U6 Fix

The Labor Market Strikes Back

DOUGLAS HOLTZ-EAKIN | FEBRUARY 1, 2019

After a month or so of nervousness and pessimism about the economy, the Department of Labor reported 304,000 new jobs in January (although there was a huge downward revision of December's jobs figure from 312,000 to 222,000). The unemployment report clocked in at 4.0 percent.

Digression: The wildcard has been the impact of the government shutdown on the report. As outlined in this handy table from the Bureau of Labor Statistics (BLS), the establishment report should be only mildly impacted; government workers are not part of the hours and earnings calculations and only furloughed contractors will count as not having a job. In contrast, both contractors and government employees on furlough will be deemed unemployed (those working without pay will not). The bottom line: no impact on the jobs number and little impact on the unemployment number.

The remainder of the establishment report was solid. There was steady growth in total hours. While average hourly earnings rose at only an hourly rate of 1.3 percent, they were still up 3.2 percent over January 2018. Finally, employment growth was widespread.

Turning to the household survey, the strong number was labor force participation at 63.2 percent, the highest since September 2013. The remainder is a mixed bag – likely influenced by the government shutdown. The unemployment rate for those with a college (or more) education rose from 2.1 percent to 2.4 percent and Hispanic unemployment jumped from 4.4 to 4.9 percent. It is hard to read much into these numbers.

Data junkies here's your fix: The January U-6 (the broadest measure of unemployment) rose to 8.1 percent from 7.6 percent – largely due to a rise in those working part time for economic reasons.

The bottom line: The December and January reports contain a fair amount of noise. But the overall trend shows strong jobs growth, faster wage growth, and increased participation in the labor market. It is a strong statement against the threat of a downturn.