Press Release

Gordon’s Guesstimate: January Jobs

PAULINA ENCK | FEBRUARY 3, 2022

Each month, AAF’s Director of Fiscal Policy Gordon Gray predicts the results of the monthly employment survey. This month, Gray writes:

> For January…this guesstimator is expecting an increase in employment of 75,000, and for unemployment to increase to 4.0 percent. I expect average hourly earnings to increase by 16 cents for a 5.2 percent yearly gain.

See below for his full analysis.

Last month’s employment figures disappointed, but other measures of the labor market defied an easy characterization of the December report as “bad.” By the lights of the household survey, the labor market in December was very strong indeed. Unemployment picked up a 3-handle for the first time since February of 2020, while labor force participation inched ahead. That the Omicron surge wasn’t quite captured by the conclusion of the reference period for the December surveys, suggested by the rebound of unemployment claims among other indicators, likely means the January employment report will be heavily colored by COVID-19-related disruption. Again.

The Biden Administration evidently shares this view and has deployed a number of prominent economic policy staffers to presage a disappointing report. Managing expectations around employment figures is not a novel White House exercise, but the past week’s PR effort is somewhat more concerted than is typical. The administration has otherwise been trying to sell a story of an unalloyed economic boom. Again, this is not a recent innovation, but touting the “greatest year of job creation” without any mention of COVID-19 and the jobs lost prior to the rebound is almost comically ham-fisted. So, the administration is walking a tightrope subject to the winds and whims of noisy, monthly jobs reports.

There’s every indication that the jobs report will show distress in the labor market in January. And there’s every reason to expect that it’s a function of the Omicron surge. If workers were out sick and did not get paid, they will not be counted as employed in the payroll survey, even though in all likelihood they’ll be back on the job by next month’s count. So, we can and should expect that, and it’s not unreasonable for the administration to note that. But unpaid sick leave doesn’t explain the uptick in unemployment insurance claims in January. Initial claims jumped by 83,000 from January 1 to January 15, although claims fell over the next two weeks.

This guesstimator had previously posited that perhaps Omicron may not animate the real economy in the same way as Delta or other surges in COVID-19 cases. It may be true that Omicron did not weigh on the real economy to the same degree, but it will likely figure prominently in the January data. Confounding the expectations are measurement challenges that arise every January—specifically, the benchmark revision in the payroll survey, which involves re-anchoring the employer survey to other observations. Thus, for January, both the measured and the measuring stick are in considerable flux.

There's admittedly more guess than estimation for the January jobs report. Directionally, the indicators suggest January will reflect a labor market confronted with greater headwinds than did December, if only temporarily. This guesstimator is expecting an increase in employment of 75,000, and for unemployment to increase to 4.0 percent. I expect average hourly earnings to increase by 16 cents for a 5.2 percent yearly gain.