



U6 Fix

Good. Next Step, Great?

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The June jobs report was a 2nd straight solid report. Once again, the key was either no news or good news. Top-line employment growth was 288,000 jobs and the unemployment rate fell to 6.1 percent – both well above my expectations (and a minor victory for ADP in predicting a strong number). The household survey showed growth in the labor force (81,000) and employment (407,000), allowing the fraction of the population that was employed to rise by 0.1 to 59.0. On the no news front, the labor force participation rate was unchanged.

Turning to the employers, in addition to strong job growth there was a rise in the indices for weekly hours and weekly earnings, suggesting better income growth to support the household sector.

A modest outlier was the 0.1 percent rise in Hispanic unemployment rate to 7.7 percent, but reflected a sharp 0.6 percent rise in the labor force participation rate.

Data junkies here's your fix: the June U-6 (the broadest measure of unemployment) edged down to 12.1 percent from 12.2 percent.

The bottom line: This is good economic news – consistent with other data indicators for June. It suggests solid 2nd quarter GDP growth, but it will still be difficult to get to even 2.5 percent for 2014 as a whole. The monthly tension over the jobs report is dissipating – finally. The remaining hurdle is to have the economy as a whole shift to rapid growth and thereby close the yawning gap between what is happening and the potential for the economy.