



U6 Fix

A Cadbury Egg for the Fed

GORDON GRAY | APRIL 7, 2023

Payroll growth in March came in close to expectations, reflecting a healthy gain in employment that is nevertheless off the pace of hiring in the first two months of 2023. The gains were broad-based and reflected in both the payroll and household surveys. Of note, the bump in employment was paired with significant gains in the labor force, and slower earnings growth than has largely prevailed over the course of the current business cycle. For Fed watchers, this is a very good report.

The Bureau of Labor Statistics (BLS) reported that employers added 236,000 workers to their payrolls in March. The private sector added 189,000 workers to its rolls last month, while government employment gained 47,000. Goods-producing industries lost 7,000 employees overall, largely driven by a 9,000 payroll decline in construction. Manufacturing also lost 1,000 workers. The service sector gained 196,000 workers. Industries that saw the largest gains included the leisure and hospitality industry, which added 72,000 workers, and the private education and health services industry, which added 65,000. The retail trade industry, mirroring declines in goods-producing industries, saw employment decline by nearly 15,000 workers. Employment gains in January and February were revised down by a combined 17,000 workers, cementing the strong payroll gains over the past three months.

BLS reported that the unemployment rate in February fell back to 3.5 percent. The labor force participation rate ticked up to 62.6 percent, the fourth straight month of improvement, and marking a new high since March of 2020. Over the past 4 months, over 2.2 million workers have joined the labor force. The household survey echoes the payroll survey, showing a 97,000 decline in unemployed workers and 577,000 gain in employed workers.

The unemployment rate fell for all but one race; by education level, it fell for two, rose for one, and remained constant for one. By race, the unemployment rate decreased most for Blacks and Hispanics by 0.7 percentage points. For Asians, it dropped 0.6 percentage points. It remained constant for Whites. By education, it fell most for those with less than a high school diploma by 1.0 point. It fell for those with some college or associate degree by 0.2 points. High school graduates saw a 0.4-point rise. Those with a bachelor's degree or higher remained constant.

Average hourly earnings increased by 9 cents, reflecting a 4.2 percent yearly gain, and a slight acceleration in the monthly rate of change to 0.3 percent, which nevertheless is the second slowest monthly change in over a year. Average hourly earnings for production and non-supervisory workers increased by 9 cents, for a 5.39 percent gain over the year.

Data junkies, here's your fix: The March U-6 (the broadest measure of unemployment) ticked down to 6.7 percent, consistent with the decline in the regular unemployment rate.