



U6 Fix

September Jobs: Look Behind the Headlines

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The headline numbers for September look great. The economy created 248,000 jobs and the unemployment rate fell to 5.9 percent. Fabulous. On top of that, the weak August number of 148,000 jobs was revised up to 180,000 jobs. Even better.

Now the bad news. The decline in the unemployment rate was down in part because labor force participation fell by 0.1 percentage points (to a low not seen since 1978) as 97,000 people left the labor force. Teen unemployment rose 19.6 to 20.0 percent – bad news. For those aged 20 to 24 the unemployment rate jumped from 10.6 to 11.4. Hispanic unemployment fell from 7.5 percent to 6.9 percent, in part due to a slip in the participation rate of 0.1 percent.

Another disturbing aspect of the report was that average hourly earnings and hours of work were essentially unchanged. It is hard to see how the economy will upshift significantly without better earnings and income data.

Data junkies here's your fix: the September U-6 (the broadest measure of unemployment) fell from 12.0 percent to 11.8 percent, largely because of the reduction in marginally attached workers.

The bottom line: The September report was mixed news. Optimists will spin the top-line numbers and the administration will tout them as well. But the underpinnings of the decline in unemployment and the absence of earnings growth are reasons to be cautious. The mixed data is another strike against the idea that the economy will accelerate significantly in 2014.