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Correction Please!

Getting Jobbed by the Government's Statistics, Policies

Item: *On September 2, 2016, the White House celebrated the latest jobs and unemployment statistics by the U.S. Department of Labor on its website. The summary by Jason Furman, chairman of the Council of Economic Advisers, headlined: "The economy added 151,000 jobs in August, as the unemployment rate and labor force participation both held steady."*

He stressed that the "unemployment rate held steady at 4.9 percent," and said that "U.S. businesses have now added 15.1 million jobs since early 2010, and the longest streak of total job growth on record continued in August."

Item: *President Barack Obama has been patting himself on the back for some time because the official unemployment rate has ticked down. CNNMoney noted, quoting his comments: "'We should be proud of the progress we've made…. We've recovered from the worst economic crisis since the 1930s,' Obama said. He doesn't believe he gets enough credit for creating over 14 million jobs."*

Item: *The administration and its supporters have been cheering that the United States is near or at what is considered "full employment." In late August, the vice chairman of the Federal Reserve made that assertion at the "Program on the World Economy," a conference sponsored by the Aspen Institute, in Aspen, Colorado.*

Said Vice Chairman Stanley Fischer: "Employment has increased impressively over the past six years since its low point in early 2010, and the unemployment rate has hovered near 5 percent since August of last year, close to most estimates of the full-employment rate of unemployment."

Correction: S*tatisticians, at least some of the time, collect facts. Politicians, most of the time, draw their own confusions.*

What the "real" unemployment rate is in the United States, and how that should be interpreted, has become a political football. Earlier this year, during his campaign for president, Vermont Senator Bernie Sanders said the Obama administration was not being forthright about the real unemployment rate, calling it a "ruse," and asserting that at the time the rate was 10.5 percent "if you include those people who have given up looking for work and the millions of others who are working part-time 20, 25 hours a week when they want to work full-time."

In fact, the "labor force participation rate" in the country is at a three-decade low.

The Labor Department's Bureau of Labor Statistics publishes "a huge array of measures, which together provide a comprehensive picture of the state of job opportunities." The rate called the "U-3" is the one usually referred to in the mass media and by the government itself. Among the other measurements is the "U-6." As a Labor blog has explained, that is sometimes referred to by the media as the "underemployment rate." This measure includes the "officially unemployed," as well as the "marginally attached" (defined as those who are neither working nor looking for work, but who want and are available to work and have looked for work in the past year), as well as those working part time who want a full-time job.

At the end of the "Great Recession," "the U-6 was 17.1 percent; it is now down to 9.7 percent," according the Labor Department's chief economist on September 6.

Confused yet?

Numbers can be pliable and, as a result, may be bent to form narratives meant to make the government look better to the voters. Some have another name for the official unemployment rate. Jim Clifton, the CEO and chairman of the polling firm Gallup, said last year, when the number fell a bit, that the figure is a "Big Lie," while also noting that the "cheerleading for this number is deafening."

The media and the White House won't say that, he noted. Yet, as Clifton put it in February 2015, if you, or if a member of your family

is unemployed and has subsequently given up on finding a job — if you are so hopelessly out of work that you've stopped looking over the past four weeks — the Department of Labor doesn't count you as unemployed. That's right. While you are as unemployed as one can possibly be, and tragically may never find work again, you are not counted in the figure we see relentlessly in the news — currently 5.6%. Right now, as many as 30 million Americans are either out of work or severely underemployed.

It is misleading in a number of regards, wrote Clifton. Say, for example, you are "an out-of-work engineer or healthcare worker or construction worker or retail manager: If you perform a minimum of one hour of work in a week and are paid at least $20 — maybe someone pays you to mow their lawn — you're not officially counted as unemployed in the much-reported 5.6%. Few Americans know this."

Another important point does not get much press attention, he observed. Consider those Americans who are working part time, but want full-time jobs. "If you have a degree in chemistry or math and are working 10 hours part time because it is all you can find — in other words, you are severely underemployed — the government doesn't count you in the 5.6%."

When you examine the facts a little closer, the numbers really aren't that rosy. In May, for example, the headlines blared that 38,000 jobs had been gained. Yet, as a breakdown by the National Center for Policy Analysis (NCPA) revealed, what actually occurred was the health services added about 46,000 jobs, while civilian non-health, non-farm employment dropped around 8,000; the NCPA said the "warping of our economy towards the government-controlled health sector" is reaching "the tipping point."

Those additional slots, commented analyst John Graham, are also "adding costs that will prevent reductions in the rate of health spending growth. We need more job growth in sectors of the economy not dominated by government."

Statistics have also been compared to witnesses — in that they can testify for either side. Even within the gains in the August numbers, there was evidence of even more weakness. MarketWatch sifted a bit deeper and found that, during the month,

bars and restaurants added 34,000 new employees to lead the way in hiring. The number of social workers also rose by 22,000, an unusually large increase. Both industries pay below-average wages.

Many industries that offer higher pay such as manufacturers and construction firms reduced employment slightly. Hours worked also fell to the lowest level since 2011.

As a result, average hourly wages rose a scant 0.1% last month.

While the president was in a self-congratulatory mode earlier this year, Heather Long of CNN was less enthusiastic, noticing that there were still about double the number of long-term unemployed than in "normal times." As the economic writer observed, wage growth has been anemic, with wages not "going up for many Americans. The typical take-home pay (often called "median income" by the Census Bureau) is about the same today as it was 20 years ago, once you adjust for inflation. In other words, middle-class families aren't really getting ahead. They're just getting by."

In all categories, the number of Americans 16 years old or over not in the labor force last year topped 93 million for the first time. At the time, the 62.7-percent labor participation rate had matched a 37-year low.

While that activity, or inactivity, has been going on, there are millions of young people who are not getting the work experience they will need to make a better life for themselves and their families. In the last two decades or so, teen labor participation (working or actively looking for work) has dropped from 52 percent to 35 percent. As of early August, the official teen unemployment rate was 16 percent — more than three times the overall rate. The weakened U.S. economy and the responses by policymakers with mandatory minimum-wage increases, as noted by the Manhattan Institute's Preston Cooper, has caused young people to be "left behind."

Meanwhile, evaluating "full-employment" levels over an extended period is akin to stereotypical comparisons of oranges and apples. The labor markets have changed dramatically in this country. This is a point that has been made, among many others, by Nicholas Eberstadt, a political economist at the American Enterprise Institute who has written extensively about the "unworking American man." His recently published book is entitled *Men Without Work: America's Invisible Crisis.*

Two years ago, Eberstadt pointed to one dramatic difference over the years: the proportion of women in the American labor force. It had jumped from 20 percent in 1920 to about 47 percent, he noted. In the former instance, virtually all able-bodied American men were in the labor market, either working or looking for work. If a man was out of a job for any period of time, it might well mean destitution for him and his family. The government has since deployed many "safety nets" — characterized by others as "hammocks."

Writing for the website RealClearMarkets on May 14, 2014, Eberstadt observed that, as American women moved into paid positions over two generations, "a growing share of men seem to have checked out of work altogether. This is even true for men of prime working ages — the 25-54 group." As a result, for every unemployed man today who is looking for work, there are two unemployed men who are not looking for work.

Needless to say, Eberstadt scoffs at the notion that the country is now at or near "full employment." In a piece for the *Wall Street Journal* in early September, the economist fleshes out his case:

In 2015 the work rate (the ratio of employment to population) for American males age 25 to 54 was 84.4%. That's slightly lower than it had been in 1940, 86.4%, at the tail end of the Great Depression. Benchmarked against 1965, when American men were at genuine full employment, the "male jobs deficit" in 2015 would be nearly 10 million, even after taking into account an older population and more adults in college.

This, we are supposed to believe, is the "new normal." If so, we've come to a sad pass, not good for us individually or as a nation. Eberstadt continued:

Declining labor-force participation and falling work rates have contributed to slower economic growth and widening gaps in income and wealth. Slower growth in turn reduces tax revenue and increases budgetary pressures, producing higher deficits and national debt. Unworking men have increased poverty in the U.S., not least among the great many children whose fathers are without jobs.

There are the social effects, too. The male retreat from the labor force has exacerbated family breakdown, promoted welfare dependence and recast “disability” into a viable alternative lifestyle.

The solution, however, is not to have the government force employers to pay workers a much larger minimum wage.

Such a mandate can kill jobs, especially those of the young and less skilled. A comprehensive study by the Heritage Foundation has concluded that recent proposals at the state and federal levels to raise the mandatory minimum wage to $15 hourly would result in the loss of nine million jobs.

Employers have simple ways to afford to comply with a higher minimum: fire workers or employ fewer of them.

Consider the experiences in Washington, D.C. There has been a push for a $15 wage there; it is set to take full effect in 2020. Another increase (to $10.50) came into effect last year; in July 2016, the increase put the minimum at $11.50. Economist Mark Perry, of the University of Michigan and the American Enterprise Institute, using Labor Department statistics, found that since the D.C. increase in July 2015, “Restaurant employment in the city has increased by less than 1 percent (and by 500 jobs), while restaurant employment in the surrounding suburbs (in Virginia and Maryland) increased 4.2 percent (and by 7,300 jobs). An even more dramatic effect has taken place since the start of this year — D.C. restaurant jobs fell by 1,400 jobs (and by 2.7 percent) during the first six months of 2016 … the largest loss of District food jobs during a 6-month period in 15 years.”

Columnist Star Parker is on the money in observing the perverse nature of the outcome: Low earners, who are supposed to be those helped by the increase in the minimum wage, are the ones

hurt the most by shrinking the demand for their labor. In the first quarter of 2016, overall black unemployment in Washington, D.C., was 12.7 percent, compared to 8.5 percent and 7.0 percent in neighboring Maryland and Virginia. And the gap in unemployment between whites and blacks in Washington, D.C. — 2.3 percent for whites compared to the 12.7 percent for blacks — was the highest in the nation.

Here’s another statistical observation: Statist politicians spend half their time making promises and half their time making excuses. We’d be better off if they just got out of our way all of the time.

— William P. Hoar