

The US Unemployment Rate: Fact or Fiction?

Every month, the US Department of Labor releases the unemployment rate for the previous month. Did you ever wonder how accurate the rate was? Do you know who is counted or not counted in the rate? For example, more than 1.5 million unemployed people are tracked but not included in the unemployment rate, making the rate look lower than it is. And who is considered *employed* has very few standards to meet—at least 16 years old with no minimum number of hours worked during the survey week. The current unemployment rate for September, 2004 (reported in early October), stood at 5.4%. However, surveys by the Department of Labor indicate:

- **More than 410,000 people listed as “discouraged” are excluded from the 5.4% rate.**
- **More than 1.1 million people who had looked for work in the last 12 months are also excluded.**
- **An additional 4.7 million people that wanted jobs are also excluded from the rate.**
- **Non-farm employment was about 131 million, but you are employed if you are at least 16 years old and you did ANY work for pay or profit during the survey week. With no minimum hours to qualify, every part time, temporary, or commission job is counted the same as a full-time job for employment purposes!**

What’s the real story behind the unemployment rate?

1. The “headline” unemployment rate counts unemployed people who were looking for work during the previous 4 weeks that included the 12th day of the month. That excludes unemployed people who were looking before or after that period, even if they had been looking for several weeks.
2. The 410,000 plus people listed as “discouraged” mostly felt there were no jobs available for them because they had found no prospects. If those people were counted along with the others who had searched for work and were available (1.56 million), the actual unemployment rate would rise by 1% to 6.4%.
3. If the 4.7 million additional people who wanted jobs were counted in the unemployment rate, they would add 3%, putting the total unemployment rate at more than 9%.
4. At the same time, the threshold for who is employed is very low. You are considered employed if you are at least 16 years old and you do ANY work for pay or profit during the survey week. You are also employed if you do 15 hours of unpaid work in a family business. That’s it! Only a few hours of work for pay or profit, or 15 hours of unpaid work in a family enterprise and you are employed! These minimal standards for who is “employed” inflates that category, whether you are making a living or not.
5. The result of the low standards for who is “employed” and the higher standards for who is “unemployed” creates a slanted and overly optimistic unemployment rate. When you hear politicians brag about how the great the job market is or how it’s improving, just remember the contrived methods that are used to create the number.

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