FIRST TRUST ECONOMICS

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The Big Payroll Revision: What the Latest BLS Data Tell Us

Last week, the Bureau of Labor Statistics (BLS) released the final benchmark revision of payrolls for the year ending in March 2024 which showed a downward adjustment of 589,000 jobs. In this week's "Three on Thursday," we explore what happened and its implications for jobs. Every August, the BLS publishes a preliminary set of revisions to payroll growth, with the final revision in February. These revisions provide a more accurate picture of job growth, as they're based on state unemployment insurance tax records from the Quarterly Census of Employment and Wages (QCEW). While the QCEW takes time to put together, it's more comprehensive than the monthly payroll data, which only covers 119,000 establishments. Curious about the results? Check out the three charts below.
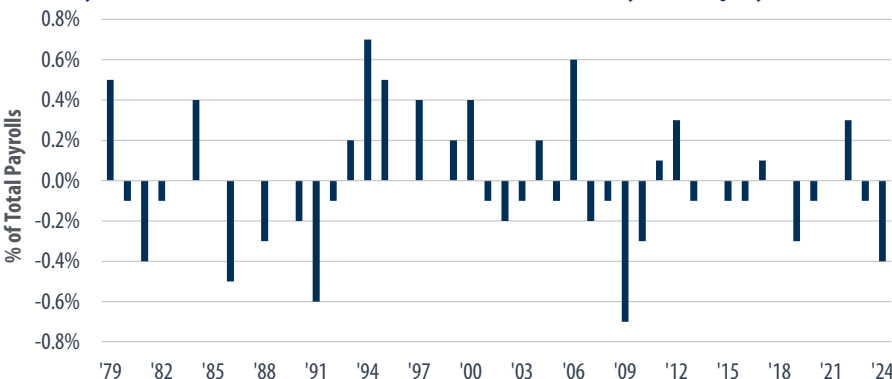
Historical Payroll Benchmark Revisions
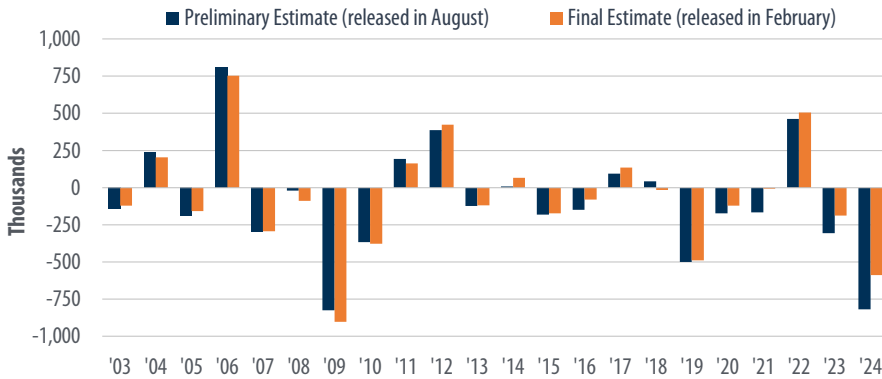
Source: Bureau of Labor Statistics, First Trust Advisors. Annual revisions for the 12 months ending in March of the listed year.

The final revision showed a substantial downward adjustment of 589,000 to payroll growth for the 12-month period from April 2023 to March 2024. Initially, it was estimated that 2.9 million jobs (approximately 242,000 per month) were added during this timeframe. However, more accurate data now indicate that the actual increase was closer to 2.3 million jobs (around 192,000 per month). The preliminary estimate released last August was for a downward adjustment of 818,000.

March 2024 Final Benchmark Revisions by Major Industry Sector

	Benchmark Revision (1,000s)	Benchmark Revision (% of Employment)
Total nonfarm	-589	-0.4%
Total private	-621	-0.5%
Professional and business services	-316	-1.4%
Leisure and hospitality	-121	-0.7%
Manufacturing	-113	-0.9%
Financial activities	-74	-0.8%
Trade, transportation, and utilities	-71	-0.2%
Information	-60	-2.0%
Construction	-37	-0.5%
Mining and logging	-6	-0.9%
Other services	50	0.8%
Private education and health services	127	0.5%
Government	32	0.1%

Source: Bureau of Labor Statistics, First Trust Advisors. Revisions for the 12 months ending in March 2024.

As is often the case, individual industry series experienced more significant percentage revisions compared to the total nonfarm series, mainly due to greater statistical sampling errors at more detailed levels. The professional and business services sector was hit hardest, with a downward revision of 316,000 jobs, followed by a reduction of 121,000 jobs in the leisure and hospitality sector. Conversely, the private education and health services sector (+127,000) and government sector (+32,000) saw upward revisions. Including these adjustments, 81.2% of all net new jobs in the year ending in March 2024 were concentrated in government, healthcare, and education. This revision further strengthens their share in the job market, in our view, and is not a good sign.

Final Payroll Benchmark Revisions as a Share of Total Payroll Employment

Source: Bureau of Labor Statistics, First Trust Advisors.

Since 1979, annual benchmark revisions have typically fluctuated between +/-0.2% of total nonfarm payroll employment, with the most extreme changes reaching +/-0.7%. Last week's final revision of -589,000 jobs, representing a -0.4% adjustment, is the largest downward revision since 2009 and the fourth largest negative revision in the past 46 years. This significant adjustment suggests that the BLS models may be struggling to accurately account for the 2023 surge in immigration and net business creation.