U6 Fix

The Labor Market Marches Forward

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The March jobs report was very solid. The top-line was job growth of 215,000 despite the loss of 29,000 manufacturing jobs (the biggest drop since December 2009). Hours of work were flat, but average hourly earnings rose at an annualized rate of 3.4 percent – real wage growth of nearly 1.5 percent. Meanwhile, aggregate payrolls are growing at an annualized rate of 5.7 percent.

The real strength was in the household survey. The unemployment rate rose to 5.0 percent (from 4.9 percent) because of a rise of 0.1 in labor force participation to 63.0 percent. The labor force grew by 396,000 – the fourth straight month with strong growth in the labor force.

The teenage unemployment rate rose by 0.3 percent to 15.9 percent, while the Hispanic unemployment rate rose 0.2 to 5.6 percent.

Data junkies here's your fix: the March U-6 (the broadest measure of unemployment) rose by 0.1 to 9.8 percent. All of the deterioration in the U-6 was due to the rise in the base unemployment rate.

The bottom line: The March report is another rebuke to the Wall Street pessimissm about an imminent downturn. The missing piece remains productivity growth. The policy implications are that a mix of structural reforms – tax, entitlement, regulation – and normalized monetary policy are needed.