

Latest Unemployment Report Doesn't Add Up

October 5, 2012 - The latest report on unemployment numbers has been released by the Bureau of Labor Statistics and it paints one of the most confusing pictures we've seen of unemployment. According to the BLS, 114,000 new jobs were added last month. By any measure that is an anemic number. The United States needs to be adding 200,000 new jobs per month just to keep up with people entering the work force. At the same time, another report called the Household Survey was released and it showed that the overall unemployment rate dropped from 8.1% to 7.8%; the lowest rate in almost 4 years. But if you need to create 200,000 new jobs each month maintain the current unemployment, and the economy only added 114,000 new jobs, how can the unemployment rate drop? The short answer is, it can't.

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Here is the way that the unemployment numbers were laid out in the two reports:

BLS Report

New jobs created: 114,000

Reduction of unemployed people: 456,000

Household Survey

Increase in number of people with jobs: 873,000

If you analyze the numbers, there is both good news and bad news here.

The good news is that both reports do show that jobs are being added to the economy. The BLS report shows this number at 114,000. The Household Survey shows a much larger increase.

The bad news is troubling however. Based on the BLS report, 342,000 people simply stopped looking for jobs. And in the Household Survey, 582,000 of the jobs created were part time; meaning that the people taking those jobs are considered underemployed for purposes of the surveys.

If you look at the U6 unemployment number - a number that includes unemployed, underemployed and those that have stopped looking for work (known as discouraged workers) - that number didn't change at all from August. It is the only truly meaningful unemployment number and it stands at 14.7%.

Analysts have been having a heyday with these reports because simply don't make much sense. According to the Wall Street Journal, the top 25 economists in the country completely blew it on predicting the latest number. The lowest number any of them had predicted with this report was 8.1%. And according to the new numbers, economy actually added more jobs than in any other period in 29 years. So the logical question is, are these numbers being manipulated and if so, why?

When combined with other economic reports from earlier in the week, they paint a very troubling picture of the US economy. The economy lost more manufacturing jobs and manufacturing inventories are up. This indicates weak demand. This combined with a report showing that while credit card delinquencies are down but that delinquencies on other loans are increasing means that consumers continue to have trouble making ends meet and they are making sure that their credit cards will still work because that is more important to them than paying off other forms of long term debt - mortgages, student loans, auto loans, etcâ€!

The bottom line here is that you may want to take these numbers with a grain of salt. There really does appear to be something wrong with them. That aside, when someone drops out of the job market, that doesn't reduce unemployment at all.

by Jim Malmberg

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