

# How nation's true jobless rate is closer to 22%

---

*Last Updated:* 6:33 AM, January 12, 2010

*Posted:* 2:22 AM, January 12, 2010

This'll make you laugh.

Back in November 2003 an economist named **Austan Goolsbee** from the University of Chicago wrote an op-ed piece for The New York Times criticizing a [Labor Department](#) announcement about job growth the month before.

And he attacked the idea that the country had just experienced nothing more than a mild recession.

"Unfortunately, underreporting unemployment has served the interest of both political parties," wrote Goolsbee. "The situation has grown so dire, though, that we can't tell whether the job market is recovering."

Read more: [http://www.nypost.com/p/news/business/how\\_nation\\_true\\_jobless\\_rate\\_is\\_N4E6MjtfhnMcCi537pucaJ#ixzz0cUrHilll](http://www.nypost.com/p/news/business/how_nation_true_jobless_rate_is_N4E6MjtfhnMcCi537pucaJ#ixzz0cUrHilll)

OK, I promised you a laugh. So here it comes.

Goolsbee no longer works at the [University of Chicago](#). He now has a job at the [White House](#) as President **Obama**'s top economic adviser.

So the president and Goolsbee will now have to convince the American public that the slight statistical improvement in the employment situation over the past year really is credible -- even if Goolsbee doesn't believe it.

Laughing yet? Of course not. There's nothing funny about what we went through either back in 2003 after the 9/11 terrorist attacks or what we are experiencing now.

As you already know the Labor Department last Friday announced that another 85,000 jobs disappeared from the economy in December and that the unemployment rate stayed, unbelievably, at 10 percent.

On one level it was -- to say the least -- a disappointment for the White House, Wall Street and every American who is out of work or thinks they might be.

Yet on another level, the negative 85,000 figure was a blessing for Goolsbee and [President Obama](#).

At least, as they are quick to point out, this job loss wasn't as bad as the hundreds of thousands per month that were coming earlier this year.

As any regular reader of this column already knows, I take the side that Prof. Goolsbee took when he was in Chicago -- the government's employment numbers aren't believable.

I thought it would be interesting today to present a few (not-so) fun facts about the jobs market.

Fact 1: The next employment report will be worse.

When the Labor Department puts out the January employment figures on Feb. 4, they will include an assumption that a lot of companies went out of business.

This is something called the birth/death model that is used by the department. Last year it caused 356,000 jobs to be subtracted from the January job count.

So, the next employment figure should be shockingly bad.

Fact 2: The birth/death model will then turn optimistic in the spring, causing jobs that really don't exist to be added to the Labor Department's count.

It won't make the people who are unemployed feel any better. But it could give Wall Street another excuse to rally and, really, isn't that what it is all about?

Fact 3: Nobody in the media will pick up on this, but the Labor Department will also do something called a benchmark revision on Feb. 4 that will subtract around 840,000 jobs that the government thought existed, but really don't.

This will mostly make up for the mistakes created by the birth/death model.

Fact 4: That 840,000 job adjustment will only correct errors up to March 2009. Mistakes for the April 2009 to March 2010 period will be corrected next year.

Fact 5: You keep reading that the unemployment rate stayed at 10 percent. But the press has been playing up the 17.3 percent rate that includes those "underemployed," meaning they can't find a full-time job but want one.

I've been mentioning that under-employed figure -- called U-6 by the Labor Department -- for years and I'm glad everyone else has finally caught up.

But that larger figure doesn't include a huge number of unemployed folks who have given up looking for work because they feel the search is hopeless. Last Friday's report said 661,000 such people left the labor force in December.

If you count these hopelessly unemployed, the real jobless rate is probably close to 22 percent. If these all weren't such important issues, this would all be a big joke. [john.crudele@nypost.com](mailto:john.crudele@nypost.com)

Read more: [http://www.nypost.com/p/news/business/how\\_nation\\_true\\_jobless\\_rate\\_is\\_N4E6MjtfhnMcCi537pucaJ#ixzz0cUr3f1sg](http://www.nypost.com/p/news/business/how_nation_true_jobless_rate_is_N4E6MjtfhnMcCi537pucaJ#ixzz0cUr3f1sg)