U6 Fix

The U-6 Fix: Analysis of Today's Jobs Report

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Skirting the fiscal cliff took a clear toll on December consumer confidence but did not unduly harm the job market. The result: the economy created a solid, modest 155,000 jobs in December, while the unemployment rate fell to 7.8 percent. Inside the numbers is a reasonable story:

- The household survey was positive but unspectacular: the labor force rose (but participation rate was unchanged), while modest job growth and more unemployed produced a small rise in the top-line unemployment rate.
- Jobs grew in both the goods-producing and service-producing sectors.
- The growth of employment was more broadly dispersed than in November.
- Average weekly hours grew solidly, hourly and weekly earnings rose, and the foundations of income growth were in place.

In short, a modest top-line report met expectations with unspectacular data inside.

The bad news was a decline in the Hispanic unemployment rate from 9.9 to 9.6 percent because labor force participation tanked – a sign of discouragement in these communities.

Importantly, there were no apparent substantial revisions as the impact of Sandy became more apparent – the net revision for October and November was up 14,000 jobs.

The good news is that the economy continues to be resilient despite headwinds that include the uncertainty over future fiscal policy. The bad news is that at best it reflects only growth at the rate of diminished expectations – not enough to provide strong hope to the millions who remain out of work.

Data junkies here's your fix: the December U-6 (the broadest measure of unemployment) was unchanged at 14.4 percent.

The bottom line: The December jobs report showed adequate jobs and labor force growth, and some support in income growth. It is consistent with the modest recovery thus far, but does not provide strong evidence of acceleration.