The Daily Dish

Labor Market Rorschach Test

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How's the labor market doing? The answer, it turns out, is very much in the eye of the beholder. Begin with Friday's Employment Report for December from the Bureau of Labor Statistics. The data showed 216,000 new jobs, an unemployment rate unchanged at 3.7 percent, and average hourly earnings rising 4.1 percent (year-over-year). The coverage of *The New York Times* was typical: "The U.S. labor market ended 2023 with a bang, gaining more jobs than experts had expected and buoying hopes that the economy can settle into a solid, sustainable level of growth rather than fall into a recession." Taken at face value, the report was good news for the administration, but bad news for the easy-money-can't-wait-for-rate-cuts crowd.

But dig a little deeper and some of the bloom comes off the rose. Government jobs accounted for 52,000 of the jobs, and the remainder were concentrated in health and leisure and hospitality. Not exactly solid, broad-based growth. Worse, as Gordon Gray points out, there is a complete disconnect between the payroll survey (the source of the jobs number) and the household survey (the source of the unemployment rate). The December household survey showed 676,000 people leaving the labor force and 683,000 fewer people with jobs. That's hardly a hot labor market, and this offset is the only way that the unemployment rate stayed unchanged.