



U6 Fix

Not Quite Time To Pitch the Christmas Tree

GORDON GRAY | JANUARY 5, 2024

The December payroll numbers came in a bit above expectations, with larger gains (post revisions) in private-sector rolls, along with an acceleration in earnings growth. Below the topline, the report was a bit mixed. The household survey has been more dissonant than otherwise of late, and this report is another example. Today's report offers one last look at 2023, and its remarkably strong labor market. But it also points to coolness as we head further into winter.

The Bureau of Labor Statistics (BLS) reported today that U.S. firms added 216,000 new workers to their rolls in the month of December. Private-sector firms hired 142,000 new workers, while federal, state, and local governments added 52,000 workers. Goods-producing industries added 22,000 new workers to payrolls in December, with the construction industry leading the gains with 17,000 workers added to their rolls. On the heels of a 30,000-worker bump in autos and parts due to returning UAW workers last month, that industry saw a 2,100 decline in headcount. The service sector gained 142,000 workers led by a 74,000-worker gain in private education and health services, followed by a 40,000 gain in leisure and hospitality employment. On net, professional and business services saw a 13,000 gain in employment, but that figure belies significant underlying churn. Specifically, temporary help services employment continues to shed workers, with that industry seeing a 33,000 loss in employment. This industry has seen net losses for 11 straight months. In contrast, employment elsewhere in the professional and business industry necessarily increased sufficiently to more than offset this decline. Payroll employment for October and November were revised down by a combined 71,000.

The household survey told a somewhat different story than the payroll survey. Last month the surveys were broadly in line. Not so this month. According to this survey, the number of unemployed workers fell modestly by 23,000, while the number of employed Americans fell by 787,000 workers, completely reversing the prior month's conspicuous gain of 747,000 employed workers. The unemployment rate in December stayed at 3.7 percent, though this was more a feature of the departure of over 800,000 workers from the labor force – pulling the participation rate down to 62.5 percent – than the modest decline in unemployment.

The unemployment rate declined for two races and rose for two. It rose for two education levels, fell for one, and remained constant for one. By race, it fell the most for Blacks by 0.6 points. Asians also saw a 0.4-point drop in unemployment. For Whites and Hispanics, the rate rose by 0.2 and 0.4 points, respectively. By education, it rose the most for those with some college or an associate degree by 0.3 points. High school graduates with no college saw a 0.1-point increase. It fell for those without a high school diploma by 0.3 points. Those with a bachelor's degree or higher saw no change.

Average hourly earnings increased by 15 cents, marking an acceleration in both the monthly and yearly rates of growth. Average hourly earnings for production and non-supervisory workers rose by 10 cents, for a 0.3 percent monthly gain and a 4.3 percent gain over the year.

Data junkies, here's your fix: The December U-6 (the broadest measure of unemployment) ticked up to 7.1 percent, due to modest upticks in the contribution of those marginally attached to the workforce and those working part time for economic reasons.