



U6 Fix

The Dog Days of August in the Labor Market

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Taken at face value, the August jobs report was a disaster. The economy created only 142,000 jobs, and job growth was less widely dispersed than in the previous months. The alternative measure of jobs – from the household survey – showed a complete stall of 16,000 jobs.

Yes, the unemployment rate fell from 6.2 percent to 6.1 percent, but only because the labor force participation rate fell by 0.1 percent. The Hispanic unemployment rate declined from 7.8 percent to 7.5 percent. Optimists may point to a decline in the long-term unemployed, but this may simply represent the weary giving up entirely.

The modest good news in the report is the solid growth of 0.2 to 0.3 percent in measures of hourly and weekly earnings.

Data junkies here's your fix: the August U-6 (the broadest measure of unemployment) fell from 12.2 percent to 12.0 percent, largely because of the disappearance of the marginally attached workers.

The bottom line: The August report was bad news. The spin will be to ignore this as a data anomaly, but the reality is that it is another piece of evidence against the notion that the economy will accelerate significantly in 2014. Two thirds of the year is gone and there is no conclusive evidence of acceleration above the 2 to 2.5 percent trend.