



**The Daily Dish**

# January Jobs

GORDON GRAY | FEBRUARY 1, 2019

The December jobs report was a series of numbers that range from fantastic to fantastical. The one “bad” number – the rise in unemployment from 3.7 to 3.9 percent – is really good news because it reflects a rise in the labor force of 419,000 and a rise in the labor force participation rate from 62.9 to 63.1 percent. The two astonishing numbers were the top-line jobs number – 312,000 new jobs – and the 11 cent rise in average hourly earnings. The latter translates to an annual rate of 4.9 percent (and up 3.2 percent from December 2017). The wage number is long overdue, and the jobs number continues to outpace the underlying demography. The importance of the continued rise in work and labor market participation cannot be overstated. Equity markets may continue to stumble as they try to decipher the global policy landscape, but the underlying Main Street economy in the United States remains solid.

Here is a brief summary of the major economic indicators since the last jobs numbers:

- New home sales increased 16.9 percent in November;
- Orders for durable goods increased 0.8 percent in November\*;
- The Producer Price Index for final demand decreased 0.2 percent in December;
- The Consumer Price Index fell 0.1 percent in December;
- Real average hourly earnings increased 5 cents from November to December;
- The Price Index of U.S. imports decreased 1.0 percent in December;
- ISM Non-Manufacturing Index decreased to 57.6 percent in December;
- ISM Manufacturing decreased to 54.1 percent in December;
- Consumer Confidence Index decreased marginally from 169.9 to 169.6 in January;
- ADP reported private sector employment increased by 213,000 jobs in January.

\*Due to the government shutdown, new data has not yet been released.

## **Gordon's Guesstimate: January Jobs**

By Gordon Gray, AAF's Director of Fiscal Policy

The partial shutdown of federal agencies may have ended (for at least a couple more weeks), but the effects of that episode are still being observed. Today's employment report from the Bureau of Labor Statistics (BLS) will capture some of the disruption caused by the shutdown, but not all, due to differences in methodology of the two primary surveys that inform the jobs report.

The Employment Situation, or “jobs report” in common parlance, is released on the third Friday after the 12<sup>th</sup> of the previous month. This typically means that the report is released on the first Friday after the reference month — so today's release will reflect preliminary employment data for the month of January. The report contains data from two surveys: the Current Employment Survey (CES) and the Current Population Survey (CPS). The

CES survey is often shorthand to “payroll survey” or “establishment survey.” The CPS survey, which is conducted by the Census Bureau for the BLS, is often shorthand to “household survey.” These monikers reflect the survey subjects: The [CES](#) surveys businesses for employment, payroll, and paid hours data from a sample of firms. The [CPS](#) surveys 60,000 households on labor force characteristics. The surveys have slightly different reference periods as well. The establishment survey polls firms for the *pay period* that includes the 12<sup>th</sup> day of the reference month, while the household survey polls households for the *week* including the 12<sup>th</sup> of the month.

With respect to the headline data in the jobs report, the establishment survey informs the “jobs number,” specifically the number of workers added to payrolls. It also informs the headline earnings and hours worked data. The household survey informs the unemployment rate (including the U6 rate), labor force data, labor force participation rate, and labor force demographic data presented in the jobs report.

Different methodologies for these complementary reports [treat similarly situated individuals differently](#) in some circumstances. Specifically, the establishment survey will treat federal workers, irrespective of whether they were furloughed or working without pay, as having been employed. Hours and earnings data do not include government workers and would not be directly affected by the shutdown. Federal contractors that did not work due to the shutdown would not be counted. The household survey will count furloughed federal workers as unemployed (temporarily laid off) but will count those federal employees who worked without pay during the period January 6-12 as employed. It would also count contractors who did not work during this period as unemployed.

Accordingly, one would expect that the headline establishment survey jobs number will not capture the employment disruption caused by the shutdown, but instead will reflect the prevailing labor market forces for the month of January. The unemployment rate on the household survey will likely tick up in January due to the shutdown. That effect should unwind by the February jobs report.

With those factors in mind, I expect a healthy gain in payrolls of 180,000, but expect to see the unemployment increase to 4 percent. I also predict that earnings will post a 7-cent increase, for a 3.1 percent year-over-year gain.