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FORECASTERS SEE SLOW PROGRESS IN LABOR-MARKET MEASURES FAVORED BY TRUMP ADMINISTRATION

Workforce participation seen rising to 63.3% in 2019 from 62.9% in January

By Josh Zumbrun
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Broader measures of unemployment favored by President Donald Trump are unlikely to see much improvement in coming years, according to a new WSJ survey of economists.

Mr. Trump frequently criticized the official jobless rate on the campaign trail. His Treasury secretary nominee, Steve Mnuchin, outlined a wider report card of labor-market health to Congress.

Many economists share Mr. Mnuchin's view that it is time to pay more attention to such broader measures, which could become an increasing focus of markets and policy makers.

"In a complex economy, there should never be just one summary statistic," said Diane Swonk, founder of economics consultancy DS Economics.

To learn more about the prospects for these alternate gauges, The Wall Street Journal surveyed economists on a range of variables highlighted by Mr. Mnuchin.

Each month, the Labor Department produces six unemployment rates, known as U-1 to U-6. The U-3 rate is the headline rate reported prominently in coverage of each month's jobs report. It stood at 4.9% in January. By definition, it includes as unemployed only those individuals who are actively looking for work.

Mr. Mnuchin said that "currently, excessive influence appears to be placed by U.S. policy makers on one metric" – this headline U-3 unemployment rate – which, he noted, "fails to include discouraged workers or persons just marginally attached to the labor force."

He said that much more attention should be paid to an alternate rate, the one known as U-5, which includes people who want a job but have given up looking and are classified as either "discouraged" or "marginally attached" to the labor force.

This definition more closely aligns with many people's notion that unemployment means wanting a job and not having one, regardless of how actively a worker sends out resumes.

This rate stood at 5.8% in January. Economists expect only slow improvement over the next three years, to 5.5% by the end of this year and 5.4% by the end of 2019, according to the average forecast in the survey.

That rate would still be slightly higher than the rates reached in 2006 or in the late 1990s. (One disadvantage of these alternate rates is a short history. The U-5 rate only dates to 1994 in its current form, while the U-3 rate stretches to the 1940s.)

Mr. Mnuchin also mentioned the U-6 rate, which includes the discouraged workers mentioned above and people who have part-time jobs but want full-time work.

This is the Labor Department's broadest measure of unemployment, which stood at 9.4% in January. Over the next three years it is expected to decline to 8.7%, according to the average forecast. If correct, that, too, would be higher than the rate seen in previous booms.

"This more relevant, and accurate, measure of unemployment is nowhere near full employment throughout the next 2 1/2 years," said Allen Sinai, chief economist of Decision Economics.

While this broadest measure is popular among many economists, including Federal Reserve Chairwoman Janet Yellen, the definition is somewhat further away from how most people use the term "unemployment," as it includes both jobless and working Americans.

Finally, Mr. Mnuchin said it is important to consider the labor-force participation rate, which is the share of Americans over the age of 16 who are working or looking for work. This measure was a favorite of Mr. Trump as a presidential candidate. Last month, 94 million Americans were outside the labor force, including students and retirees.

The survey respondents expect labor-force participation to rise to 63.3% by the end of 2019. The overall population will also grow over this period, according to Census Bureau projections (which already assume that immigration will slow), and so the number of people outside the labor force would likely remain around 95 million.

The Journal surveyed 62 academic, business and financial forecasters from Feb. 3-7. They are optimistic in general, expecting growth to accelerate in coming years. But even as optimists, they see relatively little progress in store for the measures highlighted by the administration.