U6 Fix

A Slightly Overcooked Turkey

GORDON GRAY | DECEMBER 2, 2022

The November jobs report came in a bit hotter than expectations, marked in particular by an acceleration in hourly earnings. While this is all to the good for workers facing declining buying power, the Federal Reserve will be less sanguine on this report

Today, the Bureau of Labor Statistics (BLS) reported that employers added 263,000 to their payrolls in November, with 221,000 joining the private sector. Government payrolls were also up by 42,000. Goods-producing industries added 37,000 employees. Construction and manufacturing saw payrolls grow by 20,000 and 14,000 workers, respectively. The service sector gained 184,000 workers, but some industries saw net declines. Retail trade and transportation and warehousing lost a combined 45,000 workers. Employment in the leisure and hospitality industry on the other hand grew by 88,000 workers, followed closely by education and health services, with an 86,000-payroll gain. Employment gains in September and October were revised down by a combined 23,000 workers. As of this print, the labor market has recovered 1,044,000 more jobs than the 22 million jobs lost in March and April of 2020.

BLS reported that the unemployment rate in November remained unchanged at 3.7 percent, though the measure was close to rounding down to 3.6 percent. Somewhat in contrast to the payroll survey, the household survey reflected a net decline of 138,000 in the employed population. The labor force lost 186,000 workers, following two prior months of declines that brought the labor force participation rate to 62.1 percent. The labor force is 102,000 Americans short of the level observed in February of 2020, while the labor force participation rate is 1 percentage point below the average that prevailed for the year prior to February 2020. If the labor force participation rate was at a similar level, the current labor force would be 2.5 million workers stronger.

The unemployment rate rose for two education levels, fell for one, and remained constant for one; it fell for all but one race. By race, it fell most for Hispanics by 0.3 points. Asians and Blacks both saw a 0.2-point decrease. For Whites, it remained constant at 3.2 points. By education, it fell for those with less than a high school diploma by 1.9 points. It rose for those with some college or associate degree and those with a bachelor's degree or higher by 0.2 and 0.1 points, respectively. High school graduates saw no change.

Average hourly earnings increased by 18 cents, reflecting a 5.1-percent yearly gain, and an acceleration in the monthly rate of change to 0.55 percent, which is the fastest pace since January. Average hourly earnings for production and non-supervisory workers increased by 19 cents, for a 5.8-percent gain over the year; the monthly rate of wage growth was the fastest since December of last year.

Data junkies, here's your fix: The November U-6 (the broadest measure of unemployment) inched back down to 6.7 percent, driven by a decline in the contribution of workers marginally attached to the labor force.