



U6 Fix

Another Shocking November Result

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The election of Donald Trump did not end the November surprises. The November jobs report displayed a boring payroll employment growth – 178,000 new jobs – but a shocking decline in the unemployment rate from 4.9 to 4.6 percent. The latter was driven by a drop of 0.1 percentage points in the labor force participation rate, which translates to an absolute decline of 226,000 participants in the labor market.

The noise continued in some of the key unemployment rates. Hispanic unemployment was unchanged at 5.7 percent, teenage unemployment fell by 0.4 to 15.2 percent, and the big change was adult men down by 0.3 to 4.3 percent.

The second surprise was in the underpinnings of earnings growth. Average hourly earnings dropped from \$25.92 to \$25.89, and average weekly hours were flat. The upshot was a fall in average weekly earnings.

Data junkies here's your fix: the October U-6 (the broadest measure of unemployment) dropped another 0.2 to 9.3 percent due to the decline in the basic unemployment rate. The U-6 is the lowest since April of 2008.

The bottom line: The only suspense was whether the November report could knock off the Fed's planned rate hike. As weird as the underpinnings of the report may appear, the top-line employment growth should ensure a move at the December meeting.