

FLASH COMMENTARY NUMBER 830
Initial 2016 Benchmark Payroll Revisions

September 7, 2016

Private Sector Clobbered by 2016 Payroll Benchmark Revisions
Biggest Hits Were to Health Services, Temp Services, and Retail Trade
Biggest Upside Revision Was in Government

PLEASE NOTE: With the coverage on the payroll-employment benchmarking one day ahead of plan, the General Commentary has been shifted back a day to Friday, September 9th. There are no major regular economic releases this week.

Best wishes to all — John Williams

FLASH COMMENTARY

Private-Sector Employment Clobbered in the Benchmark. The [Preliminary 2016 Payroll Employment Benchmark Announcement](#), published this morning, September 7th, by the Bureau of Labor Statistics (BLS), showed a net downside revision to March 2016 total nonfarm payrolls of 150,000 (150,000) jobs, with private sector employment revised lower by 224,000 (-224,000) jobs. Final detail, along with extrapolated historical revisions, by month, will follow with the January 2017 headline payroll data on February 3, 2017. The opening link here goes directly to the full BLS announcement.

On the downside, major industry sectors losing meaningful payroll activity, in revision, included mining and logging (-23,000), trade transportation and utilities (-108,000; -119,500 in retail trade), professional and business services (-133,000; where major changes are dominated by temporary hiring services), and education and health services (-98,000).

On the plus side, major sectors with large upside gains included government (+74,000), leisure and hospitality (+74,000), manufacturing (+51,000), and construction (+40,000).

Regular Downside Payroll Benchmark Revisions Are Artefacts of Upside Biases Built into the Birth-Death Model. Discussed in some detail in prior-[Commentary No. 829](#) (see the *Birth-Death/Bias-Factor Adjustment* discussion on page 36), payroll data standardly are inflated in monthly BLS estimations. As explained by an official back in the 1980s, the Bureau suffered the political embarrassment of understating jobs growth coming out of the 1983 recession. The cure for that circumstance was the creation of a monthly, upside “bias factor,” which evolved into the upside bias factors in today’s “birth-death model.”