



U6 Fix

June Jobs: Groundhog Day

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How many times have we seen this movie? The June jobs report featured spectacular top-line job growth of 287,000 new payroll jobs (although May was revised down to a dismal 11,000). Job gains were widely distributed, showing a rebound in goods-producing employment as well as the cyclically-sensitive temporary help services. At the same time, the labor force participation rate ticked up by 0.1 leading to labor force growth of 414,000. All good news.

Unfortunately, the new entrants into the labor force did not find enough jobs, so the unemployment rate bounced up to 4.9 percent. And – here we go again – average hourly earnings rose at an annual rate of 0.9 percent – less than even the modest rate of inflation.

The teenage unemployment rate stayed steady at 16.0 percent, while the Hispanic unemployment rate rose by 0.2 to 5.8 percent.

Data junkies here's your fix: the June U-6 (the broadest measure of unemployment) dropped by 0.1 to 9.6 percent. This is an important aspect of the report, reflecting a sharp drop in those working part-time for economic reasons.

The bottom line: The June report is another solid, unspectacular episode. The jobs picture shows a trend in the vicinity of 145,000 monthly, but wage growth once again disappoints. It is strong enough to justify a Fed rate increase, but the absence of wage inflation will likely give it reasons to hold steady again in July. And it does nothing to change the dynamics of the presidential race; Clinton's policies promise simply more of the same.