



U6 Fix

New Year, New U-3

GORDON GRAY | FEBRUARY 5, 2021

Where last month's substantial losses in leisure and hospitality swamped the positive signs elsewhere in the labor market, this month's report is largely flat or weak across the board – with a conspicuous exception in temporary workers. This report is the first report subsequent to the enactment of the latest relief package. As that assistance works its way into the economy, it will necessarily provide households with continued relief in the face of continued challenges posed by the virus. But the virus remains the key determinant of the strength of the labor market.

Payrolls in January gained 49,000 jobs, with private-sector payrolls were essentially flat, picking up 6,000 jobs. The service sector was similarly flat, with a 10,000 gain, while goods-producing industries lost 4,000 workers. The leisure and hospitality industry continued to lose jobs, though the 61,000 decline was about an order of magnitude smaller than that seen in December. Government payrolls gained 43,000 jobs. Since May, the labor market has recovered 56 percent of the 22 million net employment loss in March and April – leaving employment about 9.9 million below February levels.

The unemployment rate fell 4 percentage points to 6.3 percent, driven in part by a 600,000 decline in the unemployed under the household survey. The labor force shed 400,000 workers, leaving the labor force participation rate at 61.4 percent. Since February, over 4.3 million workers have left the work force, reflected in a labor force participation rate that is 1.7 percentage points below the average that prevailed for the year prior to February.

In a reversal of the trend over the last 10 months, the unemployment rate dropped for all education levels except those with a bachelor's degree or more. Those with less than a high school degree and those with a high school diploma but no college both saw their unemployment rates drop by 0.7 percentage point. Those with some college or an associate degree saw their rate drop by 0.1, while the rate for those with a bachelor's degree or more rose by 0.2. The unemployment rate decreased for most races, but it increased for Asians by 0.7 percentage point. Unemployment decreased by 0.3 for Whites, and it decreased by 0.7 for both African Americans and Hispanics. (These figures are likely impacted by the updated population adjustments that are released at the beginning of every year.)

Average hourly earnings gained by 6 cents, reflecting a 5.6 percent yearly gain. Average hourly earnings for production and non-supervisory workers similarly jumped by 3 cents for a 5.44 percent gain over the year.

Data junkies here's your fix: The January U-6 (the broadest measure of unemployment) decreased 0.6 percentage points to 11.1 percent, largely driven by a 0.3 decline in the U-3, as well as smaller declines in the contribution of workers marginally attached to the labor force and those employed part time for economic reasons.