U6 Fix

The Labor Market in March: In Like a Lion…

DOUGLAS HOLTZ-EAKIN | APRIL 6, 2018

In advance of the March report, there were two key points of interest: wages and labor force participation. Everybody expected a solid jobs number, even if not another behemoth like February with its initial report of 313,000 jobs. Today the Labor Department revised this up to 326,000. Unfortunately, things apparently cooled off considerably in March with the job market creating 103,000 jobs. Indeed, it is quite likely that the jobs number was suppressed by cold weather and snow in March, a view buttressed by job losses in the weather-sensitive retail and construction sectors.

Turning to the key indicators in the report, there was a mixed picture. Average hourly earnings rose by 0.3 percent, and were up by 2.7 percent from a year ago. Quite solid. The weak number was a decline in labor force participation by 0.1 percentage points to 62.9 percent – leading the labor force to decline by 158,000.

The overall unemployment rate stayed steady at 4.1 percent. Teen unemployment dropped sharply from 14.4 percent to 13.5 percent, while the Hispanic and Asian rates ticked up by 0.2 percent.

Data junkies here's your fix: the March U-6 (the broadest measure of unemployment) dropped 0.2 to 8.0 percent due to a decline in those marginally attached to the labor force and a reduction in discouraged workers.

The bottom line: President Trump is rattling his saber. The stock market is prone to waver. But the Main Street economy is resolutely producing jobs and income. To put it in perspective, however, job growth is in the range of 1.5 to 1.6 percent annually. When combined with 1.0 percent productivity growth, the top-line is still economic growth below the 3.0 percent target. Better productivity growth remains the holy grail of near-term economic policy.