

Economic Newsletter for the New Millennium

August 5, 2011

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ANOTHER QUICK, YET PAINFUL WALK THROUGH EMPLOYMENT

| U.S. Department of Labor, Bureau of Labor Statistics HOUSEHOLD DATA Summary table A. Household data, seasonally adjusted August 5, 2011 | | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------|----------------------|------------------|--------------------------------------|
| (Numbers in Thousands) | July 2010 | May 2011 | June 2011 | July 2011 | Change (June to July) |
| Civilian noninstitutional population | 237,890 | 239,313 | 239,489 | 239,671 | 182 |
| Civilian Labor Force | 153,628 | 153,693 | 153,421 | 153,228 | (193) |
| Participation rate (Percent) | 64.6 | 64.2 | 64.1 | 63.9 | (0.2) |
| Employed | 138,991 | 139,779 | 139,334 | 139,296 | (38) |
| Employment-population (Percent) | 58.4 | 58.4 | 58.2 | 58.1 | (0.1) |
| Unemployed | 14,637 | 13,914 | 14,087 | 13,931 | (156) |
| Unemployment (Percent) | 9.5 | 9.1 | 9.2 | 9.1 | (0.1) |
| Not in labor force | 84,262 | 85,620 | 86,069 | 86,443 | 374 |

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| (Numbers in Thousands) | Change July 2011/2010 | Percent Change July 2011/2010 |
|---------------------------------------------|--------------------------------------|--------------------------------------------------|
| Civilian noninstitutional population | 1,781 | 0.7% |
| Civilian Labor Force | (400) | |
| Participation rate (Percent) | (0.7) | -1.1% |
| Employed | 305 | 0.2% |
| Employment-population (Percent) | (0.3) | |
| Unemployed | (706) | |
| Unemployment (Percent) | (0.4) | -4.2% |
| Not in labor force | 2,181 | 2.6% |

Update on employment picture...

The **Noninstitutional Civilian Population** (Population age 16 and over) grew 182,000 last month and 1,781,000 from last year.

The **Civilian Labor Force** is the subset of the Noninstitutional Civilian Population which is either 'employed' or unemployed. The Civilian Labor Force shrank from both last month by 193,000 and from last year by 400,000.

Note: if the Civilian Labor Force had not fallen, the Unemployment Rate would have remained at 9.2%...the same as last month, June 2011.

The 'difference' between the Noninstitutional Civilian Population and the Civilian Labor Force consists of those people 16 years and older who are non-working individuals, whether they are retirees, spouses, or others who are NOT classified as employed, nor are they classified as unemployed. As we indicated in previous newsletters*, the **Labor Force Participation Rate**, which compares the Civilian Labor Force to Noninstitutional Civilian Population, was 66.2% through most of the last decade.

Feb 2011 - Unemployment

*<http://www.econnewsletter.com/60601/44801.html>

"From January 2001 through December 2008, the Labor Force Participation Rate averaged 66.2%."

The July 2011 Labor Force Participation Rate was 63.9%. This means that 63.9% of the Noninstitutional Civilian Population, 239,671,000, was counted as being in the Civilian Labor Force of 153,228,000. Using the 66.2% (Labor Force Participation) average noted previously, this would add 5.4 million to the Civilian Labor Force. Since those people were obviously not employed, they would certainly be added to the unemployment rolls if they were seeking employment. These folks represent the '*Discouraged (and other Workers out of the Labor Force)*', those among us who probably would be working if the economy was in better shape.

Note: the last time the Labor Force Participation Rate was below 63.9% was May 1983 when it was 63.7%.

Civilian Labor Force Participation Rate

Current Population Survey

Dept of Labor, Bureau of Labor Statistics

August 5, 2011



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| | | Target | | |
|----------------------------------------------------------------------------------------|-------------|---------------------------------------------------------------------------|-------------|--------------------------------------------------------|
| July 2011 Labor Force at 63.9% Participation Rate and 9.1% Unemployment Rate | | Labor Force at 66.2% Participation Rate and 5.0% Unemployment Rate | | Difference |
| Civilian Noninstitutional Population | 239,671,000 | 239,671,000 | | - |
| Civilian Labor Force | 153,228,000 | 158,662,202 | 5,434,202 | Discouraged (and other Workers out of the Labor Force) |
| Employed (Current) | 139,296,000 | 150,729,092 | 11,433,092 | Current Employment Deficit |
| Unemployed | 13,931,000 | 7,933,110 | (5,997,890) | |
| Unemployment Rate | 9.1% | 5.0% | -4.1% | |

Employment

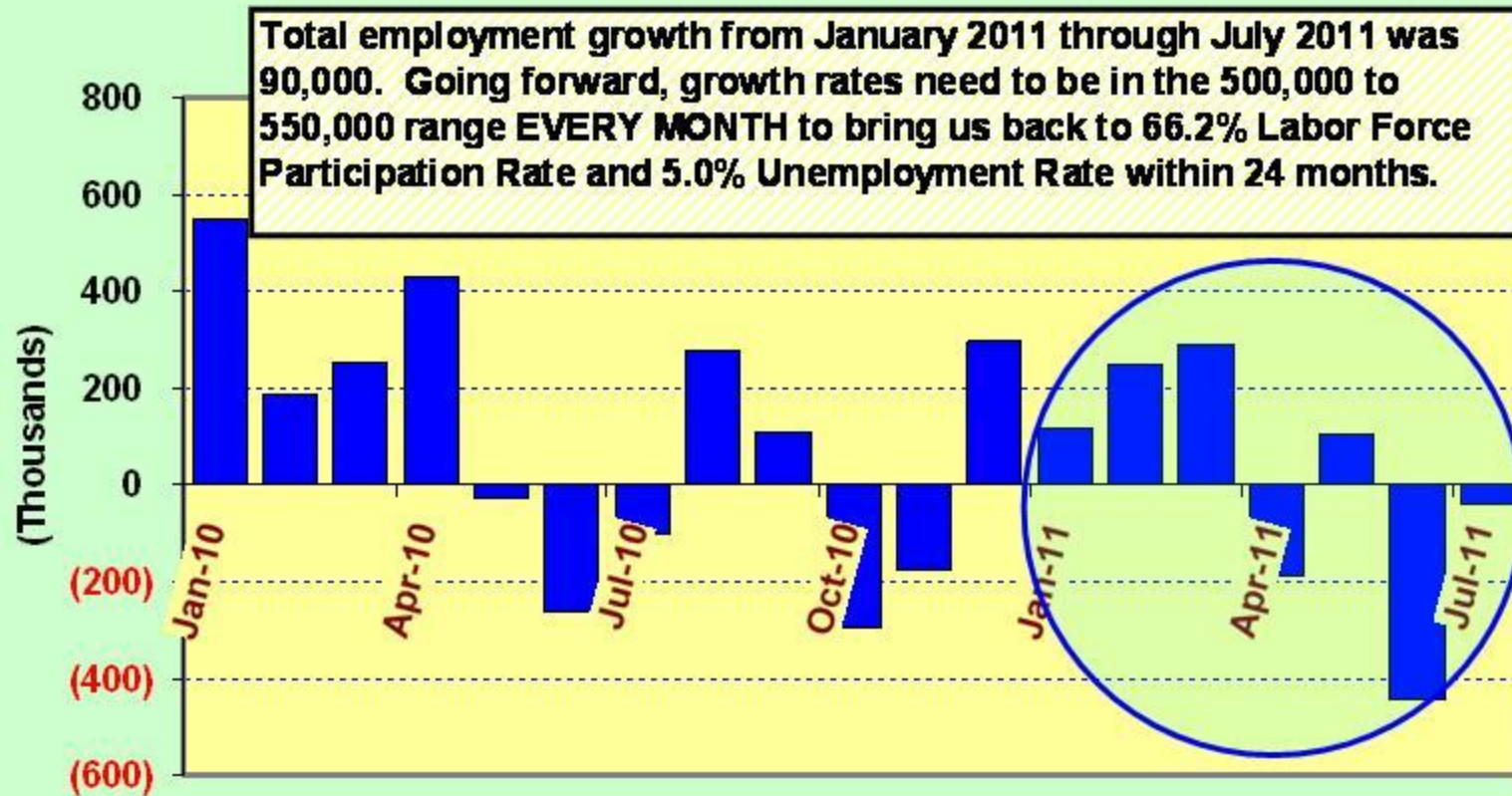
Employment (employed) shrank last month by 38,000 and has only grown by 204,000 since July 2010.

While it seems obvious that employment growth is a requirement for recovery, there is often a confusion between the 'employed' numbers from the **Household Survey** and the 'jobs' number from the **Payroll Survey**. The Household Survey covers a wider swath of the population, while the Payroll Survey provides us with a more detailed, yet smaller image of those comprising the Civilian Labor Force (including those employed and those unemployed).

In short, the Payroll Survey is a subset of the Household Survey. Employment in the Payroll Survey grew last month by 117,000 and grew by 1,258,000 since July 2010. The good news is that job growth has occurred WITHIN the Payroll Survey portion of the Employed (Household Survey), but not so good news is that it has been meager overall since the Payroll Survey is actually a subset of the Household Survey. In the Household Survey (Current Population Survey) we lost 38,000 jobs in July 2011 and only gained 305,000 jobs since July 2010.

Monthly Employment Changes

Labor Force Statistics from the Current Population Survey
U.S. Dept of Labor, Bureau of Labor Statistics
August 5, 2011



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Again, As we pointed out in a previous newsletter article (Down the Rabbit Hole <http://econnewsletter.com/60601/55401.html>), **in May 2011 we needed on the order of 525,000 jobs per month over the subsequent 2-years** to reach 66.2% Labor Force Participation Rate and 5% unemployment rate, both modest goals. We'll get to the unemployment rate shortly.

According to the more inclusive Household Survey we lost 38,000 more jobs in July, pushing that number from 525,000 per month [May 2011] to 555,000 per month [July 2011], for 24 months, to reach 66.2% Labor Force Participation Rate and 5% Unemployment Rate (allowing for an expansion in Civilian Noninstitutional Population of 125,000 per month).

That amounts to 13,320,000 jobs created over 24 months. From January 2011 to July 2011, we've gained 90,000 jobs...OOPS!

We cover the differences between the surveys extensively in previous newsletter articles, but keep in mind that changes in the 'employed' number is most important in measuring expansion or contraction since it captures self-employed, farm workers and other non-payroll type categories in addition to the traditional employees.

| | | Target July 2013 | | |
|----------------------------------------------------------------------------------------|-------------|---------------------------------------------------------------------------|-------------------|--------------------------------------------------------------|
| July 2011 Labor Force at 83.9% Participation Rate and 9.1% Unemployment Rate | | Labor Force at 66.2% Participation Rate and 5.0% Unemployment Rate | | |
| | | | Difference | Notes |
| Civilian Noninstitutional Population | 239,671,000 | 242,671,000 | 3,000,000 | Growth Rate = 125,000 per month |
| Civilian Labor Force | 153,228,000 | 160,648,202 | 7,420,202 | Discouraged (and other Workers out of the Labor Force) |
| Employed (Current) | 139,296,000 | 152,615,792 | 13,319,792 | Total Employment Deficit |
| | | | 554,991 | Required Employment Growth per Month (average for 24 Months) |
| Unemployed | 13,931,000 | 8,032,410 | (5,898,590) | Change in Unemployed |
| Unemployment Rate | 9.1% | 5.0% | -4.1% | |

Unemployment June 2011

<http://www.econnewsletter.com/68201/66401.html>

Unemployment

The last item we'll address is **Unemployment**. This is the term that confuses most of the public and what obfuscates the measures of unemployment from U-1 through U-6, is that the '*Discouraged (and other Workers out of the Labor Force)*' we described previously, numbering 5.4 million (note that the estimation is based on a Labor Force Participation Rate of 66.2%). These are the folks that have given up looking for work and are therefore NOT considered in the Civilian Labor Force and for that reason are NOT, REPEAT, NOT considered unemployed.

Unemployment is simply measured by subtracting the Employed (from the Household Survey) from the Civilian Labor Force. The Unemployment Rate represents the percentage of Unemployed as compared to the Civilian Labor Force. The problems on the Unemployment side are pretty much addressed in the various measures of Unemployment, noted as follows:

HOUSEHOLD DATA

Table A-15. Alternative measures of labor underutilization

[Percent]

| Measure | Not seasonally adjusted | | | Seasonally adjusted | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-----------|-----------|---------------------|-----------|-----------|----------|-----------|-----------|
| | July 2010 | June 2011 | July 2011 | July 2010 | Mar. 2011 | Apr. 2011 | May 2011 | June 2011 | July 2011 |
| U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force..... | 5.5 | 5.1 | 5.2 | 5.7 | 5.3 | 5.1 | 5.3 | 5.3 | 5.3 |
| U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force..... | 5.8 | 5.1 | 5.2 | 5.9 | 5.4 | 5.3 | 5.4 | 5.4 | 5.4 |
| U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)..... | 9.7 | 9.3 | 9.3 | 9.5 | 8.8 | 9.0 | 9.1 | 9.2 | 9.1 |
| U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers..... | 10.4 | 9.9 | 10.0 | 10.2 | 9.4 | 9.5 | 9.5 | 9.8 | 9.8 |
| U-5 Total unemployed, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force..... | 11.2 | 10.9 | 10.9 | 11.0 | 10.3 | 10.4 | 10.3 | 10.7 | 10.7 |
| U-6 Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force..... | 16.8 | 16.4 | 16.3 | 16.5 | 15.7 | 15.9 | 15.8 | 16.2 | 16.1 |

NOTE: Persons marginally attached to the labor force are those who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the past 12 months. Discouraged workers, a subset of the marginally attached, have given a job-market related reason for not currently looking for work. Persons employed part time for economic reasons are those who want and are available for full-time work but have had to settle for a part-time schedule. Updated population controls are introduced annually with the release of January data.

U-3 is the officially reported unemployment rate that we see every month in the media. In July 2011, it was 9.1%, lower than June's 9.2% and lower than the 9.5% reported in July 2010. Keep in mind that the Labor Force Participation Rate was 63.9% in July 2011, while the rate was 64.6% in June 2010.

Comparing apples to apples, if the Labor Force Participation Rate was at 64.6% in July 2011, the unemployment rate would be at 10.0%, not the stated 9.1%.

Using the 66.2% Labor Force Participation Rate which was the average from 2001-2008, the U-3 unemployment rate would be 12.2%

The **U-6 unemployment rate**, the broadest measure of unemployment rate, captures the marginally attached, part-time, etc., and that rate dropped to 16.1%.

Again, comparing apples to apples, if the Labor Force Participation Rate was at 64.6% in July 2011, the U-6 unemployment rate would be at 17.0%.

Ratcheting up to the 66.2% Labor Force Participation Rate, the average from 2001-2008, the U-6 unemployment rate would be 19.2%

A last note on the Labor Force Participation Rate – a good reason, in our estimation, for using the higher Labor Force Participation Rate as a metric (e.g., 66.2% versus 63.9%) is to help identify and 'count' the unidentified discouraged individuals who we term as the **very discouraged worker**. The U.S. Department of Labor, Bureau of Labor Statistics, views the discouraged worker as being part of the smaller pool of Civilian Labor Force as reflected by the current 63.9% Labor Force Participation Rate in U-6, but not in U-3.

<http://www.bls.gov/news.release/pdf/empsit.pdf>

Among the marginally attached, there were 1.1 million discouraged workers in July, about the same as a year earlier. (These data are not seasonally adjusted.) Discouraged workers are persons not currently looking for work because they believe no jobs are available for them. The remaining 1.7 million persons marginally attached to the labor force in July had not searched for work in the 4 weeks preceding the survey for reasons such as school attendance or family responsibilities. (See table A-16.)

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HOUSEHOLD DATA

Table A-16. Persons not in the labor force and multiple jobholders by sex, not seasonally adjusted

[Numbers in thousands]

| Category | Total | | Men | | Women | |
|------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | July 2010 | July 2011 | July 2010 | July 2011 | July 2010 | July 2011 |
| NOT IN THE LABOR FORCE | | | | | | |
| Total not in the labor force..... | 82,620 | 84,859 | 32,135 | 33,476 | 50,484 | 51,383 |
| Persons who currently want a job..... | 6,143 | 6,810 | 2,801 | 3,072 | 3,343 | 3,738 |
| Marginally attached to the labor force ¹ | 2,622 | 2,785 | 1,385 | 1,392 | 1,237 | 1,393 |
| Discouraged workers ² | 1,185 | 1,119 | 742 | 639 | 443 | 480 |
| Other persons marginally attached to the labor force ³ | 1,437 | 1,667 | 644 | 754 | 793 | 913 |
| MULTIPLE JOBHOLDERS | | | | | | |
| Total multiple jobholders ⁴ | 6,579 | 6,724 | 3,206 | 3,371 | 3,373 | 3,353 |
| Percent of total employed..... | 4.7 | 4.8 | 4.3 | 4.5 | 5.2 | 5.1 |
| Primary job full time, secondary job part time..... | 3,424 | 3,569 | 1,821 | 1,994 | 1,603 | 1,574 |
| Primary and secondary jobs both part time..... | 1,679 | 1,726 | 557 | 628 | 1,122 | 1,098 |
| Primary and secondary jobs both full time..... | 283 | 246 | 199 | 151 | 84 | 95 |
| Hours vary on primary or secondary job..... | 1,144 | 1,118 | 604 | 557 | 540 | 561 |

1 Data refer to persons who want a job, have searched for work during the prior 12 months, and were available to take a job during the reference week, but had not looked for work in the past 4 weeks.

2 Includes those who did not actively look for work in the prior 4 weeks for reasons such as thinks no work available, could not find work, lacks schooling or training, employer thinks too young or old, and other types of discrimination.

3 Includes those who did not actively look for work in the prior 4 weeks for such reasons as school or family responsibilities, ill health, and transportation problems, as well as a number for whom reason for nonparticipation was not determined.

4 Includes a small number of persons who work part time on their primary job and full time on their secondary job(s), not shown separately.

NOTE: Updated population controls are introduced annually with the release of January data.

Again, when it comes right down to it, we're currently running a deficit of around 11 million jobs and we add around 125,000 (probably more like 150,000) to that total each month as our population expands. This is a situation that cannot continue to go on. These 11 million people have families and households to support. These are people who could help a housing recovery, contribute in terms of taxes and produce more of the goods and services we all need.

Unless, or until, we consistently begin to add in the neighborhood of 500,000 jobs on a monthly basis [actually, 560,000 or more] - private sector jobs that is, there will be no recovery, irrespective of political or academic pronouncements.

Adding to the problem, we have seen continued problems with extended duration of unemployment, note the **"Average (mean) duration in weeks" for July of 40.4!**

HOUSEHOLD DATA

Table A-12. Unemployed persons by duration of unemployment

[Numbers in thousands]

| Duration | Not seasonally adjusted | | | Seasonally adjusted | | | | | |
|------------------------------------------------------|-------------------------|-----------|-----------|---------------------|-----------|-----------|----------|-----------|-----------|
| | July 2010 | June 2011 | July 2011 | July 2010 | Mar. 2011 | Apr. 2011 | May 2011 | June 2011 | July 2011 |
| NUMBER OF UNEMPLOYED | | | | | | | | | |
| Less than 5 weeks..... | 3,111 | 3,808 | 2,952 | 2,833 | 2,449 | 2,691 | 2,664 | 3,076 | 2,689 |
| 5 to 14 weeks..... | 3,507 | 2,698 | 3,496 | 3,098 | 2,914 | 2,907 | 2,892 | 2,972 | 3,088 |
| 15 weeks and over..... | 8,519 | 7,903 | 7,980 | 8,709 | 8,078 | 7,845 | 8,184 | 8,125 | 8,150 |
| 15 to 26 weeks..... | 1,978 | 1,845 | 1,762 | 2,171 | 1,957 | 2,006 | 1,984 | 1,836 | 1,965 |
| 27 weeks and over..... | 6,541 | 6,058 | 6,218 | 6,539 | 6,122 | 5,839 | 6,200 | 6,289 | 6,185 |
| Average (mean) duration, in weeks ¹ | 32.6 | 38.0 | 39.0 | 33.9 | 39.0 | 38.3 | 39.7 | 39.9 | 40.4 |
| Median duration, in weeks..... | 20.3 | 19.3 | 19.7 | 21.7 | 21.7 | 20.7 | 22.0 | 22.5 | 21.2 |
| PERCENT DISTRIBUTION | | | | | | | | | |
| Less than 5 weeks..... | 20.6 | 26.4 | 20.5 | 19.4 | 18.2 | 20.0 | 19.4 | 21.7 | 19.3 |
| 5 to 14 weeks..... | 23.2 | 18.7 | 24.2 | 21.2 | 21.7 | 21.6 | 21.0 | 21.0 | 22.2 |
| 15 weeks and over..... | 56.3 | 54.8 | 55.3 | 59.5 | 60.1 | 58.4 | 59.6 | 57.3 | 58.5 |
| 15 to 26 weeks..... | 13.1 | 12.8 | 12.2 | 14.8 | 14.6 | 14.9 | 14.4 | 13.0 | 14.1 |
| 27 weeks and over..... | 43.2 | 42.0 | 43.1 | 44.7 | 45.5 | 43.4 | 45.1 | 44.4 | 44.4 |

¹ Beginning in January 2011, this series reflects a change to the collection of data on unemployment duration. For more information, see www.bls.gov/cps/duration.htm.

NOTE: Updated population controls are introduced annually with the release of January data.