



U6 Fix

Jobs to Fed: Time for Liftoff

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The October jobs report was a huge surprise: 271,000 jobs and an unemployment rate of 5.0 percent. Job growth was widespread (outside of manufacturing). The now-closely-watched hourly earnings data showed the largest year-over-year increase since July 2009 – up 2.5 percent. (It was up 0.4 percent in October.) This represents real wage growth, which has been a missing ingredient. The only nit to pick was flat average weekly hours.

Looking at the household survey, the labor force grew by 313,000 and labor force participation remained at 62.4 percent. Employment growth as measured in this survey was 320,000 jobs.

The unemployment rate for Hispanics edged down from 6.4 to 6.3, while the rate for teenagers fell a full 0.4 percentage points to 15.9 percent. Their unemployment rate has fallen by a full percentage point in the past two reports.

Data junkies here's your fix: the October U-6 (the broadest measure of unemployment) fell from 10.0 to 9.8 percent. The decline was driven by a decline of 290,000 people working part time because of slack business conditions.

The bottom line: The October report removes any excuse for the Fed to keep rates at zero. The more interesting issue is whether the strong October report represents a one-time blip in the aftermath of the weak August and September performance, or is an early sign of growth that will remain above the 2.2 percent average since the recovery began.