



U6 Fix

U-Turn in the Labor Market

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The June jobs report was the mirror image of the disappointing May jobs report. Top-line job growth was 222,000, and employment growth was broadly distributed. In addition, the previous two months were revised upward by 47,000 jobs.

The only weak a point in the payroll survey was the growth in average hourly earnings, which grew at an annual rate of 1.8 percent. When combined with flat average weekly hours, the foundations of income growth were fairly soft.

The unemployment rate rose a tick from 4.3 to 4.4 percent, largely because the labor force grew by 361,000; the labor force participation rate also rose at tick to 62.8 percent.

Among some of the key unemployment rates, adult male unemployment rose to 4.0 percent, Hispanic unemployment fell from 0.4 to 4.8 percent, and the teenage unemployment rate – a volatile series – fell a full point to 13.3 percent.

Data junkies, here's your fix: the June U-6 (the broadest measure of unemployment) rose slightly by 0.2 to 8.6 percent due to the rise in the core unemployment rate and bump up in those marginally attached to the labor force.

The bottom line: The June report was a modest comfort. No development was spectacular, but the combination took away fears of a stall. This will permit the Fed to raise rates and begin tapering its portfolio. But it did not diminish the need for structural reforms in tax, regulatory, and entitlement policies.