U6 Fix

A Misleading Top-Line for March Jobs

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March delivered a surprisingly low jobs figure after a solid start to 2017. The economy generated 98,000 jobs, but this was likely deeply suppressed by weather factors. Indeed, there is good reason to largely discard the payroll survey because of the weather impacts. The more significant bad news was that job creation for January and February was revised downward by a total of 38,000. In March, sectors that fared well included business and professional services, mining, and health care services.

In contrast, the household survey was quite strong. The labor force participation rate was steady at 63 percent, households reported 472,000 new jobs and the number of unemployed fell by 326,000. The upshot was an unemployment rate decline from 4.7 percent to 4.5 percent.

Turning to metrics of tightness in the labor market, average hourly earnings rose by $0.05, which translates to an annual rate of 2.3 percent. That corresponds to a bit under 1 percent real wage growth. Average hours were flat.

Moving to some of the key unemployment rates. Hispanic unemployment was down from 5.6 percent to 5.1 percent, and the teenage unemployment rate – a volatile series – dropped significantly to 13.7 percent.

Data junkies here's your fix: the March U-6 (the broadest measure of unemployment) fell by 0.3 to 8.9 percent due to a fall in the core unemployment rate and a decline in those marginally attached to the labor force.

The bottom line: The March report was misleading, and knocked down by weather during the survey week. The underlying trend in the labor market continues to be solid growth, with expectations of a policy-related uptick in the growth environment.