U6 Fix

Strong as Achilles

DOUGLAS HOLTZ-EAKIN | MARCH 9, 2018

The February jobs report was a behemoth. The labor market added 313,000 jobs. Stunning. The unemployment rate was unchanged at 4.1 percent because the labor force jumped 806,000 – the largest since June 1983 – as a result of a jump of 0.3 percent (to 63 percent) in the labor force participation rate. Stunning.

Employment gains were widespread across sectors of goods, services, and governments. The growth of 50,300 in the retail sector is especially strong. Demand for labor was also evidenced by a rise in the average workweek and the index of aggregate hours grew by 0.6 percent.

The February report also has an Achilles heel: average hourly earnings grew only at an annual rate of 1.8 percent. Frustrating.

Within the unemployment rates there were some interesting moves. Those with a high school education saw their unemployment rate decline by 0.1 percent – the only education category that saw a decline. Teen unemployment rose to 12.6 from 12.4 in January, while Hispanic unemployment dropped modestly from 5.0 to 4.9 percent.

There was a sharp decline – from 7.7 percent to 6.9 percent – in African-American unemployment, despite the fact that the African-American labor force participation rate jumped by 0.9 percent.

Data junkies here's your fix: the February U-6 (the broadest measure of unemployment) was unchanged at 8.2 percent as all components were essentially flat.

The bottom line: The February report was full of extraordinary numbers – in both directions. On the upside were jobs, labor force participation, and hours of work. On the downside was another disappointing lack of growth in average hourly earnings. It is nevertheless a *promising early indication of the impact of the tax and regulatory policies put in place in 2017.*