

## The government dramatically underestimated job growth this summer

### Initial reports underestimated job growth by a cumulative 626,000 over four months

The government sharply underestimated job gains for most of 2021, including four months this summer in which it missed more job growth than at any other time on record.

In the most recent four months with revisions, June through September, the Bureau of Labor Statistics (BLS) reported it underestimated job growth by a cumulative 626,000 jobs — that's the largest underestimate of any other comparable period, going back to 1979. If those revisions were themselves a jobs report, they'd be an absolute blockbuster.

In an average month before the pandemic, estimates would be revised by a little over 30,000 jobs, or just 0.02 percent of all the jobs in the United States. The recent revisions to the jobs reports have been much larger.

The missing jobs surfaced through revisions to the widely watched non-farm payrolls number that BLS releases each month. The data is considered preliminary until it has been revised twice. The fixes are typically minor, but recent revisions have been big enough to turn a substantial slump into a surprising surge.

These waves of revisions in the same direction tend to happen at turning points in the labor market. BLS relies on highly technical models to adjust for seasonal patterns, business closures and other factors, to catch new trends in the labor market and make revisions quickly.

It's happened before during this pandemic. Revisions in the already calamitous months of March and April 2020 found the economy had lost 922,000 more jobs than initially reported. Also, earlier in the pandemic, BLS drew criticism for a misclassification error in a different survey, which BLS economists said greatly understated the unemployment rate. Due to the way certain survey questions were interpreted, millions of workers who said they had a job but couldn't work due to coronavirus shutdowns were marked as absent rather than as temporarily unemployed.

This time, the payrolls data has been obfuscated as businesses have been slow to respond to government surveys amid the chaos of the pandemic — part of a larger pattern in which the deadly virus has wreaked havoc on federal statistics.

Angie Clinton, the BLS section chief who oversees the payroll number crunching, said there have been more large revisions since the start of the coronavirus pandemic, but that revisions are a sign of the system working as intended.

"We're just improving the estimate using everything we know up through the month we're releasing, really," Clinton said. "I mean, it sounds counterintuitive to most people because revisions — they think, 'Oh, they got it wrong the first time.' But no, we got it right, based on what the sample told us. But going forward we receive more sample, some corrected records, and recalculate seasonal factors, which together may indicate a different story."

The revisions have recast the narrative of a summer slowdown. In August, when economists expected a strong follow-up to the 943,000 jobs the economy added in July, the BLS announced the U.S. added only 235,000 jobs. Headlines dubbed it a "colossal miss" as job growth took a "giant step back." Two months later, revisions based on additional data showed August jobs grew by 483,000, more than double the anemic original reading. It was the biggest positive revision in almost four decades.

When it was reported the economy added just 194,000 jobs in September, headlines called it "ugly," "dismal" and "disappointing." A month later, a revision showed the economy had actually added 312,000 jobs in September.

After the revisions, disappointing months like August looked a lot more like October, a month that was hailed as a labor market rebound. In hindsight, while

a blockbuster June and July were even better than they looked, they didn't lead to months of stagnation — they diminished somewhat, but still produced solid, steady growth that continued through October.

President Biden may have even paid a political price for the lackluster jobs numbers. From April to June, polls found that most Americans (51 percent) approved of Biden's handling of the economy, according to an average of polls from Fox, NBC, Quinnipiac and The Post. But as bad economic numbers came out and the national political climate turned south, those numbers fell steadily — in October, just 39 percent approved of Biden's handling of the economy, while 57 percent disapproved.

"Naysayers and detractors from Biden's agenda are going to exploit any 'bad' economic indicator they can as evidence for why Biden has it wrong on the economy or why Biden's Build Back Better proposal gets it wrong on the economy, and in that sense underestimates of the jobs numbers are not helpful," said Lindsay Owens, executive director of the left-leaning Groundwork Collaborative.

However, Biden's falling economic-approval numbers during that period could also be attributed to other issues, such as rising inflation and the controversial and abrupt Afghanistan withdrawal, which have dragged Biden's approval down across the board, Owens said. In that environment, a few slow jobs reports may not been the primary driver of public opinion, Owens said.

Each month's revisions simply reflect economists' new best estimate, based on additional data. For example, when businesses report a surprisingly good month, such as this October, the seasonal adjustment algorithms look back on previous months with the benefit of hindsight. A good October likely didn't come out of nowhere: the August and September estimates probably missed some growth. So, some of the jump in October is assumed to have occurred earlier, and a portion of the October gains are reallocated back to previous months.

These best-guess first estimates are often refined as responses straggle in from more of the 697,000 establishments surveyed each month, including major employers, government agencies and a rotating cast of small businesses. The businesses are asked how many people they employ, how much those people are paid excluding bonuses, and how many hours those are paid for.

In a typical recent month, about a quarter of the responses have come in late. When businesses don't respond, economists and their models must account for all the reasons a business might not return a survey, including the possibility that it may have suddenly closed up shop. They must also account for newly formed businesses that won't be on their survey rolls quite yet.

Jane Oates, the president of the employment-focused nonprofit WorkingNation and a Labor Department official in the aftermath of the Great Recession, said the coronavirus crisis and subsequent worker shortage put many employers under amazing stress. One plausible explanation for the Labor Department's chronic underestimates is that the employers who were hiring the most were too busy to respond to the survey, so initial responses missed the fastest-hiring firms.

"Back in the Great Recession, there were many employers who were impacted but now every employer is impacted. Everybody is scrambling for talent. And I bet there's just a higher percentage of them missing the deadline," Oates said.

*Article continues at link below*

Region	October 2020	September 2021	October 2021	Percentage Point Change	
				1 month	12 months
San José–Sunnyvale MSA	6.5%	4.0%	3.8%	- 0.2	- 2.7
San Francisco MD	7.1%	4.0%	3.8%	- 0.2	- 3.3
California	9.3%	6.4%	6.1%	- 0.3	- 3.2
United States	6.6%	4.6%	4.3%	- 0.3	- 2.3

Sector — October 2021	San Jose MSA	San Francisco MD	Combined Region	Percentage Change (Combined Region)	
				1 month	12 months
<b>Total Nonfarm</b>	<b>1,121,400</b>	<b>1,119,500</b>	<b>2,240,900</b>	<b>+ 1.5%</b>	<b>+ 5.7%</b>
Construction	51,400	43,400	94,800	+ 1.3%	- 1.0%
Manufacturing	173,900	37,100	211,000	- 0.1%	+ 3.0%
Retail Trade	73,700	69,200	142,900	+ 0.8%	+ 1.3%
Information	111,800	111,600	223,400	+ 0.9%	+ 5.4%
Professional & Business Services	250,800	301,700	552,500	+ 1.9%	+ 7.0%
Educational Services	42,500	30,600	73,100	+ 7.0%	+ 3.8%
Health Care & Social Assistance	136,600	114,200	250,800	+ 1.4%	+ 4.3%
Leisure & Hospitality	80,100	107,300	187,400	+ 1.2%	+ 34.2%
Government	92,300	124,400	216,700	+ 2.5%	- 1.8%

Note: San José MSA (San José–Sunnyvale–Santa Clara Metropolitan Statistical Area) = Santa Clara and San Benito Counties  
 San Francisco MD (San Francisco–Redwood City–South San Francisco Metropolitan Division) = San Mateo and San Francisco Counties

Source: California Employment Development Department, LMID

Jurisdiction	Labor Force			Unemployment			Unemployment Rate		
	October 2020	October 2021	Change	October 2020	October 2021	Change	October 2020	October 2021	Change
• San Mateo County	429,600	442,200	+ 2.9%	28,200	15,900	- 43.6%	6.6%	3.6%	- 3.0
• Santa Clara County	1,019,000	1,034,500	+ 1.5%	65,500	38,200	- 41.7%	6.4%	3.7%	- 2.7
Cupertino	28,000	28,700	+ 2.5%	1,300	800	- 38.5%	4.6%	2.7%	- 1.9
Los Altos	13,900	14,300	+ 2.9%	600	400	- 33.3%	4.1%	2.9%	- 1.2
Milpitas	44,000	44,700	+ 1.6%	3,000	1,800	- 40.0%	6.8%	4.0%	- 2.8
Mountain View	50,000	51,400	+ 2.8%	1,900	1,200	- 36.8%	3.8%	2.3%	- 1.5
Palo Alto	33,400	34,400	+ 3.0%	1,300	800	- 38.5%	3.8%	2.5%	- 1.3
Santa Clara	69,800	71,200	+ 2.0%	3,900	2,300	- 41.0%	5.6%	3.2%	- 2.4
Sunnyvale	84,500	86,200	+ 2.0%	4,300	2,500	- 41.9%	5.1%	2.9%	- 2.2
NOVAworks Region	753,200	773,100	+ 2.6%	44,500	25,700	- 42.2%	5.9%	3.3%	- 2.6

Note: NOVAworks Region consists of seven cities in Northern Santa Clara County and the entirety of San Mateo County

Source: California Employment Development Department, LMID

October 2021 Layoff Events			WARN SUMMARY	
Company	Location	# Affected	Events YTD <sup>†</sup> :	18
Bristol-myers Squibb / MyoKardia	Brisbane	31	Individuals Affected YTD:	1,087
Flying Food Group	South San Francisco	119	Individuals Previous YTD <sup>‡</sup> :	16,052
Fresenius Medical Care	Milpitas	43		
Sanofi's Principia Biopharma	South San Francisco	38		
SkyChefs	Burlingame	210		
<b>Total</b>		<b>493</b>		

• **WARN: Worker Adjustment and Retraining Notification** (notice of mass layoff or closure)  
<sup>†</sup> **YTD: Year to Date** (Program year: July 1–Present)  
<sup>‡</sup> **Previous YTD:** (Same date range as YTD, one year prior)

Note: Layoff data are preliminary and should be considered an estimate of monthly regional activity

Source: California EDD, CalJOBS: WARN Data