Manipulating the Figures on US Unemployment: December Payroll Jobs Report

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The following report is based on the work of statistician John Williams of shadowstats.com.

Today's (Friday, January 6) payroll jobs report of 200,000 new jobs in December is overstated by at least 82,000 jobs. As approximately 130,000 new jobs are needed each month to stay even with population growth, the December job figures actually indicate that the US economy fell another 12,000 jobs behind.

Forty-two thousand of the reported jobs are the result of a glitch in the BLS seasonal adjustment model that produces a false jump in December "couriers and messengers" jobs.

Forty thousand of the jobs result from the "birth/death" model that BLS uses to estimate the net effect of unreported jobs lost from business closures and jobs gained from new start-ups. The model is structured to represent normal times. During the bottom bouncing of this protracted downturn, the model over-estimates new jobs from start-ups and under-estimates job losses from business failures.

The official unemployment rates (U3 and U6) no longer measure all of the unemployed. The Clinton administration ceased counting as unemployed workers who had given up looking for a job for one year or longer. No discouraged workers are included in the widely reported U3 measure. The U6 measure includes workers who have been discouraged for less than one year.

In other words, the longer an economy is in the doldrums, the less the official unemployment rates are reliable measures of the extent of unemployment. The unemployment rate in December as measured by U3 is 8.5%; as measured by U6 which includes short-term discouraged workers (less than one year) is 15.2%. John Williams' measure which includes the long-term unemployed is 22.4%.

In other words, the real unemployment rate is 2.6 times the widely reported U3 rate, which is the rate emphasized by policymakers and the financial press.

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