Unemployment falls, but only because people are giving up

August 9, 8:28 AM San Diego Economy Examiner Mark Vargus

Friday the Bureau of Labor Statistics released the official unemployment numbers. Most of the initial media reports highlighted the reduction of the unemployment rate from 9.5% to 9.4%.

It sounds good, but if you check the official chart the BLS put out and is available at their website the drop is not due to people finding jobs. In fact the BLS admits that 155,000 jobs vanished from the economy in July. In fact the only reason that the unemployment figure went down was that 267,000 people who were being counted as unemployed were declared "not in the active laborforce" and the numbers of official unemployed dropped by that amount. The unemployment numbers the BLS produces basically counts the number of people unemployed and looking for work against the total number of people either looking for work or working. 81 million adults are not counted as in the labor force, and it is this group of "not in labor force" that is increasing.

Some publications did note this. The Washington Post had an article titled in Jobless Rate Dip, a Partial Picture, where they note that the jobless rate does not show the real picture. Even former Clinton Administration Advisor Robert Reich wrote an article for Salon warning that the statistics should not be taken as a sign of recovery. He notes:

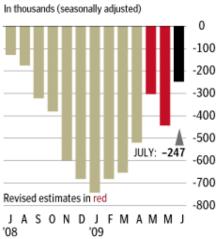
So let's be grateful that the economy is getting worse more slowly than it was. But don't be lured into thinking we're ever going back to where we were. Most of the jobs that have been lost are never coming back. New ones will replace some of them, eventually, but hardly all of

sign that employment is not recovering at this time.

them. All the report from the BLS showed is that fewer jobs were lost in July, but noted that the lack of confidence that workers had been suffering from is warranted. 637,000 joined the ranks of those "not in the labor force" and while some of those might be returning to school or otherwise

have independent means allowing them to continue to spend while unemployed. The fact that this is the only sector of labor that is growing is a

Monthly change in non-farm employment



SOURCE: Bureau of Labor Statistics

The Washington Post Chart of employment changes.

http://www.examiner.com/x-2988-San-Diego-Economy-Examiner~y2009m8d9-Unemployment-falls-but-only-because-people-are-giving-up