

How Accurate Are the April Jobs Numbers?

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The just released report on April jobs on first appearance, heavily reported by the media, shows a record low 3.6% unemployment rate and another month of 263,000 new jobs created. But there are two official US Labor dept. jobs reports, and the second shows a jobs market much weaker than the selective, 'cherry picked' indicators on unemployment and jobs creation noted above that are typically featured by the press.

Problems with the April Jobs Report

While the *Current Establishment Survey (CES) Report* (covering large businesses) shows 263,000 jobs created last month, the *Current Population Survey (CPS) second Labor Dept. report* (that covers smaller businesses) shows 155,000 of these jobs were involuntary part time. This high proportion (155,000 of 263,000) suggests the job creation number is likely second and third jobs being created. Nor does it reflect actual new workers being newly employed. The number is for new jobs, not newly employed workers. Moreover, it's mostly part time and temp or low paid jobs, likely workers taking on second and third jobs.

Even more contradictory, the second CPS report shows that full time work jobs actually declined last month by 191,000. (And the month before, March, by an even more 228,000 full time jobs decline).

The much hyped 3.6% unemployment (U-3) rate for April refers only to full time jobs (35 hrs. or more worked in a week). And these jobs are declining by 191,000 while part time jobs are growing by 155,000. So which report is accurate? How can full time jobs be declining by 191,000, while the U-3 unemployment rate (covering full time only) is falling? The answer: full time jobs disappearing result in an unemployment rate for full time (U-3) jobs falling. A small number of full time jobs as a share of the total labor force appears as a fall in the unemployment rate for full time workers. Looked at another way, employers may be converting full time to part time and temp work, as 191,000 full time jobs disappear and 155,000 part time jobs increase.

And there's a further problem with the part time jobs being created: It also appears that the 155,000 part time jobs created last month may be heavily weighted with the government hiring part timers to start the work on the 2020 census—typically hiring of which starts in April of the preceding year of the census. (Check out the Labor Dept. numbers preceding the prior 2010 census, for April 2009, for the same development a decade ago).

Another partial explanation is that the 155,000 part time job gains last month (and in prior months in 2019) reflect tens of thousands of workers a month who are being forced onto the labor market now every month, as a result of US courts recent decisions now forcing workers who were formerly receiving social security disability benefits (1 million more since

2010) back into the labor market.

The April selective numbers of 263,000 jobs and 3.6% unemployment rate is further questionable by yet another statistic by the Labor Dept.: It is contradicted by a surge of 646,000 in April in the category, 'Not in the Labor Force', reported each month. That 646,000 suggests large numbers of workers are dropping out of the labor force (a technicality that actually also lowers the U-3 unemployment rate). 'Not in the Labor Force' for March, the previous month Report, revealed an increase of an additional 350,000 added to 'Not in the Labor Force' totals. In other words, a million-or at least a large percentage of a million-workers have left the labor force. This too is not an indication of a strong labor market and contradicts the 263,000 and U-3 3.6% unemployment rate.

Bottom line, the U-3 unemployment rate is basically a worthless indicator of the condition of the US jobs market; and the 263,000 CES (Establishment Survey) jobs is contradicted by the Labor Dept's second CPS survey (Population Survey).

For a more detailed discussion and explanation of these, and other, contradictory facts about the current US labor market, released by the Labor Dept., listen to my May 3, 2019 Alternative Visions radio show podcast accessible below at the end of this print contribution.

GDP & Rising Wages Revisited

In two previous shows, the limits and contradictions (and thus a deeper explanations) of US government GDP and wage statistics were featured: See the immediate April 26, 2019 Alternative Visions show on preliminary US GDP numbers for the 1st quarter 2019, where it was shown how the Trump trade war with China, soon coming to an end, is largely behind the GDP latest numbers; and that the more fundamental forces underlying the US economy involving household consumption and real business investment are actually slowing and stagnating. Or listen to my prior radio show earlier this year where media claims that US wages are now rising is debunked as well.

Claims of wages rising are similarly misrepresented when a deeper analysis shows the proclaimed wage gains are, once again, skewed to the high end of the wage structure and reflect wages for salaried managers and high end professionals by estimating 'averages' and limiting data analysis to full time workers once again; not covering wages for part time and temp workers; not counting collapse of deferred and social wages (pension and social security payments); and underestimating inflation so that real wages appear larger than otherwise. Independent sources estimate more than half of all US workers received no wage increase whatsoever in 2018-suggesting once again the gains are being driven by the top 10% and assumptions of averages that distort the actual wage gains that are much more modest, if at all.

Ditto for GDP analysis and inflation underestimation using the special price index for GDP (the GDP deflator), and the various re-definitions of GDP categories made in recent years and questionable on-going GDP assumptions, such as including in GDP calculation the questionable inclusion of 50 million homeowners supposedly paying themselves a 'rent equivalent'.

A more accurate 'truth' about jobs, wages, and GDP stats is found in the 'fine print' of definitions and understanding the weak statistical methodologies that change the raw economic data on wages, jobs, and economic output (GDP) into acceptable numbers for

media promotion.

Whether jobs, wages or GDP stats, the message here is that official US economic stats, especially labor market stats, should be read critically and not taken for face value, especially when hyped by the media and press. The media pumps selective indicators that make the economy appear better than it actually is. Labor Dept. methods and data used today have not caught up with the various fundamental changes in the labor markets, and are therefore increasingly suspect. It is not a question of outright falsification of stats. It's about failure to evolve data and methodologies to reflect the real changes in the economy.

Government stats are as much an 'art' (of obfuscation) as they are a science. They produce often contradictory indication of the true state of the economy, jobs and wages. Readers need to look at the 'whole picture', not just the convenient, selective media reported data like Establishment survey job creation and U-3 unemployment rates.

When so doing, the bigger picture is an US economy being held up by temporary factors (trade war) soon to dissipate; jobs creation driven by part time work as full time jobs continue structurally to disappear; and wages that are being driven by certain industries (tech, etc.), high end employment (managers, professionals), occasional low end minimum wage hikes in select geographies, and broad categories of 'wages' ignored.

Listen to the audio below for the On the Jobs Report for April.

https://s53.podbean.com/pb/cb15700c21b8a361b6fd8704fc931a96/5ccfb074/data2/fs5/554419/uploads/AltVisions_050319.mp3

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Jack is author of the forthcoming book, 'The Scourge of Neoliberalism: US Economic Policy from Reagan to Trump', Clarity Press, Summer 2019, and 'Alexander Hamilton and the Origins of the Fed', Lexington Books, March 2019. He blogs at jackrasmus.com, tweets at @drjackrasmus, and hosts the weekly radio show, Alternative Visions, on the Progressive Radio Network on Fridays, 2pm eastern time.

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