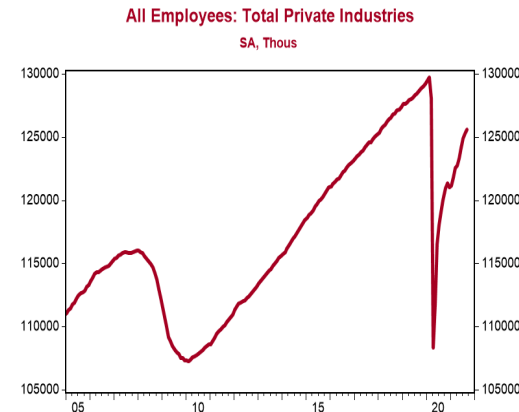


**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist  
**Strider Elass** – Senior Economist  
**Andrew Opdyke, CFA** – Senior Economist

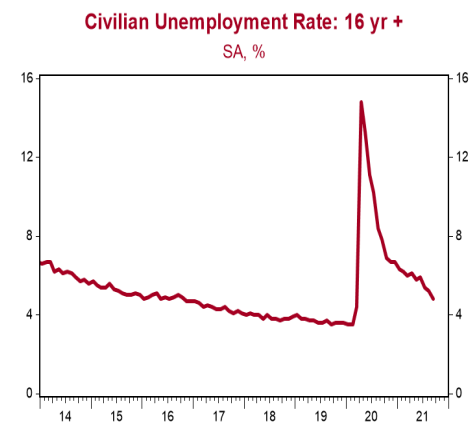
# September Employment Report

- Nonfarm payrolls increased 194,000 in September, lagging the consensus expected 500,000.
- Private sector payrolls rose 317,000 in September. The largest increases were for leisure & hospitality (+74,000), professional & business services (+60,000, including temps), retail (+56,000), and transportation & warehousing (+47,000). Manufacturing rose 26,000 while government declined 123,000.
- The unemployment rate dropped to 4.8% in September from 5.2% in August.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.6% in September and are up 4.6% versus a year ago. Aggregate hours worked rose 0.8% in September and are up 4.7% from a year ago.

**Implications:** Today’s employment report shows that private-sector businesses are desperate for workers, while many potential workers are reluctant to take jobs. Nonfarm payrolls only rose 194,000 in September, well below the consensus expected 500,000. About half the miss was due to public schools, as state and local government jobs in “education services” fell 161,000. Overall government jobs declined 123,000 for the month while private-sector payrolls increased 317,000. But here’s the evidence that shows private businesses want to hire workers at a faster pace: the total number of hours worked in the private sector rose 0.8% in September, the largest increase in six months. To put this increase in perspective, if every worker kept the exact same number of hours per week and businesses could only boost total hours by hiring more workers, getting a 0.8% increase in total hours would have required hiring one million new workers. In addition, average hourly earnings rose 0.6% in September and are up 4.6% in the past year. Putting wage growth together with the growth in total hours shows that total regular wages paid in the private sector increased 1.5% in September, the largest increase in more than a year. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups, increased a solid 526,000 in September. As a result of this increase, as well as a decline in the labor force (people who are either working or looking for work), the jobless rate fell to 4.8%. The big question remains when people are going to be more willing to fill the roughly eleven million job openings around the country, a record high and about four million greater than the number of openings prior to COVID. Payrolls and civilian employment remain about five million jobs short of where we were pre-COVID. We believe payroll growth should accelerate soon as the unemployed no longer have access to excessive unemployment benefits. However, it is possible that process is being delayed as many potential workers may have used those excess benefits to pile up some savings. In addition, there are confusing and authoritarian rules about masks and vaccines. We have all heard many stories about workers quitting if forced to vaccinate and some parents would rather stay at home than have their child forced to wear a mask. Others may view things in the exact opposite way. In other words, at the margin there were multiple forces influencing employment choices this past month. In other recent news on the labor market, initial jobless claims fell 38,000 last week while continuing claims dropped 97,000. This bodes well for the October jobs report.



Source: Bureau of Labor Statistics/Haver Analytics



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| Employment Report<br><i>All Data Seasonally Adjusted</i> | Sep-21      | Aug-21 | Jul-21 | 3-month<br>moving avg | 6-month<br>moving avg | 12-month<br>moving avg |
|--|-------------|--------|--------|-----------------------|-----------------------|------------------------|
| <b>Unemployment Rate</b>                                 | <b>4.8</b>  | 5.2    | 5.4    | 5.1                   | 5.5                   | 6.0                    |
| <b>Civilian Employment (monthly change in thousands)</b> | <b>526</b>  | 509    | 1,043  | 693                   | 472                   | 526                    |
| <b>Nonfarm Payrolls (monthly change in thousands)</b>    | <b>194</b>  | 366    | 1091   | 550                   | 583                   | 474                    |
| <b>Construction</b>                                      | <b>22</b>   | 0      | 12     | 11                    | 0                     | 16                     |
| <b>Manufacturing</b>                                     | <b>26</b>   | 31     | 57     | 38                    | 25                    | 27                     |
| <b>Retail Trade</b>                                      | <b>56</b>   | -4     | -6     | 15                    | 29                    | 32                     |
| <b>Finance, Insurance and Real Estate</b>                | <b>2</b>    | 11     | 31     | 15                    | 11                    | 12                     |
| <b>Professional and Business Services</b>                | <b>60</b>   | 85     | 91     | 79                    | 46                    | 86                     |
| <b>Education and Health Services</b>                     | <b>-7</b>   | 51     | 84     | 43                    | 45                    | 43                     |
| <b>Leisure and Hospitality</b>                           | <b>74</b>   | 38     | 408    | 173                   | 261                   | 164                    |
| <b>Government</b>  | <b>-123</b> | 34     | 275    | 62                    | 74                    | 11                     |
| <b>Avg. Hourly Earnings: Total Private*</b>              | <b>0.6%</b> | 0.4%   | 0.4%   | 5.5%                  | 6.0%                  | 4.6%                   |
| <b>Avg. Weekly Hours: Total Private</b>                  | <b>34.8</b> | 34.6   | 34.7   | 34.7                  | 34.8                  | 34.8                   |
| <b>Index of Aggregate Weekly Hours: Total Private*</b>   | <b>0.8%</b> | 0.0%   | 0.6%   | 6.1%                  | 4.5%                  | 4.7%                   |

Source: Bureau of Labor Statistics \*3, 6 and 12 month figures are % change annualized