

A low-angle, upward-looking perspective of several modern skyscrapers with glass facades, reaching towards a bright blue sky with some light clouds. The perspective creates a sense of height and architectural grandeur.

Payden & Rygel

LOS ANGELES | BOSTON | LONDON | MILAN

5 THINGS YOU SHOULD KNOW ABOUT THE “JOBS REPORT”

Payden Economics Team
Florida Local Trust Virtual Webinar

August 2020



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Los Angeles-based, offices in Boston, London, Milan

OVER \$127 BILLION AUM

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EXCEPTIONAL RETENTION

of talented people and clients

ALIGNMENT OF INTERESTS

Fully focused on our clients

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★ PAYDEN & RYGEL OFFICES





The Payden Economics Team



Jeffrey C. Cleveland

Director – Chief Economist

2006 – Joined Payden & Rygel



Siddharth Saravat

Vice President – Economist

2014 – Joined Payden & Rygel



Megan R. Witman

Associate Economist

2020 – Joined Payden & Rygel



The Payden Economics Team: A Meme

*What My Mom
Thinks We Do...*



*What I
Think We Do...*



*What the Trading Floor
Thinks We Do...*





This Is What Greet's You On Jobs Day, The First Friday Of Every Month



**BREAKING
NEWS**

APRIL PAYROLLS ▲ 263,000

CNBC



We Think The Jobs Report Is Misunderstood Here Are 5 Things You Need To Know About The Jobs Report

- 1) There Are Two Surveys in the Employment Situation (“Jobs”) Report**
- 2) Overall Levels Versus Monthly Change**
 - a. Revisions Matter**
- 3) Net Versus Gross**
- 4) The Many Unemployment Rates**
 - a. The Labor Force Participation Rate Obsession**
- 5) What Other Measures Of Labor Market Should You Watch?**





1. The “Jobs Report” Is Based On Two Surveys

Breakdown of “Jobs Report” Survey Attributes

	Household Survey	Establishment Survey
Official Name	Current Population Survey	Current Employment Statistics
Scope	Civilians 16 years and older	Nonfarm wage and salary workers
Sample Size	60,000 <i>households</i>	689,000 <i>establishments</i>
Method	Phone	Mail + Phone
Response Rate	85%	60 – 70%, increasing to 85%
Conducted on	Week including the 12 th of the month	Pay period including the 12 th of the month
Revisions	Just once a year	For two months, and then annually as well
Data produced	Labor Force Unemployment Rates Demographic Breakdown	Non-farm Payroll Headline Wage Growth Industry/Geographical Breakdown

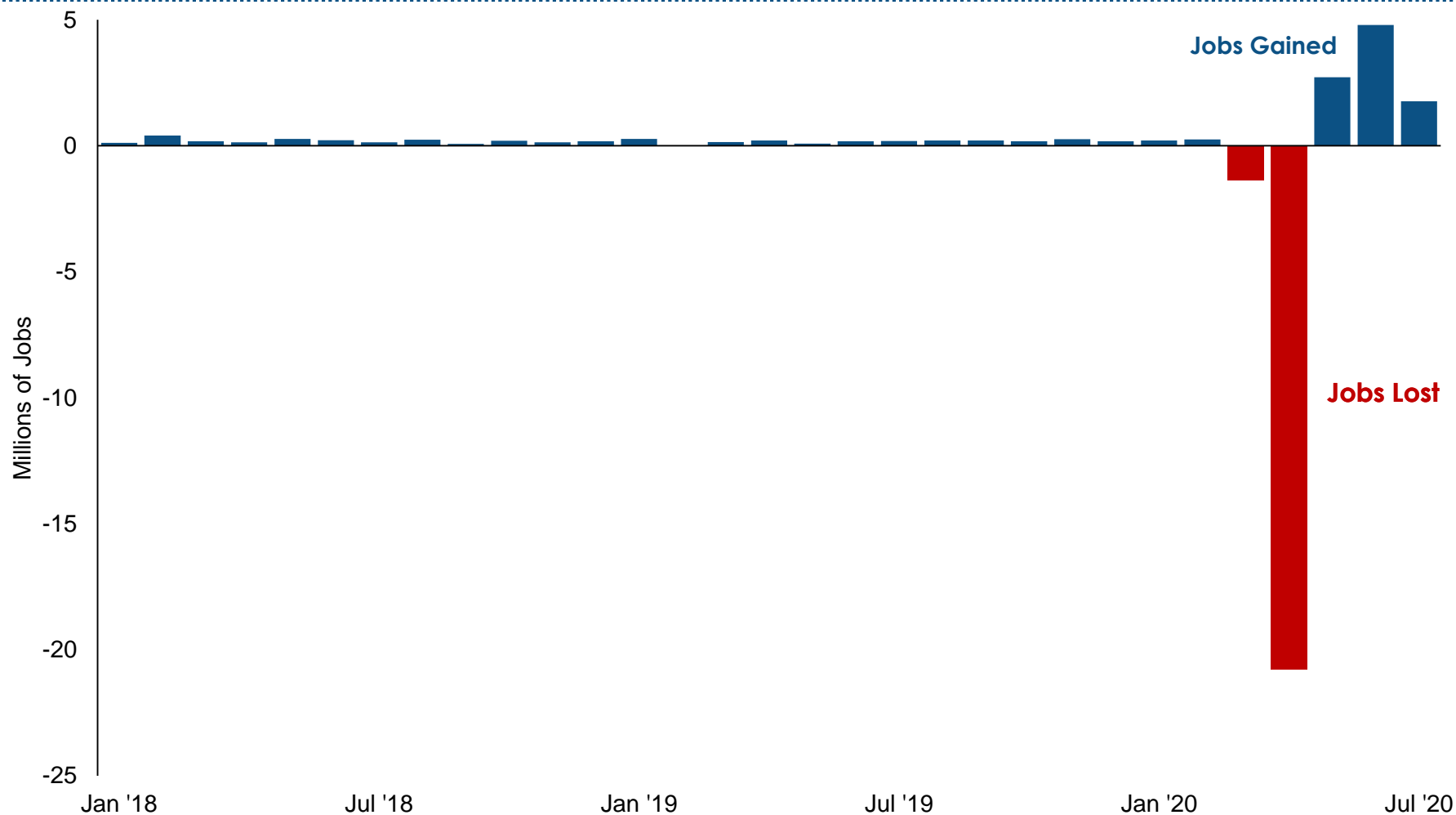
2. Monthly Change Does Not Show Trends Very Well





2. Do You Focus On Levels? Or The Monthly Change?

Non-Farm Payrolls – Monthly Change

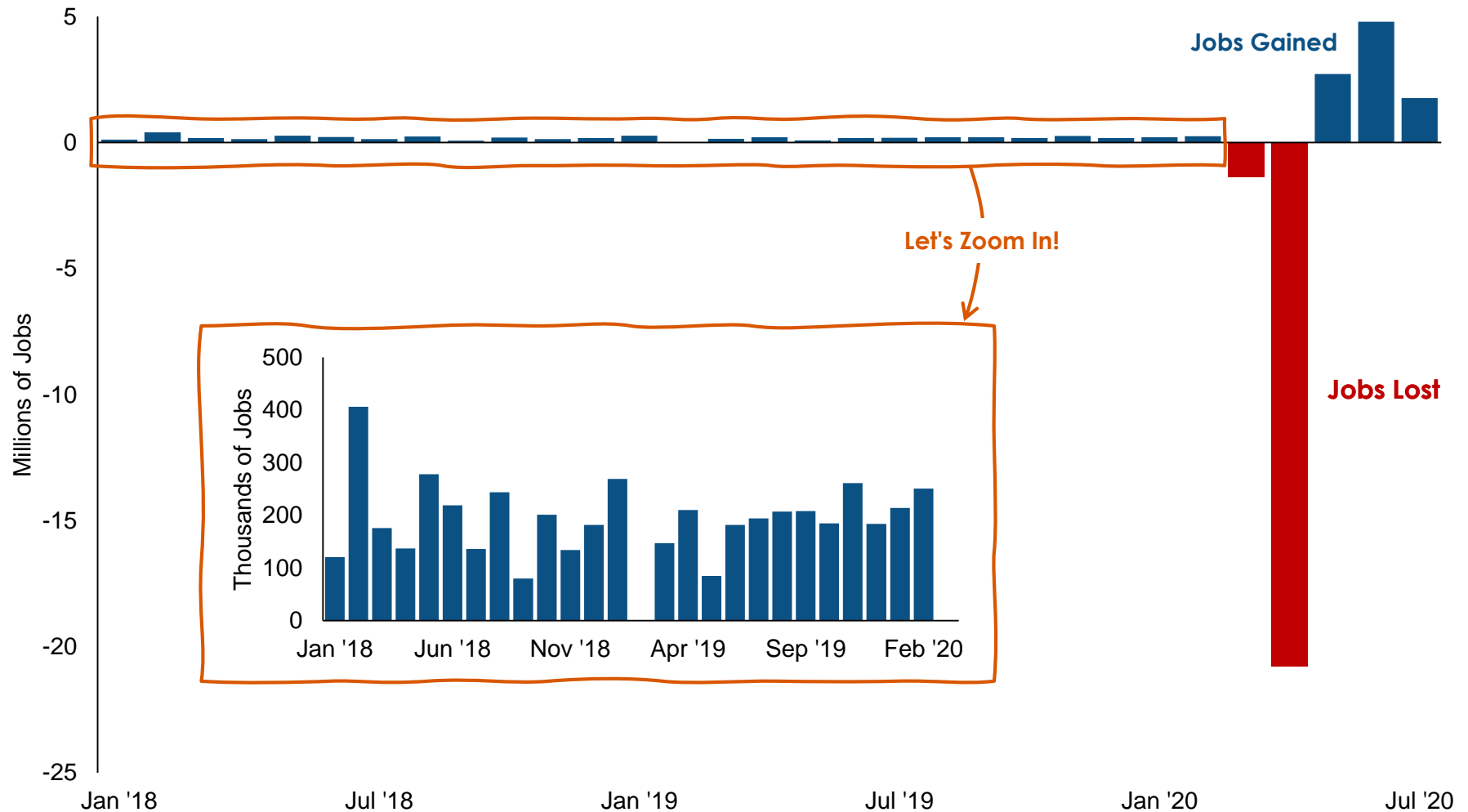


Source: Bureau of Labor Statistics



2. Do You Focus On Levels? Or The Monthly Change?

Non-Farm Payrolls – Monthly Change

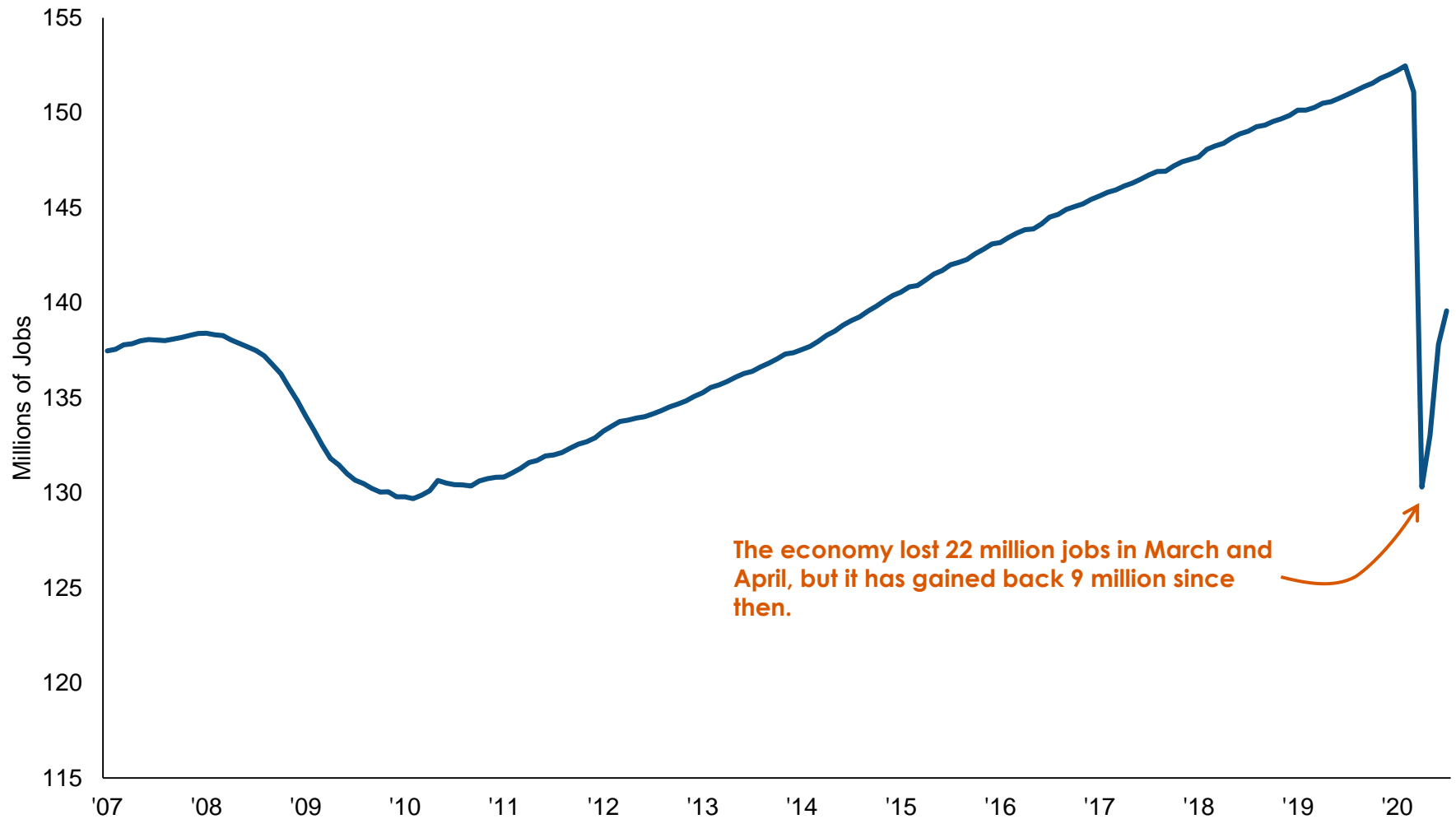


Source: Bureau of Labor Statistics



2. Do You Focus On Levels? Or The Monthly Change?

Non-Farm Payrolls – Total Employed Workers



Source: Bureau of Labor Statistics



Relying
on the
initial print



Understanding
revisions



2a. Revisions Matter

The Jobs Number Is Revised Significantly In The Months Following The First Release

Non-Farm Payroll, Net Monthly Change With Revisions

Month	Initial Print	1 st Revision	2 nd Revision
Feb 2019	20,000	33,000	56,000
April 2019	263,000	224,000	216,000

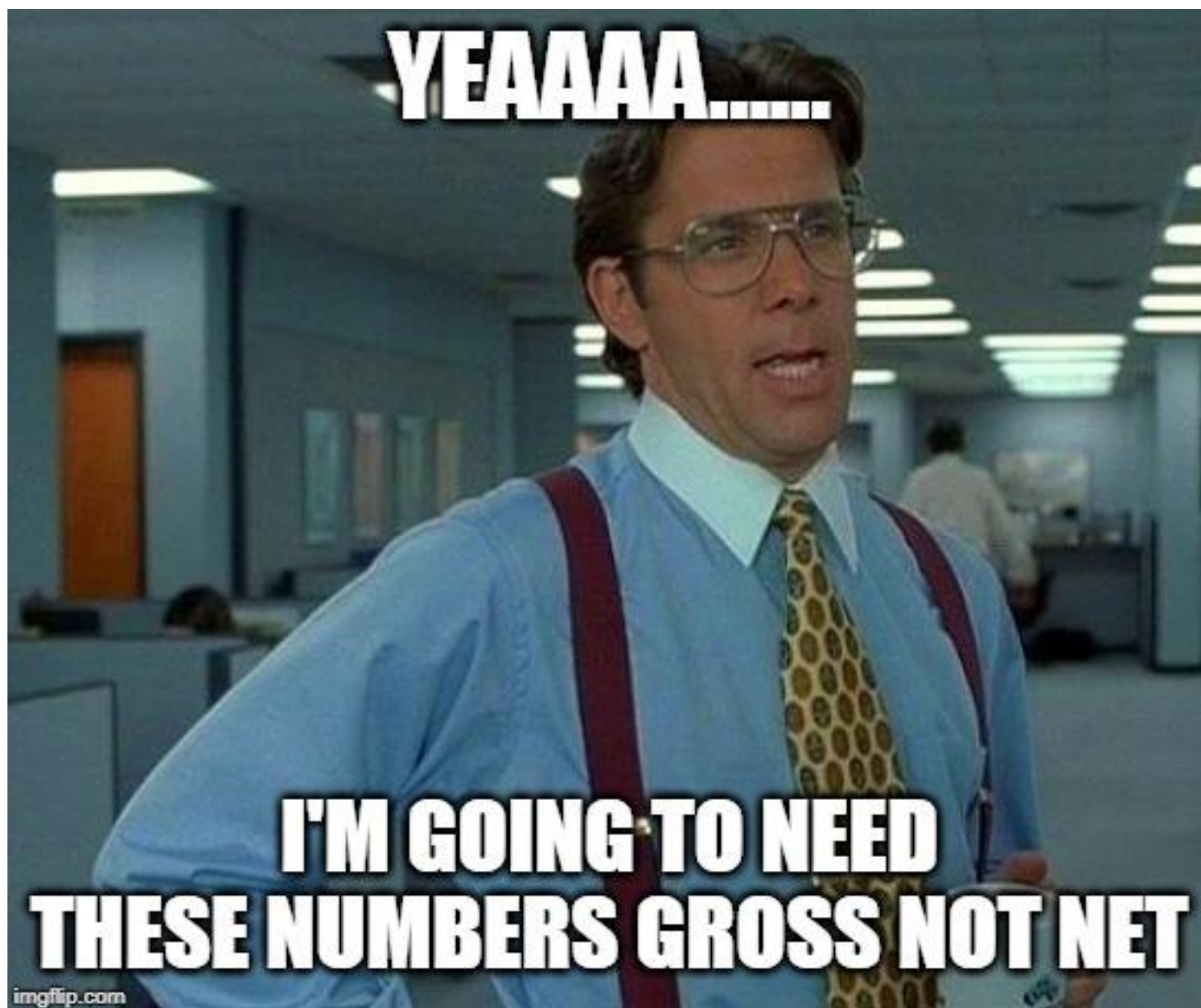
In “normal” times, revisions can drastically change the initial print.

Month	Initial Print	1 st Revision	2 nd Revision
March 2020	-701,000	-881,000	-1,373,000
April 2020	-20,537,000	-20,687,000	-20,787,000

In times of crisis, revisions are crucial for understanding the scope of the problem.

Source: Bureau of Labor Statistics

3. Net Versus Gross: Here's Jeffrey To His Team After Every Jobs Report...

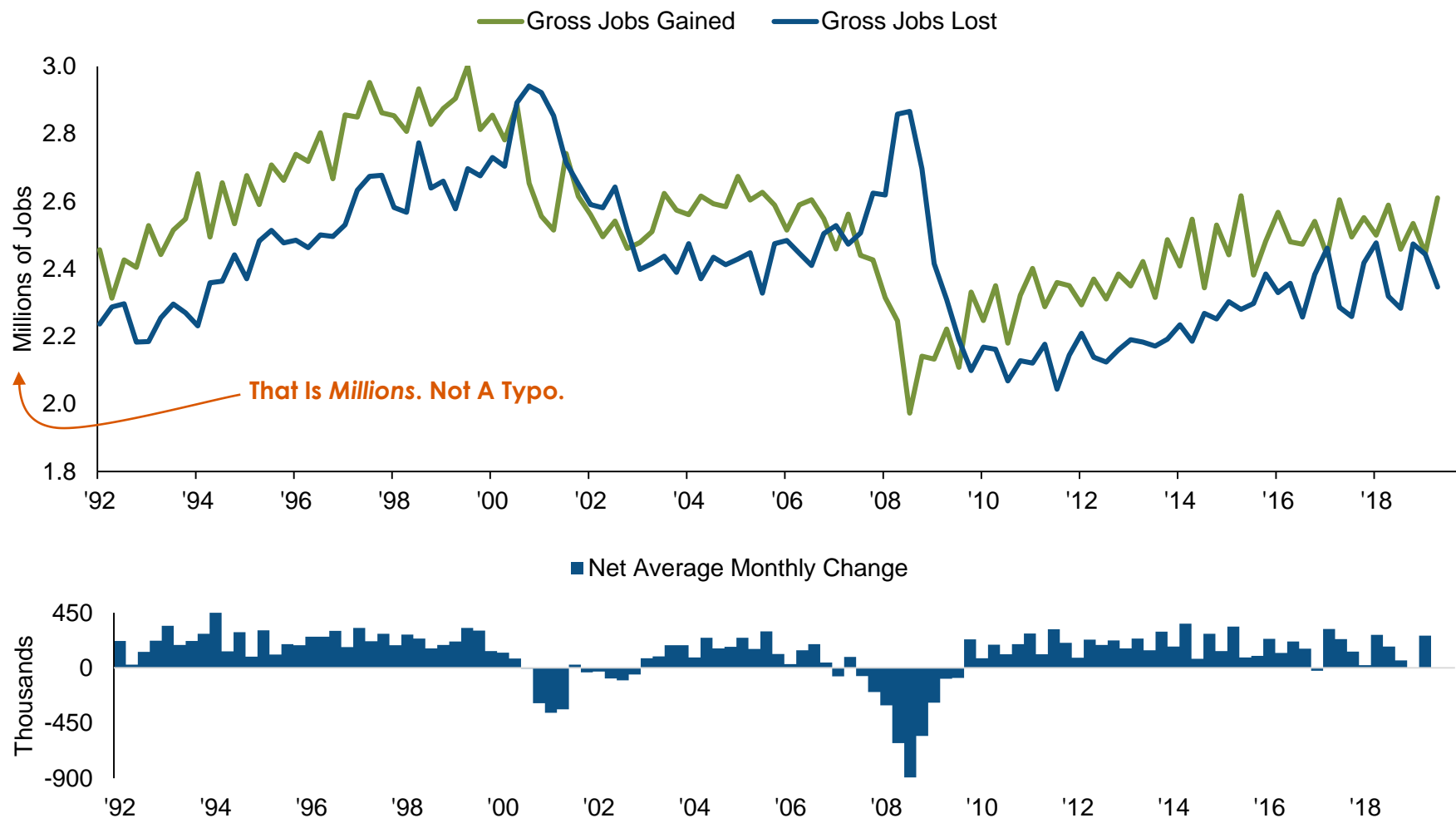




3. Net Versus Gross

The Economy Is Always Seeing Job Losses and Gains

Monthly Average of Gross Private Jobs Gained and Lost Each Month

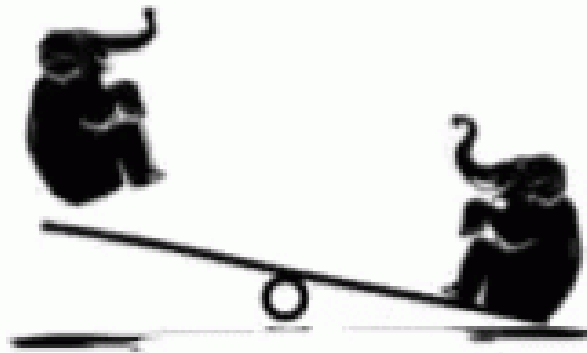


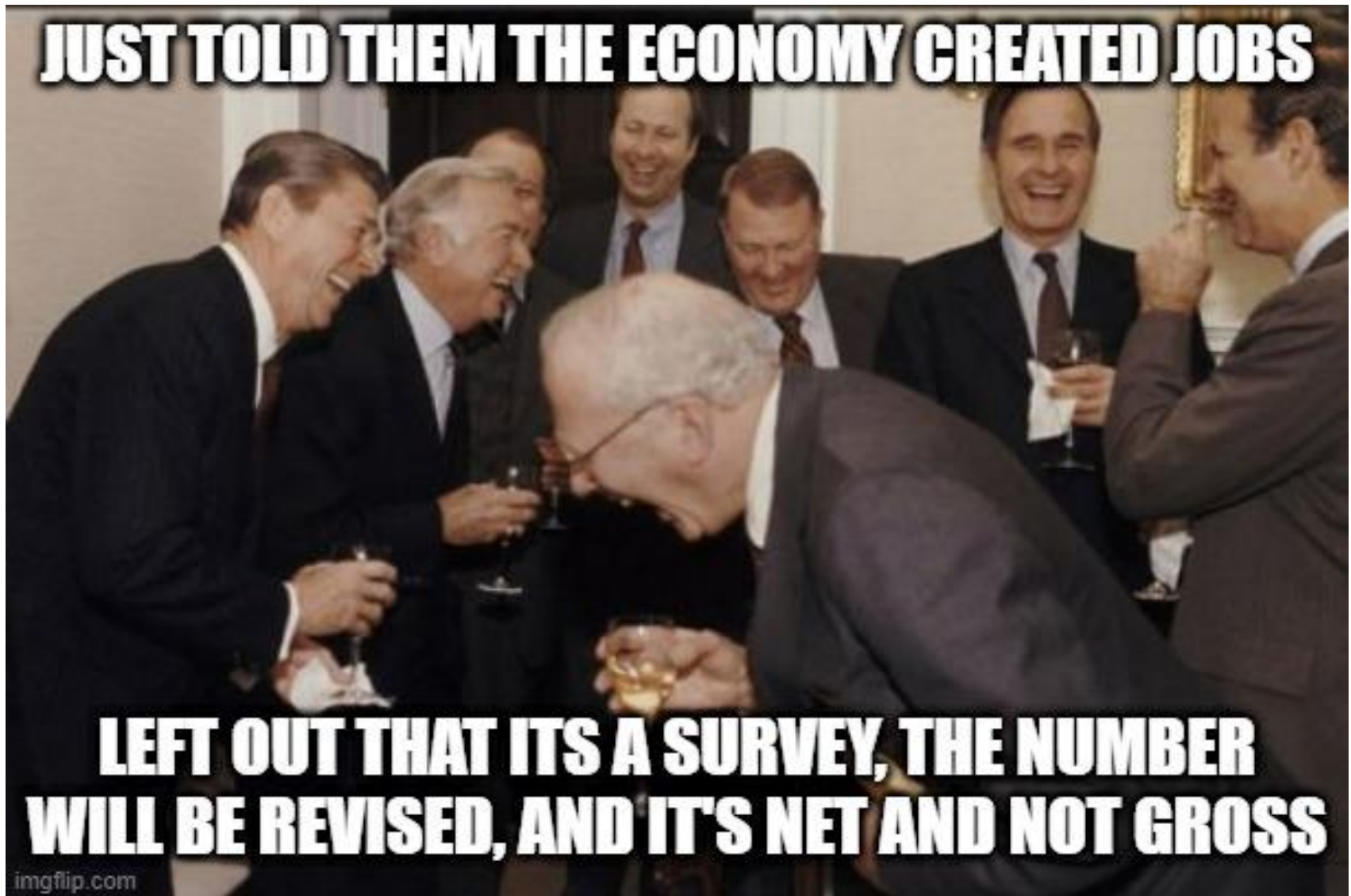
Source: Bureau of Labor Statistics, Payden Calculations

3. Net Versus Gross: An Elephant Seesaw

The difference in the weight of two elephants might be 10 pounds, but that doesn't mean both elephants aren't heavy!

Net Jobs = Gross Gains – Gross Losses

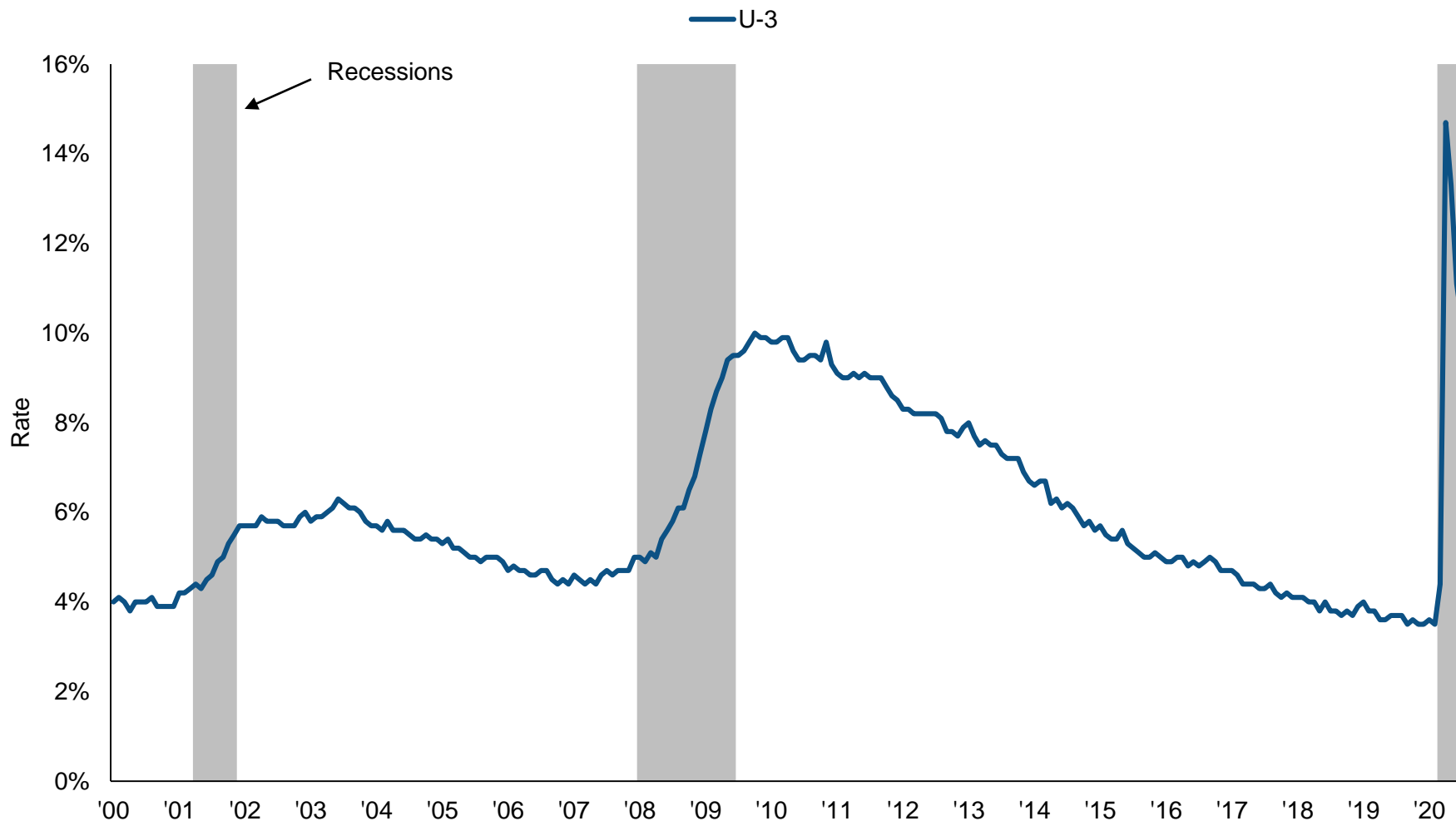






4. The Many Unemployment Rates: This Is The Official One

The Official Unemployment Rate (U-3)



Source: Bureau of Labor Statistics



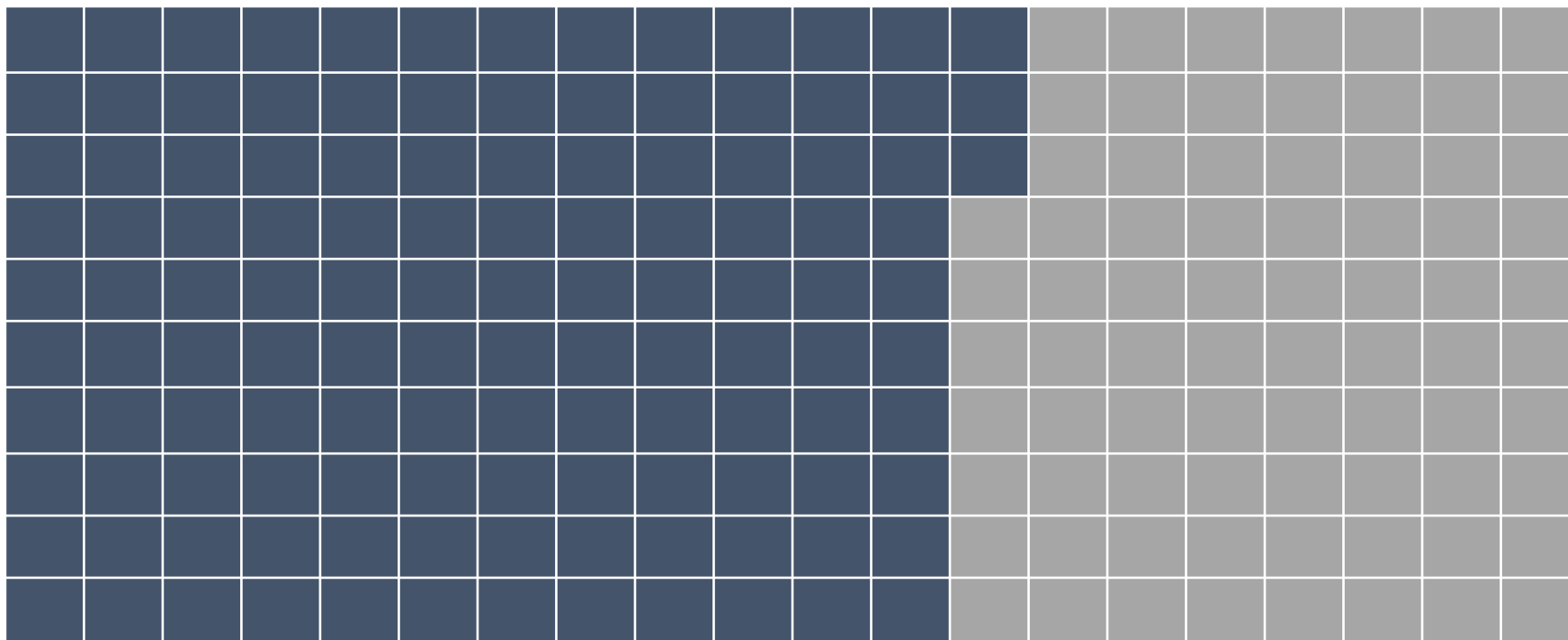
4. The Many Unemployment Rates

The Unemployment Rate Is Often Misunderstood. Here Is How The Sausage Is Made

Here Is The Entire U.S. Population Represented In 200 Squares

In the labor force

*Not in the Labor
Force*



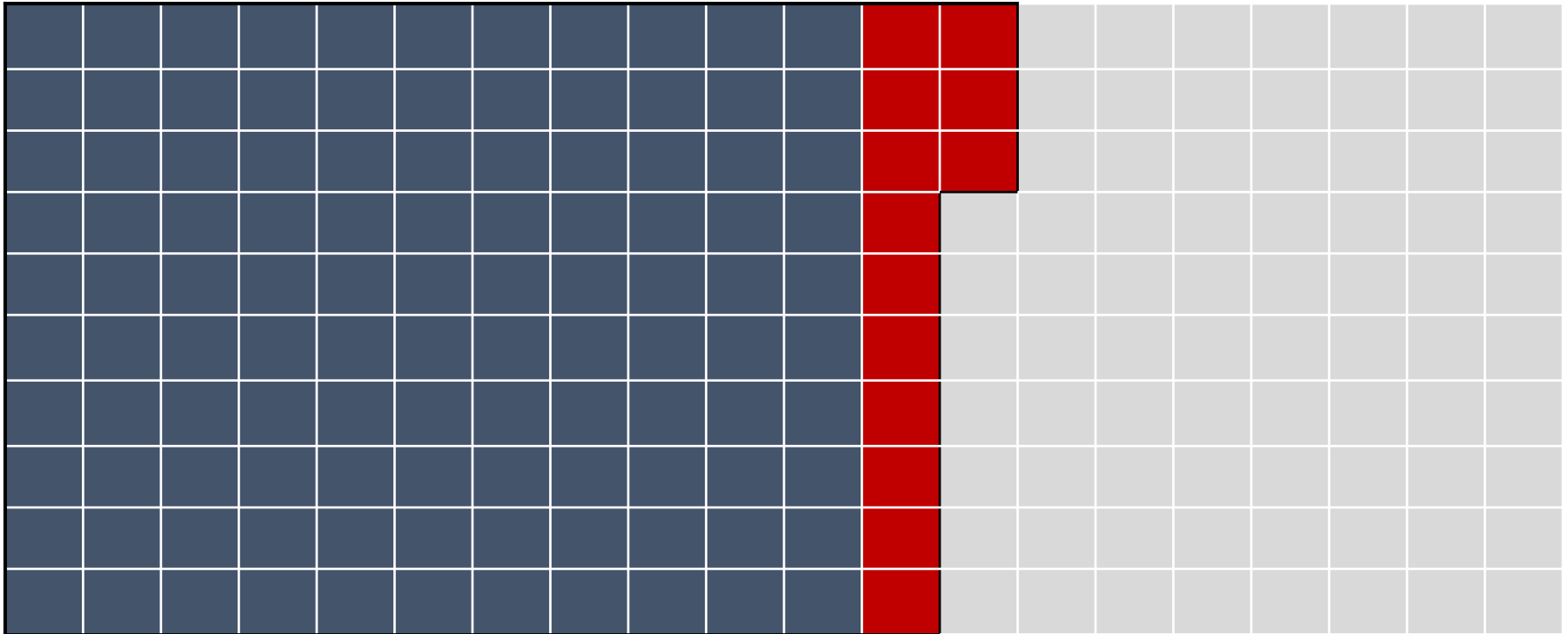
Source: Bureau of Labor Statistics, Payden Calculations

4. The Many Unemployment Rates

The Unemployment Rate Is Often Misunderstood. Here Is How The Sausage Is Made

Here Is How The U-3 “Official” Unemployment Rate Is Calculated

$$U-3 = \frac{\text{Unemployed}^*}{\text{Labor Force}} = 10.2\%$$



**individual made an effort to find employment in the last four weeks*

Source: Bureau of Labor Statistics, Payden Calculations

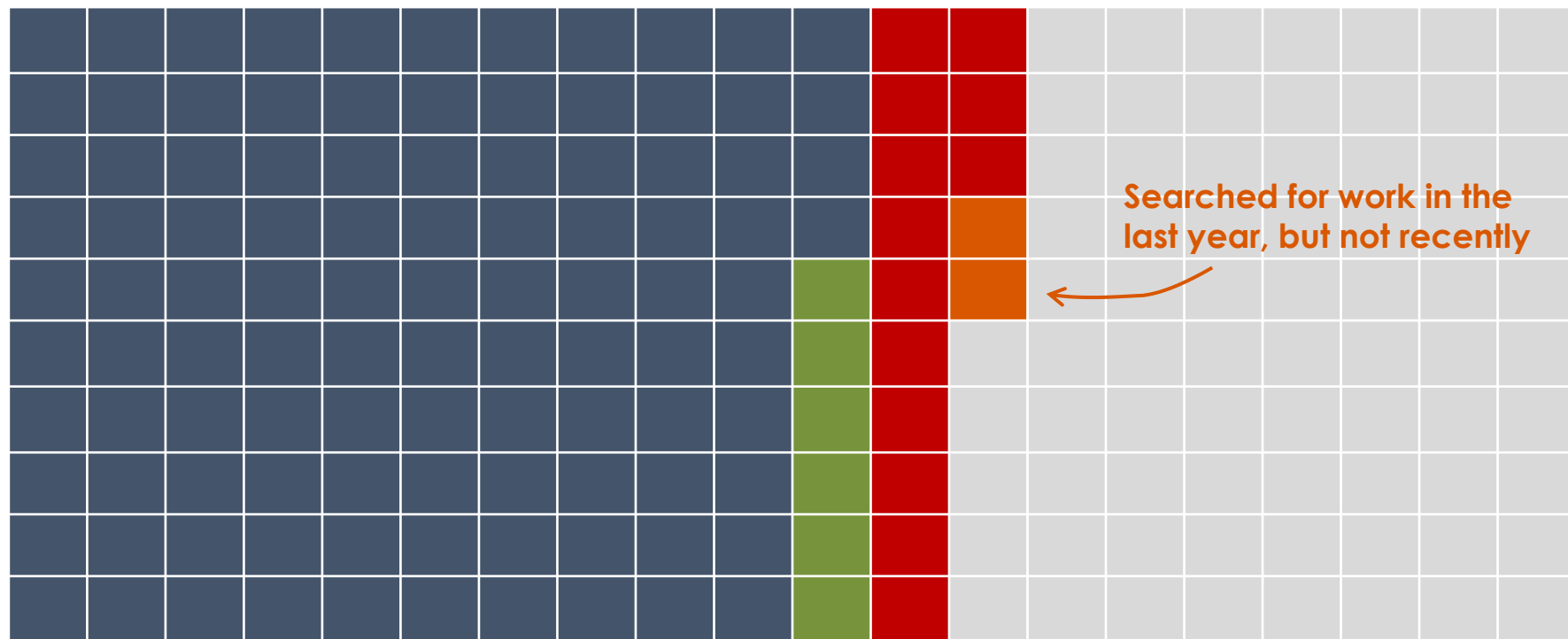


4. The Many Unemployment Rates

The Unemployment Rate Is Often Misunderstood. Here Is How The Sausage Is Made

Here Is How U-6 “Broad” Unemployment Rate Is Calculated

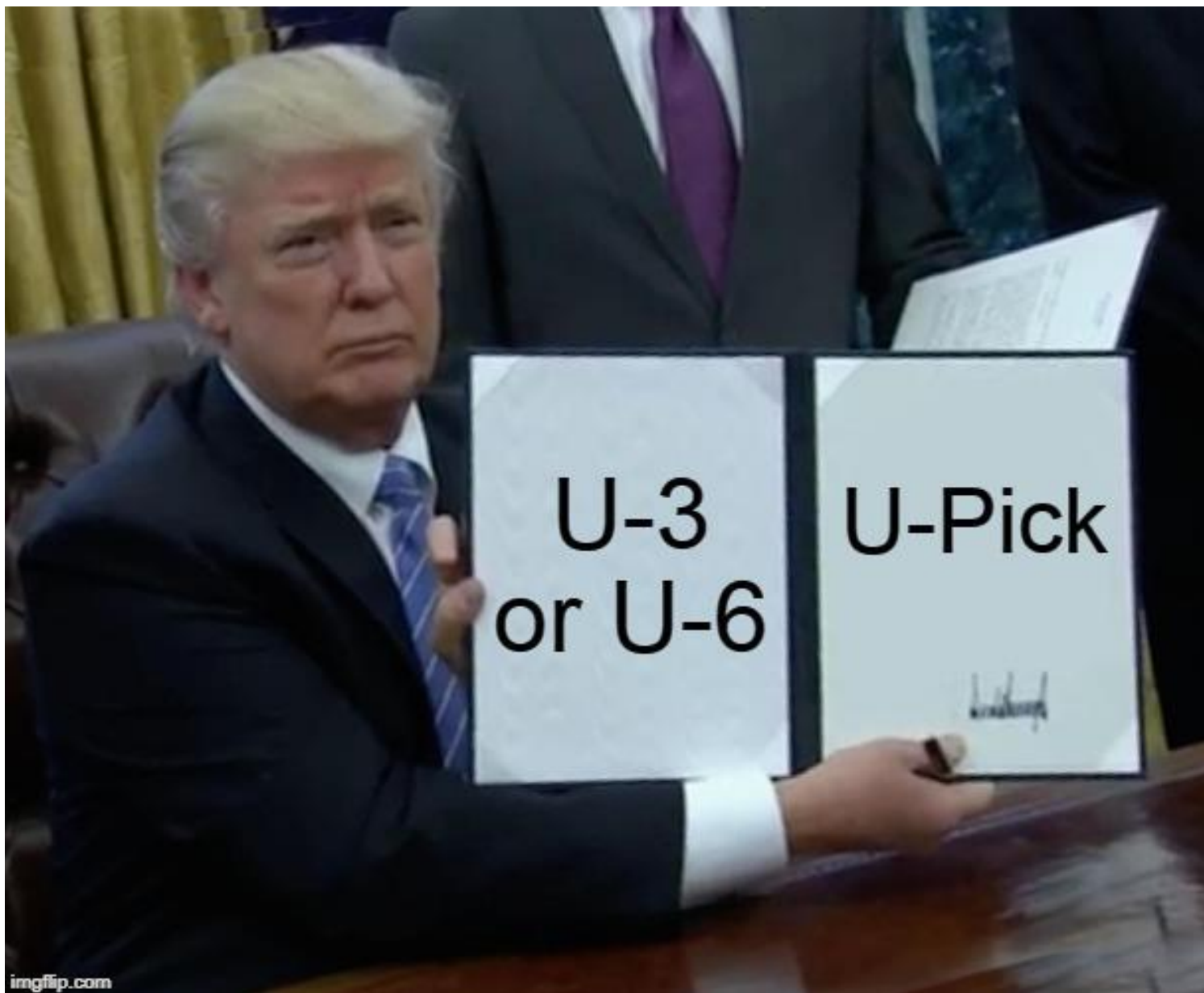
$$U-6 = \frac{\text{Unemployed} + \text{Involuntary Part Time Workers} + \text{Marginally Attached}}{\text{Labor Force} + \text{Marginally Attached}}$$



Source: Bureau of Labor Statistics, Payden Calculations

Would have preferred full time work, but their hours were cut, or they could not find full time work

4. The Many Unemployment Rates Many Options, You Decide (We Prefer U-6)

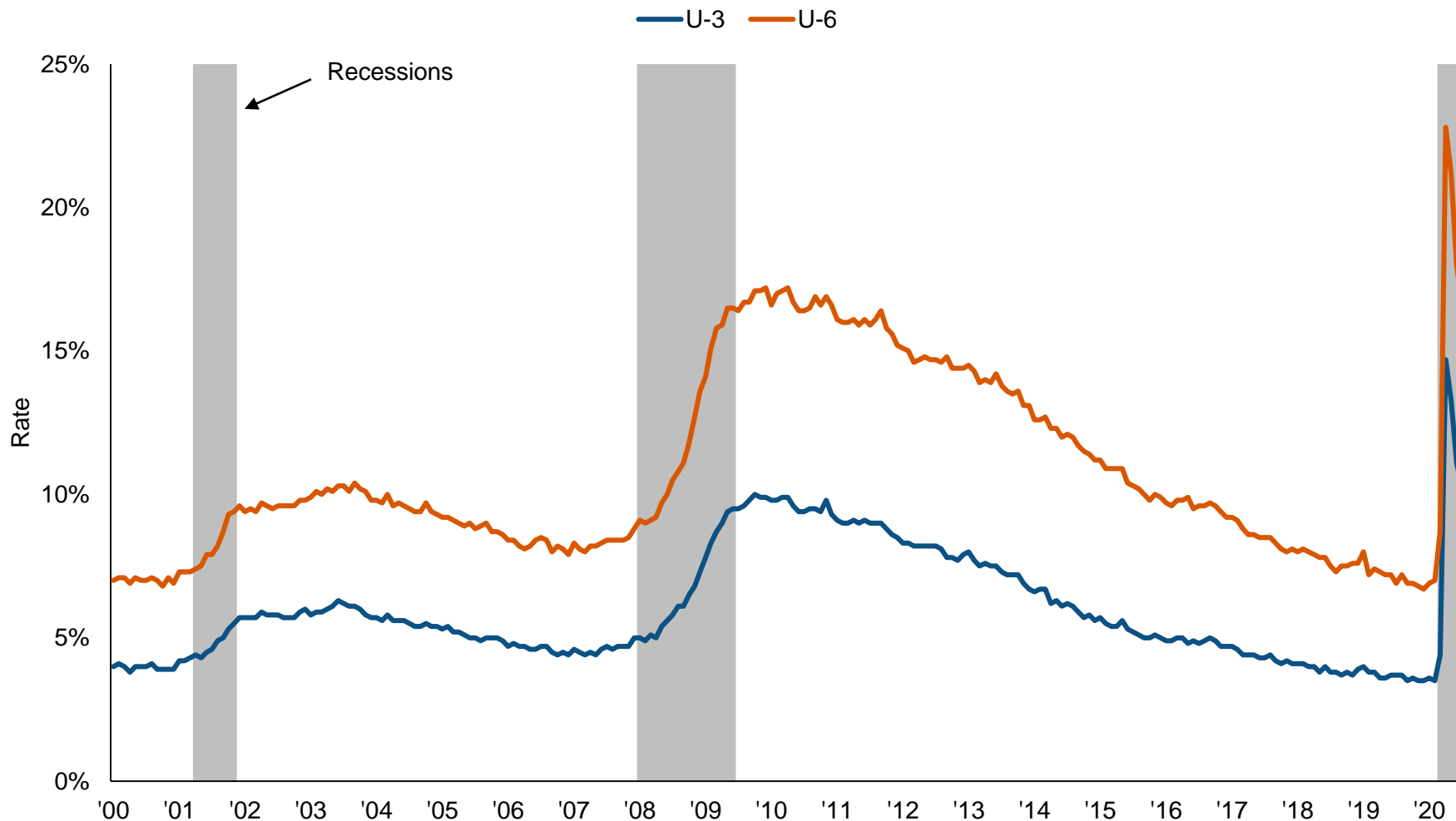




4. The Many Unemployment Rates

The U-6 Does A Better Job Of Portraying Labor Market Weakness

The Official Unemployment Rate (U-3) Versus the Broad (U-6) Unemployment Rate



Source: Bureau of Labor Statistics



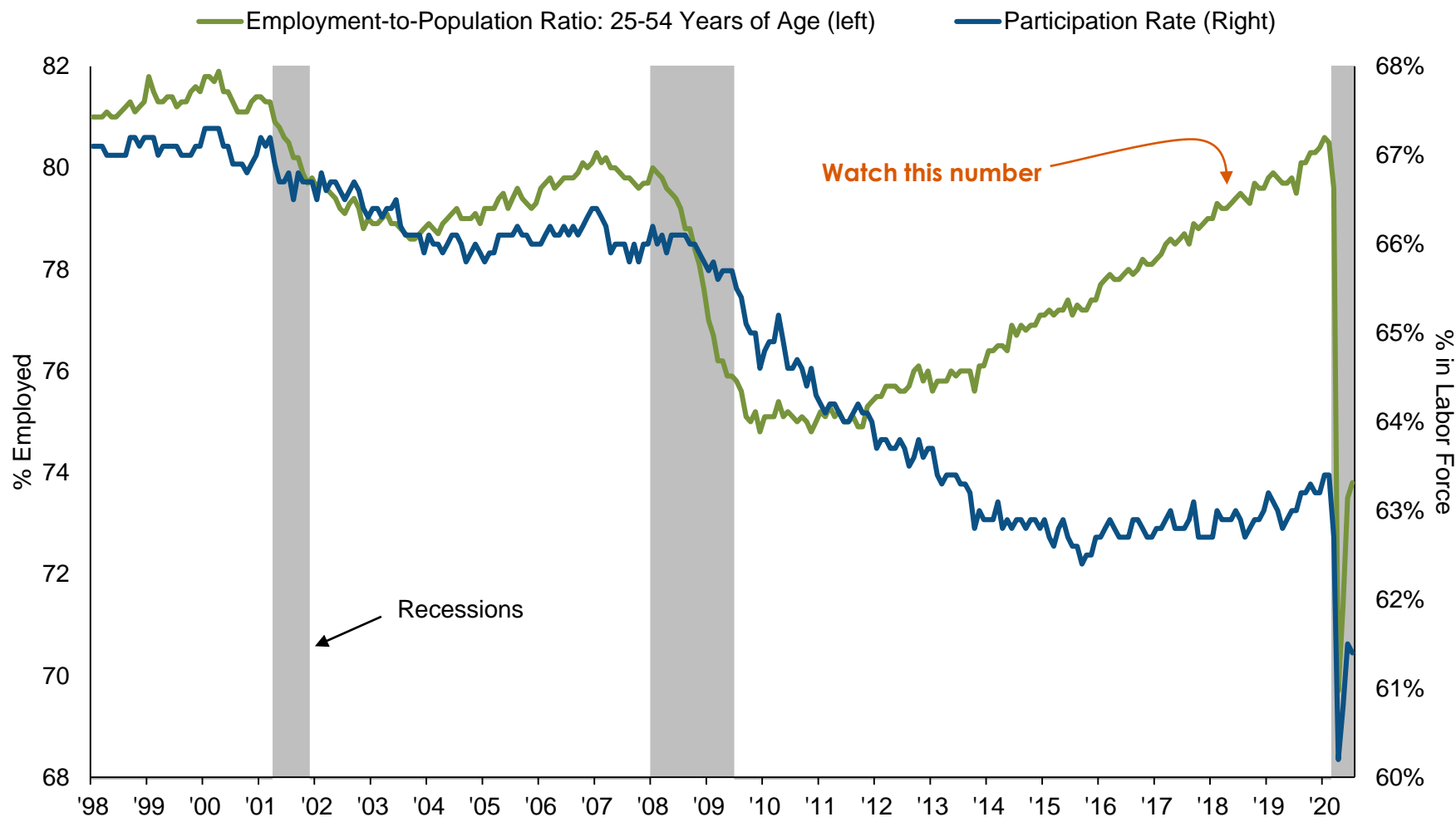
4a. The Labor Force Participation Rate (LFPR) Obsession Look At The Employment To Population Ratio For The Prime Age Worker Instead





4a. The Labor Force Participation Rate Obsession Look At The Employment To Population Ratio For The Prime Age Worker Instead

Labor Force Participation Versus Employment to Population Ratio



Source: Bureau of Labor Statistics, Payden Calculations



5. Any Other Report You Should Watch? You Should Pay Attention To Unemployment Insurance Claims (Layoffs)



Monthly
Payroll
Number

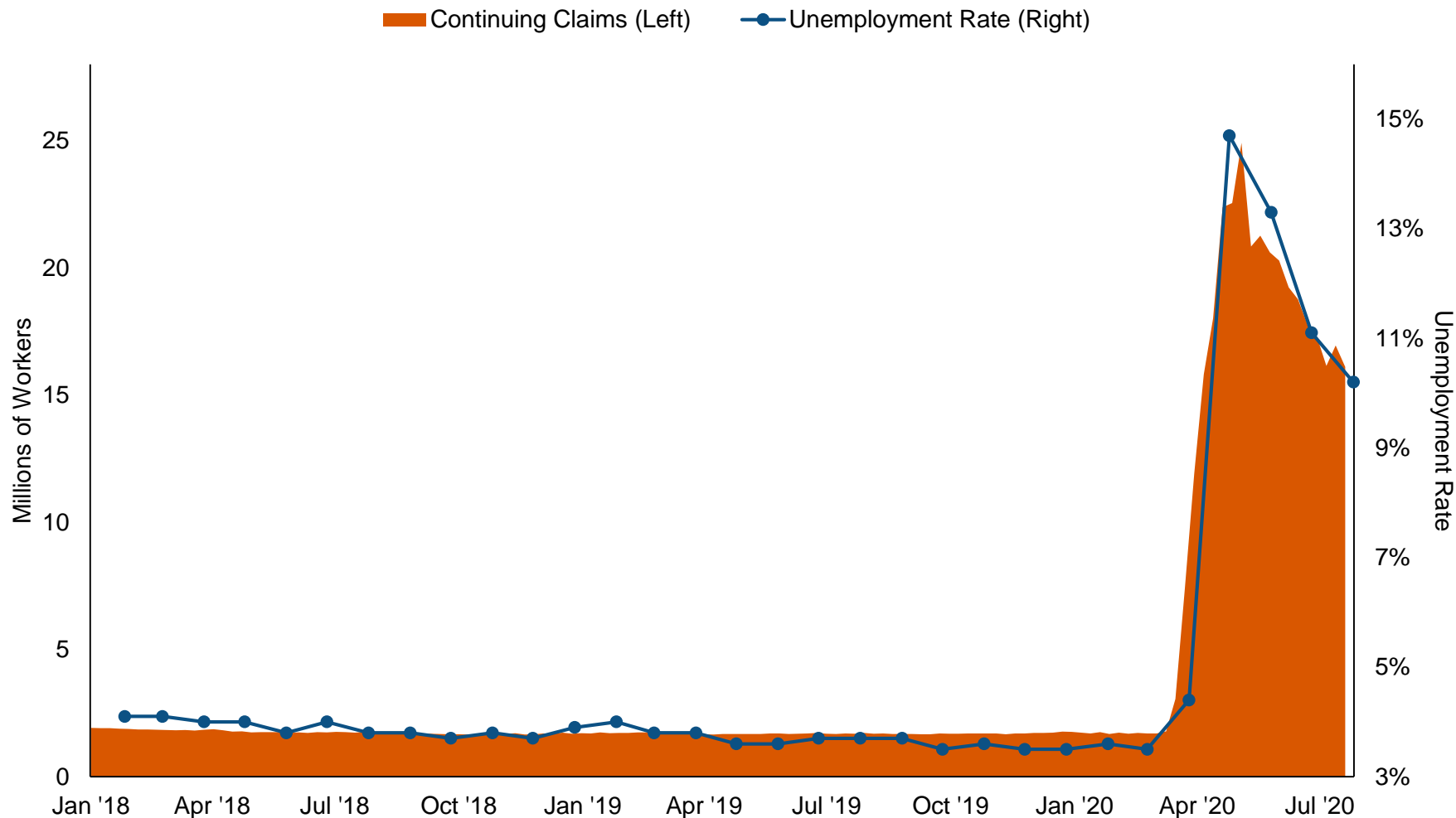


Continuing
Claims



Continuing Claims For Unemployment Insurance Provide a Timely Indicator for Overall Levels Of Unemployment

Continuing Claims Versus The Unemployment Rate

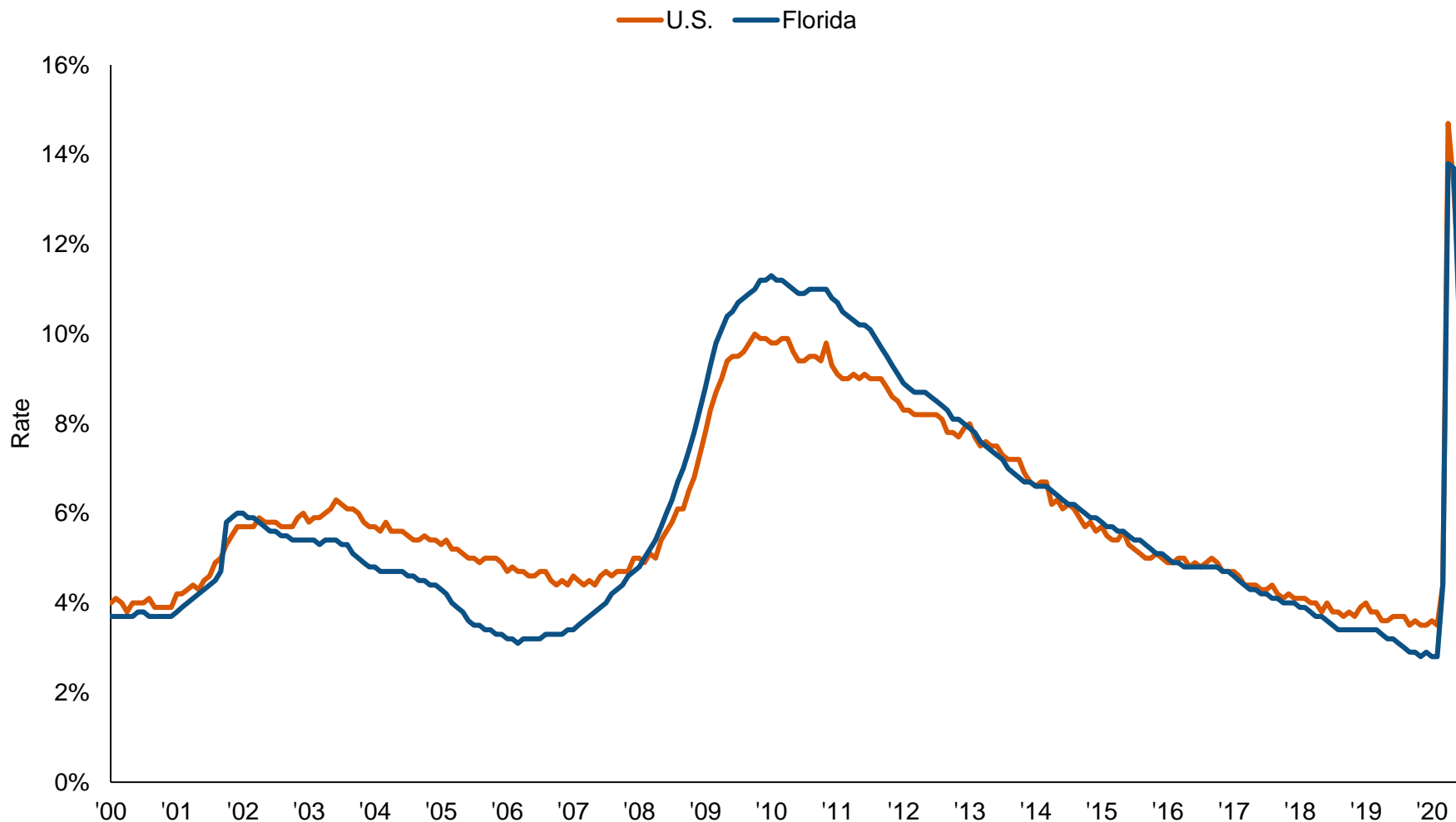


Source: Bureau of Labor Statistics, Dept. of Labor



How Does Florida Compare?

Unemployment Rate In Florida Versus The U.S.



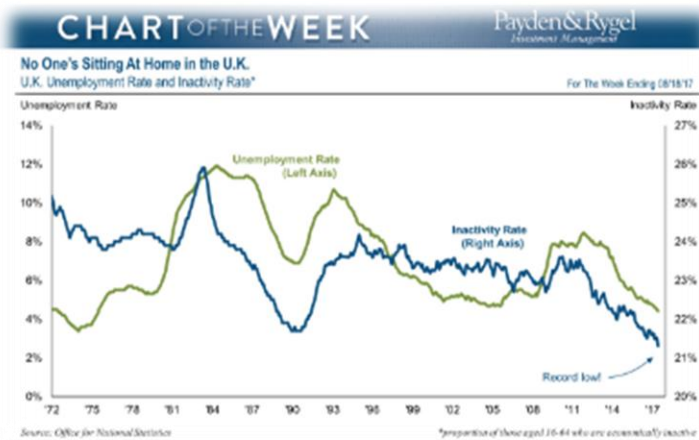
Source: Bureau of Labor Statistics



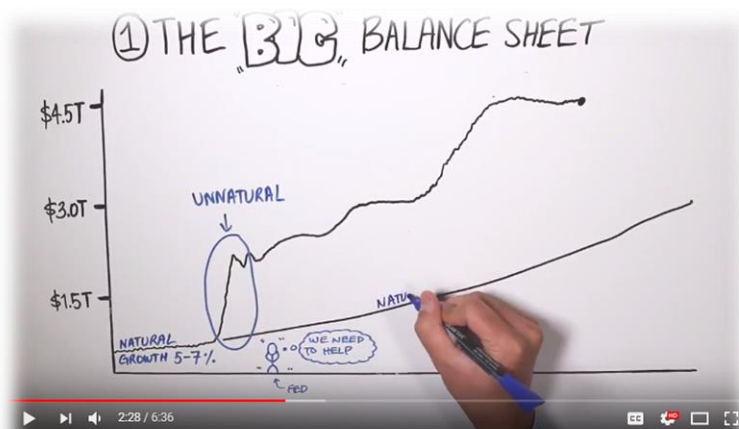
Key Takeaways In One Page

- 1) There are two surveys in the Employment Situation (“Jobs”) Report.
- 2) It’s important to look at both the overall level of jobs and the monthly change.
 - a. Revisions can have a significant impact.
- 3) The headline number is net not gross.
- 4) There are many unemployment rates.
 - a. U-3 is the “official” rate, while U-6 is a broader measure of unemployment.
 - b. The labor force participation rate doesn’t tell the whole story.
- 5) You should also watch initial and continuing claims for unemployment insurance.

Chart of the Week and Economic Updates



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Payden Rygel
Published on Aug 10, 2017

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The Point of View



It is just like any other Tuesday evening in New Delhi, the capital of India. Thick with smog from fireworks during the Diwali celebrations, the bustling city is quieter than usual as people seek refuge in their homes. On this cold night, Narendra Modi, Prime Minister of India, takes over the airwaves to make a sudden and stunning announcement. With the demeanor of a head of state announcing that his country is going to war, he states that "corruption, black money and terrorism are festering sores, holding [India] back in the race towards development" and announces that the two largest ammunition stocks (the 500 rupee and 1000 rupee, equivalent to \$7.79 and \$15.57) are "no longer be legal tender from midnight tonight."

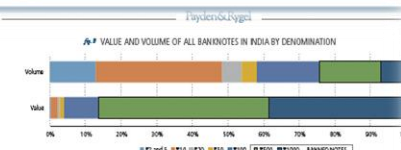
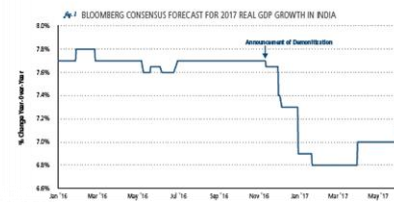
Democratization is merely the halfway point on the path to the real change investors should be focused on: digitization. The Modi government envisioned the process of digitization as having four steps: identification, banking infrastructure, digital records, and, ultimately, cashless commerce. We will examine each in turn. The journey began with the Aadhaar Act of 2010 and, we think, ends with the introduction

«ON THIS COLD NIGHT
NARENDRA MODI,
PRIME MINISTER OF
INDIA, TAKES OVER THE
AIRWAYS TO MAKE A
SUDDEN AND STUNNING
ANNOUNCEMENT—

The administration was criticised by some and applauded by others. Despite shortcomings in the implementation, Modi's ruling party performed surprisingly well in the local elections in India's largest state by population, Uttar Pradesh. Since then Indian equities (as measured by the SENSEX stock index) rallied almost 15%, even as economic forecasts lowered real GDP growth rates for 2017 from 7.7% to 7.1% (see Figure 1).

The true long term impact of demonetisation will take decades to determine. In the interim, investors must look behind the scenes to see the major transformation that the Indian economy is undergoing.

tation of IndiaStack. If India can endure the substantial bumps along the way it will enjoy the fruits of being a truly digitized economy.



INDIA BEFORE 2009: FINDING AN IDENTITY

Most citizens in the developed world contemplate their identity in silence and sleepless nights.

In India, before 2009, nearly 50% of the population lacked an official identity. Millions of babies were born every year without a birth certificate, which precludes that individual from basic services such as obtaining a license, bank accounts and mobile phones.

To remedy this problem, India launched a project called Aadhaar, nationwide biometric database based on a twelve-digit digital identity fingerprints and retina scans. Eight years later, Aadhaar is the largest

account with just their Aadhaar identification number. The proliferation of new bank accounts as a result of the initiative boggles the mind. Over 270 million new bank accounts were opened in the span of 18 months.

One of the primary incentives used to convince the previously banked to open an account was the linkage to social welfare programs. The rural population finally had an efficient and non-bureaucratic method of collecting on social welfare programs provided by the federal government with less leakage. Once people could instantly open a mobile phone account with their Aadhaar numbers, mobile phone penetration rapidly increased as well. In March 2017, the government

THE WAR ON CASH

This brings us to cashless commerce: once bank accounts and wallets become digital and linked to biometrics, cash is no longer needed.

In his initial speech (the one quoted at the beginning of this article) Modi gave the country until the end of 2016 to deposit their cash in a bank account. The idea is to curb the circulation of money in the shadow economy, the so-called *kala dhan*, or "black" money, through making counterfeit notes used by nefarious elements in society worthless. However, in an economy where cash transactions make up 90% of all consumer transactions,¹⁰ putting rid of 86% of the currency circulation may drastically cut down the level of cash (see Figure 2).

Working people across India skipped work for days or weeks at a time to make sure their cash was properly deposited into banks. The same citizens spent additional days or weeks waiting in line at ATMs to withdraw new notes, notoriously difficult to source, in order to conduct daily business. The subsequent cash shortage affected millions. Without cash, the economy temporarily froze.

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