



New Unemployment Numbers Conceal Many Issues

January's unemployment numbers were released late last week. According to the official report, unemployment fell from 10.0 to 9.7 percent last month. Employment fell in such areas as construction and transportation, while we saw the now-familiar gains in such areas as services and retail.

The number of persons officially unemployed decreased to 14.8 million. Those unemployed due to recent job loss decreased by 378,000 to 9.3 million. The number of long-term unemployed — those who have been jobless for 27 weeks or longer — continued to move upward, though, reaching 6.3 million. According to the [Bureau of Labor Statistics](#), the number of long-term unemployed has risen by 5.0 million since this deep recession's official beginning (December 2007).



That government numbers don't tell the whole story is now common knowledge. Many, many articles on the economy openly acknowledge that the official unemployment rate does not count certain groups of people, such as those who have given up the search for work and simply dropped out of the labor force (so-called "discouraged workers," defined out of existence in 1994). Also not counted as unemployed are those who lost jobs and have gone back to school attempting to gain new skills. The official statistic does not distinguish between those working full time and those working part time who would prefer full time work. The federal government considers you unemployed only if (1) you are not working, (2) you have applied for unemployment benefits; and (2) you have sought work within the last four weeks.

John Williams's [Shadow Government Statistics](#), which offers figures taking account of such groups, estimates the actual unemployment rate at between 20 and 22 percent — although, like the official rate, dropping slightly during the past month.

John Lott [makes some observations](#) showing that the official unemployment waters may be murkier still, given how the Bureau of Labor Statistics actually estimates how many people are unemployed and how different methods produce conflicting results. He notes that there are two ways economists measure the number of jobs: an establishment survey that asks about 370,000 employers how many people they are employing, and a household survey that asks around 110,000 people each month whether or not they are working. Around 40 million Americans work for the organizations surveyed, although that number fluctuates. The household survey is used to calculate the official unemployment rate.

The BLS has made an important assumption all along, that the number of jobs gained in newly created companies is roughly the same as the number of jobs lost in firms having gone out of business. At least since the start of this recession, though, the household survey has indicated much more job loss than



Written by [Steven Yates](#) on February 8, 2010

the establishment survey. This is because companies have gone out of business and have not been replaced.

Lott thus writes, “The error in estimating the number of jobs from April 2008 to March 2009 was 10 times greater than the average error over the preceding eight years. What does this mean in terms of jobs? Normally the government would underestimate the number of new jobs by 80,000, and this time it was overestimating them by about 80,000.”

He notes that we won’t have a good idea of how many “phantom” jobs that are supposed to exist according to BLS numbers but don’t, until February 2011. “In the meantime,” he concludes, “we should look at the establishment survey numbers with a great deal of skepticism.”

We should note in closing that BLS numbers also do not differentiate between private sector jobs and government jobs — during a period in which government has been this country’s number one growth industry. Doubtless the number of government jobs has distorted official accounts of the health of the economy even further, since the more jobs government can artificially create, the lower the official (and unofficial) unemployment rates. Those filling these jobs do not produce wealth, however; they only move it around. Typically at a cost.

Photo of Bureau of Labor Statistics Commissioner Keith Hall: AP Images



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