U6 Fix

Still Going Strong

GORDON GRAY | MARCH 10, 2023

Payroll growth in February came in above expectations, and January's blockbuster payroll gain survived the first pass of revisions. The pace of hiring in the first two months of 2023 is about on pace with that of the summer of 2022, about midway through the Fed's tightening relative to the present. The deceleration in average hourly earnings over the past two months may give some market watchers hope that the report will mollify a Federal Reserve contemplating a 50-basis point rate hike, the sweep of the report suggests a labor market that is still going strong.

The Bureau of Labor Statistics (BLS) reported that employers added 311,000 workers to their payrolls in February. The private sector added 265,000 workers to their rolls last month, while government employment gained 46,000. Goods-producing industries added 20,000 employees overall, led by 24,000 jobs in construction. Manufacturing lost 4,000 workers, however, while other industries were essentially flat in hiring. The service sector gained 245,000 workers. The leisure and hospitality industry added 105,000 workers, leading the service-sector gains. The private education and health services and retail trade industries added 74,000 and 50,000 workers, respectively. Several industries saw net declines for the month. Specifically, the information industry also saw an employment decline of 25,000 workers, the third month in a row of declines in this industry's payrolls. Employment gains in December and January were revised down by a combined 34,000 workers, entrenching a strong January payroll gain.

BLS reported that the unemployment rate in February was 3.6 percent, animated by a 419,000 gain in the labor force. The labor force participation rate ticked up to 62.5 percent, the highest rate since March of 2020. The household survey offers a slightly different view of the February labor market than the payroll survey. In February, the survey showed a gain in unemployed workers of 242,000 against a gain in employed workers of 177,000.

The unemployment rate rose for all races; by education level, it rose for two, fell for one, and remained constant for one. By race, it rose the most for Hispanics, by 0.8 points. Asians saw a 0.6-point increase. For Blacks and Whites, it rose 0.3 points and 0.1 points, respectively. By education, it rose the most for those without a high school diploma, at 1.3 points. Those with some college or an associate degree saw a 0.3-point increase. It fell for high school graduates by 0.1 points. It remained constant for those with a bachelor's degree or higher.

Average hourly earnings increased by 9 cents, reflecting a 4.6 percent yearly gain, and a deceleration in the monthly rate of change to 0.2 percent, which is the lowest monthly change since February 2022. Average hourly earnings for production and non-supervisory workers increased by 13 cents, for a 5.45 percent gain over the year.

Data junkies, here's your fix: The February U-6 (the broadest measure of unemployment) stood at 6.8 percent, a 0.2-percentage point increase driven by the uptick in the regular unemployment series.