



U6 Fix

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

DOUGLAS HOLTZ-EAKIN | OCTOBER 5, 2012

The September unemployment rate fell to 7.8 percent (from 8.1 percent) due to an extraordinary – but implausible – estimate of 873,000 jobs in the household survey. Overall, however, the report is more solid than spectacular:

- The employment report has two measures of job creation:
 - The estimate derived from asking employers (“payroll survey”) showed 114,000 jobs – consistent with an economy growing at 1-2 percent.
 - The estimate derived from asking households (“household survey”) showed a stunning 873,000 jobs. This must be an anomaly – it is out of line with any of the other data.
 - Experts prefer the payroll survey because it is a larger survey.
- Otherwise the report was solid:
 - Jobs fell in manufacturing but overall 114,000 new payroll jobs were created.
 - August job creation was revised upward to 142,000.
 - Average weekly hours for production workers rose.
 - Average hourly and weekly earnings grew at 2-3 percent annual rates.
- The unemployment rate fell along with the bizarre household employment estimate. Outside that, the labor force participation rate edged up by 0.1 to 63.6 percent.
- The Hispanic unemployment rate mirrored the overall rate, dipping from 10.2 percent to 9.9 percent.

In short, one should throw out the unreliable job explosion in the household survey and view this as good news – the economy is not falling – but is far from spectacular – the economy is merely moving sideways.

Data junkies here’s your fix: the September U-6 (the broadest measure of unemployment) was unchanged at 14.7 percent.

The bottom line: The September jobs report shows signs of strength; we’re not falling, but not accelerating. It is still facing downside risks, generating too little income, and well behind schedule in recovering.