U6 Fix

A Jobs Doughnut Part II for June

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I wrote (unflatteringly) about the February jobs report: "Doughnuts look good. Doughnuts even taste good. But doughnuts have a hole in the middle and really can't nourish you." June looks like another doughnut, with no wage growth and limited jobs growth.

The Labor Department delivered a fairly disappointing jobs report for June. Top-line growth showed 223,000 jobs, and the past two months were revised down modestly. The manufacturing and construction sectors stalled in terms of employment expansion.

The unemployment rate ticked down to 5.3 percent, and the labor force participation rate fell by 0.3 to 62.6. This is the lowest rate since October 1977. The unemployment rate for Hispanics stayed steady at 6.6 percent.

Meanwhile, teen unemployment rose from 17.9 percent to 18.1 percent. This remains far too high and is a lasting tribute to ill-designed minimum wage hikes.

Now more bad news. The Achilles heel of the labor market – wage growth – continued to disappoint. Last month's average hourly earnings remain unchanged at $24.95 – which translates to an annual rate of only 2 percent – barely enough to register real wage growth. Weekly hours remained flat, which cuts into the growth of labor income.

Data junkies here's your fix: the June U-6 (the broadest measure of unemployment) dropped to 10.5 percent, reflecting the decline in the basic unemployment rate.

The bottom line: As feared, the evidence continues to mount that the way the economy is producing jobs in the midst of slow growth is by suffering poor productivity growth. Without pro-growth policies that generate productivity growth, "recovery" will still mean poor wage and income growth – an unsatisfying diet for the American worker.