



U6 Fix

Starting the Year Off Right

GORDON GRAY | FEBRUARY 4, 2022

The January jobs report defied most expectations and showed nearly half a million new workers were added to payrolls last month. Substantial re-estimates to the labor surveys also showed a workforce that is somewhat more robust than was previously assumed. Nominal earnings gains continued to surge, even as those gains flowed to workers more than previously estimated. In short, this is a great report.

Employers added 497,000 workers to private-sector payrolls in January, defying expectations for a modest gain, or even a net loss. Private-sector payrolls grew by 444,000, with government adding 23,000 workers. Private sector gains were overwhelmingly concentrated in the service sector, with goods-producing employment picking up 4,000 of the net 444,000 new jobs. Leisure and hospitality saw the largest employment gain, with 151,000 new workers added in the new year, followed by an 86,000-worker increase in profession and business service employment, and a 61,000-worker gain to retail trade and business services. Among goods-producing industries, manufacturing employment increased by 13,000 workers, while construction industries lost 5,000 workers, respectively. The annual benchmarking process saw the substantial revision of prior months' employment changes.

Adjustments to underlying population estimates in the household survey complicate month-to-month comparison. The eye-popping increase in labor-force participation between the December and January prints of 1.4 million, for example, really reflects a level increase of 1.5 million, and a month-to-month decline in January of about 140,000. In general, the population adjustments reflect a larger U.S. population and labor force, and a greater participation rate than was previously estimated.

As of January 2022, the unemployment rate stands at 4.0 percent, while the labor force participation rate is 62.2 percent. By race, unemployment among White, Black, Asian, and Hispanic and Latino workers stood at 3.4, 6.9, 3.6, and 4.9 percent, respectively. By education, unemployment for workers with less than a high school diploma, high school graduates, workers with some college, and those with bachelor's degrees stood at 6.3, 4.6, 3.6, and 2.3 percent, respectively.

Average hourly earnings increased 23 cents, reflecting a 5.7 percent yearly gain. Average hourly earnings for production and non-supervisory workers similarly increased, showing a 17-cent gain and a 6.9 percent gain over the year.

Data junkies, here's your fix: The January U-6 (the broadest measure of unemployment) stands at 7.1 percent.