U6 Fix

A Healthy Start to 2018

GORDON GRAY | FEBRUARY 2, 2018

Guest authored by Gordon Gray, AAF Fiscal Policy Director

Payrolls were up by 200,000 in January of 2018, while earnings grew by 9 cents, reflecting stronger earnings growth than prevailed in 2017. This is healthy jobs report, with somewhat better than expected payroll and earnings growth, but in many reflects last year's labor market trends.

The highlight of the report was a 9 cent, or 2.9 percent YoY, increase in average hourly earnings. This growth rate outpaced the 2017 earnings rate of 2.5 percent and will spur optimism that a tight labor market conditions will finally show up in worker pay. However, these data may reflect minimum wage increases, rather than market forces at work.

The unemployment rate and labor force participation rate were unchanged at 4.1 percent and 62.7 percent. The gaudier "2" in front of the payroll jobs number didn't reflect quite enough growth in the employed population to edge the unemployment rate down to 4 percent.

Within the unemployment rates there were some conflicting changes. Worker's with less than a high-school degree saw their unemployment rate fall back to 5.4 percent after a jump in December. African-American unemployment which fell to a more-than-forty year low in December at 6.8 percent, jumped to 7.7 percent.

Data junkies here's your fix: The January U-6 (the broadest measure of unemployment) inched up to 8.2 percent, but the underlying components were essentially unchanged.

The bottom line: This report was in many ways a polished-up version of 2017's labor market trends. Top-line payroll growth and earnings posted incrementally better-than expect gains, but fundamentally reflected enduring labor market trends.