U6 Fix

Labor Market Compass Points Anywhere but North

DOUGLAS HOLTZ-EAKIN | FEBRUARY 7, 2014

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The January report did little to shed light on the near-term outlook. Yes the data were weak — 113,000 jobs but the unemployment rate fell to 6.6 percent despite a rise in the labor force participation rate. Unfortunately, one can't disentangle the real trends in the economy from the Polar Vortex fallout, the annual benchmark revisions, and the expiration of emergency extended unemployment insurance (UI). Moreover, there is a complete disconnect between the employer survey (113,000 jobs created) and the household survey (616,000 jobs created).

Given the statistical mess, the only real message is that the economy is *not* accelerating significantly.

After a November report that was strong from stem to stern, December and January have been disappointing. Average weekly hours in January were unchanged, and earnings were up modestly, so the foundations of income growth remain shaky at best. The labor force participation rate rose by 0.2 percent (but is still very low) and the household survey showed an employment rise — taken at face value this argues against the notion that those losing extended UI simply dropped out of the labor force.

The Hispanic unemployment rate rose to 8.4 percent from 8.3 percent as the participation rate jumped from 65.5 percent to 66.0 percent.

Data Junkies here's your fix: the December U-6 (the broadest measure of unemployment) fell to 12.7 percent from 13.1 percent.

The bottom line: The January report far from clarifies muddy waters. The question was whether December job growth was a weather-related aberration that disguised modest acceleration. The only bottom line is that the answer is no. There is no catastrophe, but no evidence of acceleration either.