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## 3 Lies About Jobs and the Unemployment Rate

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The president says the economy is creating jobs: Since October 2009, the economy has added 3.5 million jobs and the unemployment rate has fallen from 10 percent to almost 8 percent. But America isn't feeling the joy, because—believe it or not—politicians are selectively quoting numbers that make it appear the economy is doing better than it really is. Here are some of the most popular lies-by-omission when talking about jobs and unemployment.

### **Lie No. 1: The government knows how many people are unemployed.**

We don't know for certain how many people are employed because no one counts them. The Bureau of Labor Statistics estimates the number of unemployed based on a random sampling of the population. In itself, this isn't a problem. Sampling is a well-established method of estimation when it is too time-consuming or expensive to count every single person.

[[See a collection of political cartoons on the economy.](#)]

The problem arises when a politician pretends that the estimate is an exact measurement. For example, the Bureau of Labor Statistics has two employment estimates. In one, the bureau asks randomly selected employers how many workers they hired or let go. In the other, it asks randomly selected people whether they found or lost jobs.

According to the first survey, employers added 115,000 jobs in April. According to the second survey, 169,000 Americans lost their jobs. Which one is correct? Neither—they are both estimates. The correct statement is that April's job numbers were somewhere between 115,000 better and 169,000 worse than March's numbers.

### **Lie No. 2: More jobs always mean less unemployment.**

Each month, more people join the working age population than retire or die. Consequently, the economy needs to add about 180,000 jobs a month just to keep up with population growth.

[[Photo Gallery: Jobless Keep Searching for Work.](#)]

The problem arises when a politician pretends that adding more jobs means there are fewer people out of work. The next time a politician crows about the economy adding thousands of jobs, subtract 180,000 to get the real jobs gained. This week, [Business Insider](#) estimated that the economy will add 130,000 jobs in May. Subtracting 180,000 for population growth means we'll be left with 50,000 *more* unemployed Americans in May than we had in April.

### **Lie No. 3: A lower unemployment rate means fewer unemployed people.**

We think of people as being either employed or unemployed, but there is a third classification: nonemployed. If you don't have a job but are looking, you are unemployed. If you take a break from looking, perhaps because you keep coming up empty, you become a "discouraged worker" and classified as nonemployed. The "labor force" is the number of employed and unemployed people. The nonemployed people don't count.

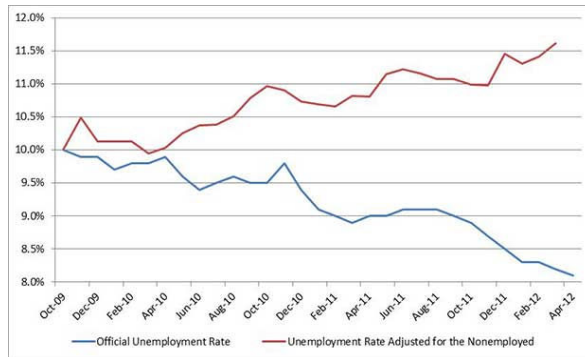
The problem arises when a politician pretends that a lower unemployment rate means that more people are working. Suppose there are 15 people in our economy—eight have jobs, two do not have jobs but are looking, and the remaining five do not have jobs and are not looking for work. The 10 people who have jobs or are looking for jobs comprise the labor force. The unemployment rate is 20 percent because two people out of the 10 people in our labor force are unemployed. If one of the unemployed people gives up looking for work and becomes the sixth person in the nonemployed category, our labor force drops to nine. Now, eight people have jobs, one does not have a job but is looking, and six do not have jobs and are not looking for work. The unemployment rate drops to 11 percent because only one person out of our labor force of



nine people is unemployed. The number of employed people hasn't changed, but the unemployment rate fell because someone stopped looking for work.

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Looking at our current labor market, the official unemployment rate was at a high of 10 percent in October 2009, and has fallen to 8.1 percent. Some politicians say this is evidence that their policies are bringing back jobs. But, much of the decline in the unemployment rate is due to people giving up looking for work. If we were to add back the people who have stopped looking for work since October 2009, the unemployment rate would be more than 11 percent (see graph). The official unemployment rate has fallen largely because we've stopped counting large numbers of jobless people.



This election season, we'll be treated to stories of how stimulus spending and quantitative easing have created jobs and how the people who brought us these wondrous gifts deserve to be re-elected. But voters would be wise to be skeptical of politicians who only tell us half of the story.

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