



U6 Fix

April Jobs: It Was the Best of Times, It Was the Worst of Times....

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April jobs surprised on the upside – 288,000 jobs – widely distributed across industries and comprised of under 10 percent temporary help jobs. But labor force participation collapsed, with the labor force down 806,000 and the participation rate down by 0.4 percent to 62.8 percent. The result: the unemployment rate fell sharply from 6.7 to 6.3 percent.

In between, the components of real income growth were so-so at best. Average weekly hours were flat. Average weekly earnings of nonsupervisory workers rose at an annual rate of 1.8 percent – roughly even with inflation. It is hard to imagine the consumer powering the near term without better components of income growth.

Reflecting the report as a whole the Hispanic unemployment rate fell from 7.9 percent to 7.3 percent even as the labor force participation rate collapsed from 66.3 to 65.6.

The high-skill and low-skill labor markets went opposite directions. Those with some college or a degree saw participation rise and unemployment fall. Those with a high school degree or less saw participation drop sharply, leading to a lower unemployment rate for the wrong reason. In these circumstances the emphasis should be on improving skills and education not raising barriers to employment with a higher minimum wage.

Data junkies here's your fix: the April U-6 (the broadest measure of unemployment) plummeted from 12.7 percent to 12.3 percent.

The bottom line: As anticipated, the jobs number rebounded from the weather-related doldrums of the first quarter. But households threw the report a curveball, with record declines in the labor force. In between, the components of real income – average weekly hours and earnings – were flat. Interesting, yes. Providing clarity about the outlook, hardly.