U6 Fix

Thanks for the Memories, 2020

GORDON GRAY | JANUARY 8, 2021

In the last month of one of the most tumultuous years on record, the labor market couldn't help disappointing because of course it couldn't. Payrolls declined for the first time since April, and unemployed held firm after 7 months of consecutive declines. Since the reference period covered by today's report, however, Congress enacted another round of economic relief that is already beginning to help struggling households.

Payrolls in December declined by 140,000, with private sector payrolls losing 95,000 jobs and the service sector losing 188,000 jobs. The leisure and hospitality sector drove this decline, losing 498,000 jobs, plainly driven by cold weather and COVID-19 concerns. Healthy gains in manufacturing, professional services, and other industries are encouraging, despite the headline decline in employment. Government payrolls declined by 45,000. Since May, the labor market has recovered 56 percent of the 22 million net employment loss in March and April.

The unemployment rate held at 6.7 percent, while the labor force added 100,000 workers, leaving the labor force participation rate at 61.5 percent. Since February, just under 4 million workers have left the work force, reflecting a labor force participation rate that is 1.6 percentage points below the average that prevailed for the year prior to February.

Changes in unemployment by education level reflected the ongoing trends during the pandemic. For those with less than a high school diploma, the unemployment rate rose by 0.6 percentage point. High school graduates and those with some college or an associate degree saw their unemployment rate remain unchanged, while the rate for those with a bachelor's degree or higher dropped by 0.4 point. The unemployment rate decreased for some races, but it increased for others. Unemployment decreased by 0.4 and 0.8 percentage point for African Americans and Asians, respectively. The unemployment rate increased by 0.1 percentage point for Whites and 0.9 percentage point for Hispanics.

Average hourly earnings gained by 23 cents, reflecting a 5.19 percent yearly gain. This large earnings gain is misleading, driven as it is by the substantial loss (again) of lower-wage workers in vulnerable industries such as leisure and hospitality. Average hourly earnings for production and non-supervisory workers similarly jumped by 20 cents for a 5.24 percent gain over the year.

Data junkies here's your fix: The December U-6 (the broadest measure of unemployment) decreased 0.3 percentage point to 11.7 percent, driven by a 0.3 decline in the contribution of workers employed part time for economic reasons.