



Written by [Ralph R. Reiland](#) on October 13, 2012

The Labor Department's "Mud Pie" Unemployment Rate

The funny thing about the Labor Department's monthly unemployment report is that the number-crunching bureaucrats act like they're delivering high-carat diamonds when the real worth of what they're reporting is closer to the value of a mud pie.

First, a college graduate with a degree in biomedical engineering who gets a \$90,000 job in his field is counted exactly the same in the government's unemployment report as a biomedical engineering graduate who can't find a job and is working weekends as a bus boy at Applebee's.

Or as the PBS Newshour succinctly stated it, "If you only worked one hour in the past week, you're counted as officially employed."

Given the large number of part-timers who are currently looking for full-time work and unable to find a job, that flaw alone by the Labor Department of putting part-timers in the "employed" column makes their monthly unemployment statistic meaningless.

An estimated 50 percent of young college graduates are currently either jobless or significantly underemployed in positions that don't utilize their skills and education.

Second, if a guy loses his \$150,000 job and he and his previously stay-at-home wife each get part-time jobs paying \$25,000, the Labor Department counts that as job growth, two jobs rather than one, a clear indication that job creation is expanding.

If they can't make ends meet, there's even more job growth if their kid gets a Saturday job drying cars at the local car wash.

If another kid in the family ends up selling apples on the street corner, that's a quadrupling of the number of jobs the way the Labor Department figures it, even though everyone in the family is financially worse off.

Third, if everyone in the aforementioned family throws in the towel, quits working, quits looking for work, and just goes on the dole, then no one is counted as unemployed by the Labor Department. Both the jobless household and the initially lost \$150,000 job simply vanish from the government's calculations and there's nothing in the headlines to indicate that the economy is failing to provide employment for that family.

The share of adults in the labor force, the participation rate, is now at a 30-year low. If the participation rate today was the same as just four years ago, the unemployment rate would currently be 11 percent.

And the dropping out continues, with today's unemployed workers still more likely to quit looking than find a job.

The front page story from Labor's Department is that the nation's jobless rate had suddenly dropped





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from 8.1 percent to 7.8 percent in September, the lowest level since January 2009, an official jobless falling below 8.0 percent for the first time since President Barack Obama's inauguration.

Below the headlines, there are these two sentences in the Labor Department's latest unemployment report: "The number of persons employed part time for economic reasons, sometimes referred to as involuntary part-time workers, rose from 8.0 million in August to 8.6 million in September. These individuals were working part time because their hours had been cut back or because they were unable to find full-time work."

That's a 600,000 jump in "involuntary part-time workers" in September and not one of these people is included in 7.8 percent unemployment number.

In order to produce a more accurate picture of how many jobs the economy has to generate in order to get to full employment, how hard would it be for the staffers in the Labor Department to proportionately include these involuntary part-timers in the jobless number? How hard is it to combine a work shortage of 20 hours per week each for two people and get 40 hours?

With obvious and easy-to-fix flaws in the Labor Department's methodology, why even pretend to accuracy with a decimal point — 7.8 percent instead of 7.7 or 7.9?

Bottom line? "The number of unemployed persons in September was 12.1 million," reported the Labor Department. Again, skip the decimal point. The number was 23 million if the involuntary part-timers and the unemployed who've given up looking for work are included, and that's not counting the millions who dropped to lower paying jobs, or the growing number of involuntary househusbands, or any of those who are behind bars or otherwise institutionalized in colleges, universities, trade schools, or mental facilities because of the lousy job market.

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