



U6 Fix

A Wintry Mix

GORDON GRAY | JANUARY 7, 2022

The headline payroll number disappointed again, but much like November, the household survey told a different story. The December jobs report is a good example of why the “Employment Situation” is not boiled down to a single number. Rather, it presents a host of metrics for measuring the labor market. This report underscored a tight labor market, with unemployment returning to sub-4 percent levels and strong nominal earnings growth. Revisions didn’t wildly change the story for November and October, but are probably going to improve the December payroll numbers in subsequent reports.

Employers added 199,000 workers to payrolls in December, somewhat below expectations. Private-sector payrolls grew by 211,000, with government losing 12,000 workers. The private economy saw 157,000 workers added to the service sector and 54,000 workers added to goods-producing industries. Leisure and hospitality led the gains, with 53,000 joining those ranks, followed by a 43,000-worker gain to professional and business services. The manufacturing and construction industries gained 26,000 and 22,000 workers, respectively. Retailers and temporary payrolls, however, lost 2,100 and 1,600 workers.

The unemployment rate fell by 0.3 percentage points to 3.9 percent. The household survey showed a 651,000 gain in the number of employed workers, paired with a decline in the unemployed of 483,000. The labor force added a modest 242,000 workers, while the labor force participation rate remained unchanged at 61.9 percent. Since February 2020, the labor force is down 2.2 million workers, while the labor force participation rate remains 1.2 percentage points below the average that prevailed for the year prior to February 2020.

The unemployment rate dropped for all education levels and all but one race. By race, it rose for Blacks, by 0.6 points. It dropped the most for Whites, by 0.5 points. For Hispanics and Asians, it dropped 0.3 points and 0.1 points, respectively. By education, it dropped most for high school graduates with no college, by 0.6 points. Those without a high school diploma saw a 0.3-point drop, and both those with some college or an associate degree and college graduates dropped 0.1 points.

Average hourly earnings increased 19 cents, reflecting a 4.7 percent yearly gain. Average hourly earnings for production and non-supervisory workers similarly increased, showing an 18-cent gain and a 5.8 percent gain over the year.

Data junkies, here’s your fix: The December U-6 (the broadest measure of unemployment) fell 0.5 percentage points to 7.3 percent largely due to the decline in the regular unemployment rate and the contribution of those working part time for economic reasons.