U6 Fix

A Solid Start to 2017

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February delivered a second straight solid jobs report. The economy generated 230,000 jobs – a number that was likely somewhat inflated by mild weather. (To see this, note that the 4-week moving average for new claims for unemployed insurance rose by 2,250 from the previous week. Also, construction employment was up 58,000 – a relatively large number that is typically associated with good winter weather.)

At the same time, labor force participation ticked up 0.1 to 63.0 percent and the unemployment rate still fell by 0.1 to 4.7 percent – a good combination of events.

Turning to metrics of tightness in the labor market, average hourly earnings rose by $0.06, which translates to an annual rate of 2.8 percent. That corresponds to roughly 1 percent real wage growth. Average hours were flat.

Turning to some of the key unemployment rates. Hispanic unemployment was down from 5.9 percent to 5.6 percent, while the teenage unemployment rate – a volatile series – was flat at 15.0 percent.

One of the key issues early in the year is that 19 states raised their minimum wage. There was no real indication of an impact on aggregate unemployment rates in either the January or February reports. In contrast, one might expect job growth in retail trade and leisure and hospitality to be diminished. Retail was down 26,000 jobs, but the latter rose by exactly the same amount. Again, not much drama.

Data junkies here's your fix: the February U-6 (the broadest measure of unemployment) reversed course and fell by 0.2 to 9.2 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 February report was strong, if somewhat inflated by warm weather. Nevertheless, the underlying trend in the economy appears to be strengthening early in 2017.