U6 Fix

A Solid Start to 2017

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The January jobs report was solid throughout. The topline job growth was 227,000 new jobs and the unemployment ticked up to 4.8 percent – but largely because labor force participation rose by 0.2 to 62.9 percent.

Turning to the foundation of income growth, average hourly earnings rose only by 0.1 percent and hours worked were flat. This was the softest part of the employment report.

Turning to some of the key unemployment rates. Hispanic unemployment was unchanged at 5.9 percent. The teenage unemployment rate – a volatile series was up 0.3 percent to 15.0 percent.

One of the key issues in this report is that 19 states raised their minimum wage. One might expect this to inflate average hourly earnings growth – and there was little increase in that series. One might also expect it to affect teen unemployment (which was up), unemployment of those with less than a high school education (which fell by 0.2) or those with a high school education (which was up by 0.2 to 5.3 percent). Not much drama in these numbers.

Similarly, one might expect job growth in retail trade (which created 46,000 jobs) and leisure and hospitality (which created 34,000 jobs). Again, not much drama.

Data junkies here's your fix: the January U-6 (the broadest measure of unemployment) reversed course and rose by 0.2 to 9.4 percent due to the rise in the basic unemployment rate and an increase in the fraction working part time for economic reasons.

The bottom line: The January report was very strong, with very little weakness. The outstanding question is whether this is a one-month spike or a signal of new strength in trend growth.