

US Unemployment rate already at 20%

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Really, how hard is it to find a job? Was June's horrid numbers, in which 467,000 people lost their jobs compared to 345,000 in May, a one-time fluke? Or does it mean that all those Wall Street economists who believe the economic recovery is starting are dead wrong?

Not to scare you, but the situation is actually worse than it seems. Over the years, the government has changed the way it counts the unemployed. An example of this is the criticized Birth-Death Model which was added in 2000. The model is designed to account for the birth and death of businesses and the resultant lag in survey data. Unfortunately, the model doesn't work that well during economic contractions (like we have now) and consistently overstates the number of jobs being created each month.

John Williams of Shadow Government Statistics specializes in removing these questionable tweaks to the government's statistical data to better align current numbers with the methodology used to gather historical data. After reviewing the data, Williams believes that "the June jobs loss likely exceeded 700,000." David Rosenberg of Gluskin Sheff notes that the fall in the number of hours worked in June (to a record low of 33 per week) is equivalent to a loss of more than 800,000 jobs.

There are similar issues with the way the unemployment rate is measured. The headline rate only jumped from 9.4% to 9.5% because of a drop in the number of people in the workforce. The more inclusive "U-6" measure of unemployment, which includes discouraged workers, jumped from 16.4% to 16.5%. But even this doesn't adequately capture the situation on the ground: Back in the Clinton Administration, the definition of discouraged worker was changed to only include those that had given up looking for work because there were no jobs to be had within the last year.

By adding these folks back in, William's SGS-Alternate Unemployment Measure rose to a jaw-dropping 20.6%. Separately, the Center for Labor Market Studies in Boston puts U.S. unemployment at 18.2%. Any way you cut the numbers, the situation is very bad. According to David Rosenberg, one-in-three among the unemployed have been looking for a job for more than six months and still can't find one.

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