



U6 Fix

Where is the wage growth?

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The economy created 214,000 jobs in October, a disappointing headline number, down from the September pace and a surprise in light of other strong data. At the same time, the unemployment rate fell from 5.9 percent to 5.8 percent.

The decline in the unemployment rate reflects a very strong household survey. Households reported that there were 683,000 more people employed in October and that the labor force (up 416,000) and labor force participation (up 0.1 to 62.8 percent) rose.

The payroll survey was less impressive. The topline jobs creation was down, and growth in hours, wages, and payrolls continues to disappoint. Year-over-year hours growth was 0.5 percent in October, while year-over-year growth in average hourly earnings barely outpaced inflation at 2.0 percent. (October in isolation was even weaker, with growth at 1.5 percent annually).

Consistent with the strong household survey, teen unemployment fell to 18.4 percent from 20.0 percent. Hispanic unemployment fell from 6.9 percent to 6.8 percent, even though participation rose from 65.9 to 66.3 percent.

Data junkies here's your fix: the October U-6 (the broadest measure of unemployment) fell from 11.8 percent to 11.5 percent.

The bottom line: The October headline is a strong household survey. The large, more reliable payroll survey however painted a picture of solid growth that is not accelerating. The mixed data continues the 2014 pattern of hints of acceleration that never seem to materialize.