



U6 Fix

Hopes Dashed (Again)

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The December jobs report was terrible. After a November report that was strong from stem to stern, December disappointed in every dimension: jobs grew by only 74,000, there were modest upward revisions to past jobs growth, hours worked fell, and earnings were flat to declining. Yes, the unemployment rate fell by 0.3 percent to 6.7 percent but only because labor force participation fell off (another) cliff — this time declining to 62.8 percent, the lowest in 36 years.

The only important question is whether it is real. There are some concerns about weather affecting the labor market in the survey week and the data do no jibe with other indicators from December.

On the numbers:

- 74,000 new jobs,
- Unemployment rate 6.7 percent,
- Labor force down 347,000; labor force participation down from 63.0 to 62.8 percent,
- Index of hours worked down 0.3 percent, and
- Index of weekly payrolls down 0.1 percent.

No good news anywhere.

The Hispanic unemployment rate fell from 8.7 percent to 8.3 percent, but again because labor force participation fell from 66.3 percent to 65.5 percent.

Data Junkies here's your fix: the December U-6 (the broadest measure of unemployment) was unchanged at 13.1 percent.

The bottom line: The December report muddies the waters. Going in, job growth was viewed as solid, if unsatisfyingly slow to lower unemployment. Once again, however, the pace of recovery appears threatened and the adequacy of White House economic policies further in question.