U6 Fix

Labor Market Magic

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I think Twizzlers are fantastic, but I don't understand how they are made. I think it is amazing that the U.S. labor market created another 223,000 jobs in May – way above what the demographics would suggest – but I don't understand how. Without an increase in labor force participation – which fell from 62.8 to 62.7 percent – there shouldn't be enough workers to fill that many new jobs.

But like Twizzlers, just enjoy. In addition to the jobs, average hourly earnings were up 2.7 percent from May 2017, and up from April 2018 at an annual rate above 3.5 percent. This is very strong.

The unemployment rate came in at 3.8 percent (lowest since April 2000), but some of the details were even more striking. The unemployment rate for African Americans fell by 0.7 percent to 5.9 percent – the lowest ever measured. Asian unemployment also fell 0.7 percent to 2.1 percent. Teenage unemployment fell 0.1 percent and women down 0.2. Hispanic unemployment ticked up by 0.1 percent.

Turning to education levels, a drop in the unemployment rate of 0.5 percent for those with less than a high school education brought that unemployment rate to 5.4 percent.

Data junkies here's your fix: The May U-6 (the broadest measure of unemployment) dropped another 0.2 to 7.6 percent, the lowest since May 2001. The decline mirrored the reduction in the basic unemployment rate and a decline in those marginally attached to the labor force.

The bottom line: The May report is very strong with the sole exception of the decline in labor force participation. The growth in wages had been the missing ingredient, and the top-line job growth continues to surprise on the upside.