U6 Fix

December: Job, No Money

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The December payroll jobs showed real strength. Payroll jobs were up 252,000 and October and November (originally at 321,000 jobs) were revised upward. But the good news ends there. Average hourly earnings were down 0.2 percent (and the strong November number was revised down) and the average hours were flat. Jobs and no income has become the signature of the labor market.

The unemployment rate dropped 0.2 percentage points to 5.6 percent, but this largely reflected a drop of 273,000 in the labor force and a decline in labor force participation to 62.7 percent – matching the low of September 2014, but also February 1978.

Consistent with the household survey, Hispanic unemployment fell from 6.6 percent to 6.5 percent as the participation rate fell from 66.2 to 66.0 percent.

Data junkies here's your fix: the December U-6 (the broadest measure of unemployment) fell from 11.4 percent to 11.2 percent. This decline is solely due to the labor force decline that drove the conventional unemployment rate decline of 0.2 percent.

The bottom line: A strong labor market attracts people to participate and pays them rising wages. It is hard to say the labor market is strong despite the robust top-line numbers. The U.S. economy is healing, but not yet healthy.