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Economic Newsletter for the New Millennium

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Lies, Damned lies, and Statistics

...etched on Hadrian's Wall by a frustrated and anonymous Roman Centurion (speculative)...also attributed to the likes of Benjamin Disraeli, British Prime Minister, Mark Twain, and Harry S Truman, president of U.S. of A.

In the most recent employment report by the BLS, it appears that the employment and unemployment pictures have appreciably improved. That is NOT the case when the details are examined. Since the peak of economic activity under the Clinton Administration when the participation rate averaged 67.1% (from April 1996 through March 2001), that rate has been trending downward. The very large build up of federal government tax revenues as a result of significant tax increases during the [Rubinomics](#)

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period of Clinton's second term, led to a sharp collapse in GDP during 2000, President Clinton's last year. This decline in the participation rates has biased downward the calculation in arriving at the unemployment rates.

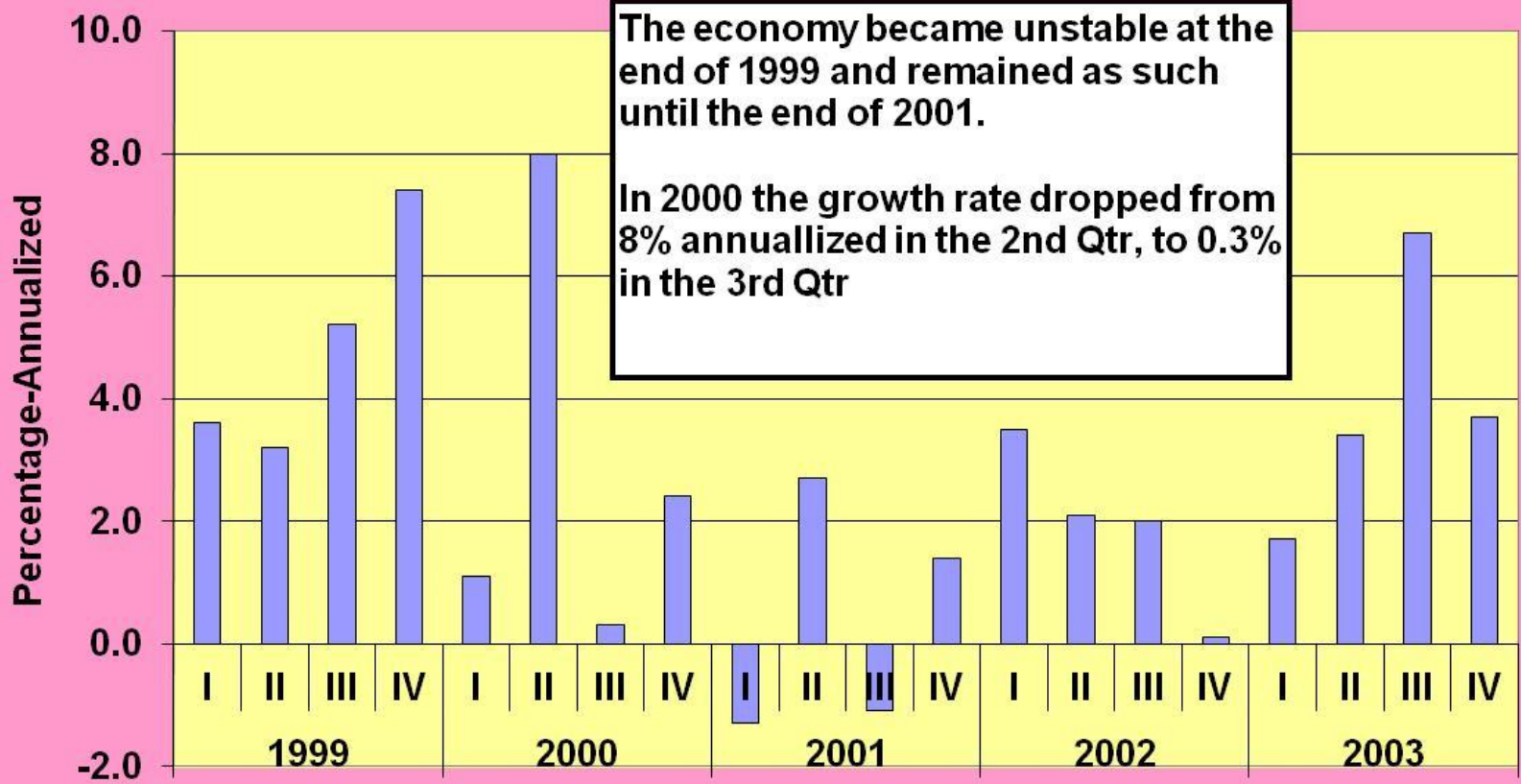
Economic Newsletter for the New Millennium
August 11, 2011

<http://econnewsletter.com/84401.html>

Clinton Tax Hike

"When Clinton became President in 1993, he inherited an annual federal deficit of \$290 billion (1992) and a U-3 unemployment rate of 7.5% (1992). In 1995, he appointed Robert Rubin as Secretary of the Treasury (<http://en.wikipedia.org/wiki/Rubinomics>). He and President Clinton lobbied Congress to dedicate the higher taxes legislated in 1993 toward reducing the federal deficit and they agreed with him."

Real Gross Domestic Product
 [Percent] Seasonally adjusted at annual rates
 U.S. Dept of Commerce: Bureau of Economic Analysis

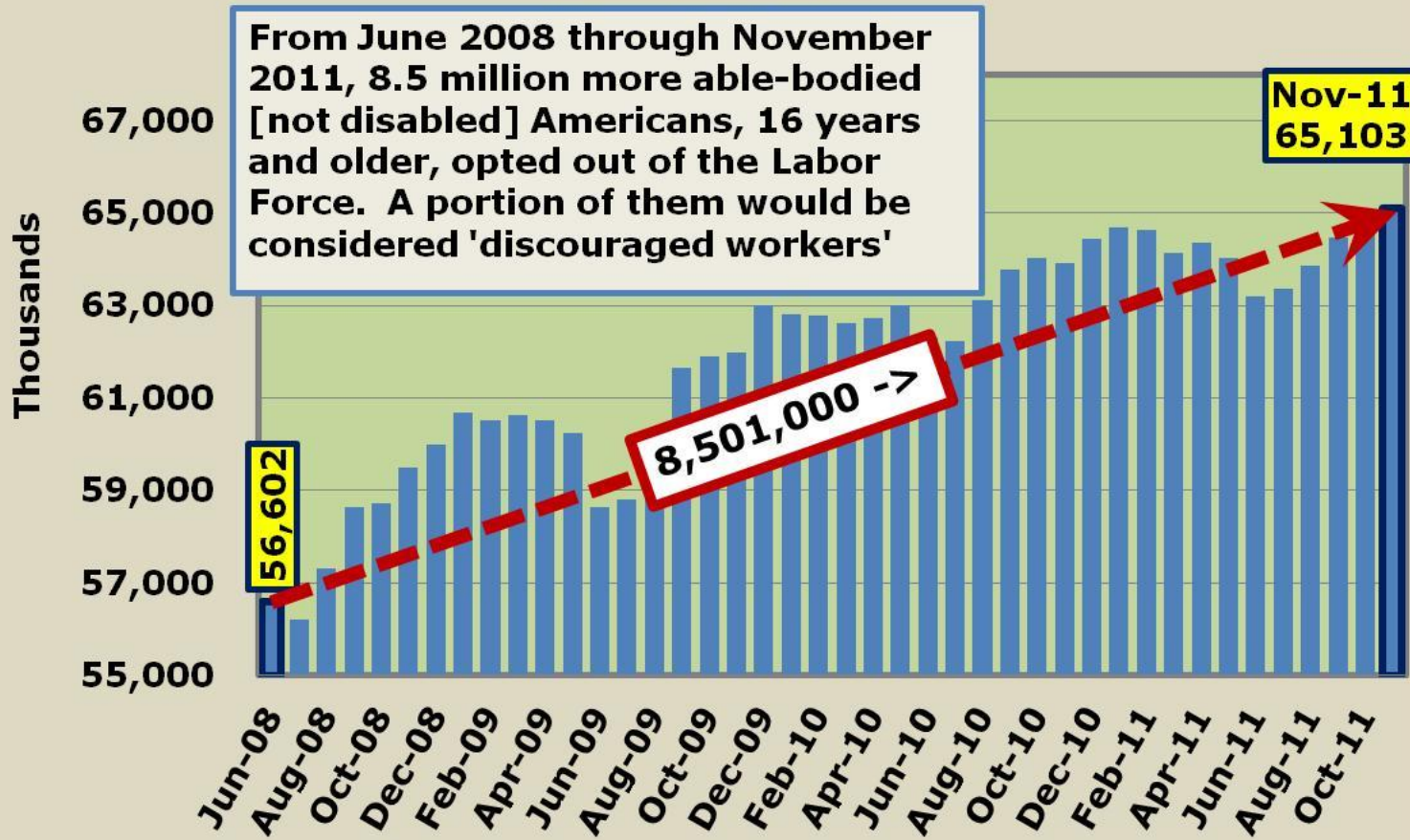


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THE STEADY DECLINE IN THE PARTICIPATION RATE AS THE JOBS OUTLOOK DARKENED

The major cause of this decline in the participation rate has been the discouraged worker effect exacerbated by an unprecedented duration of unemployment. Spikes in the early retirement rate and the permanent disability rate have also added to this decline.

Not in Labor Force - With No Disability, 16 years and over
Not Seasonally Adjusted - in thousands
 U.S. Department of Labor: Bureau of Labor Statistics
 December 2, 2011

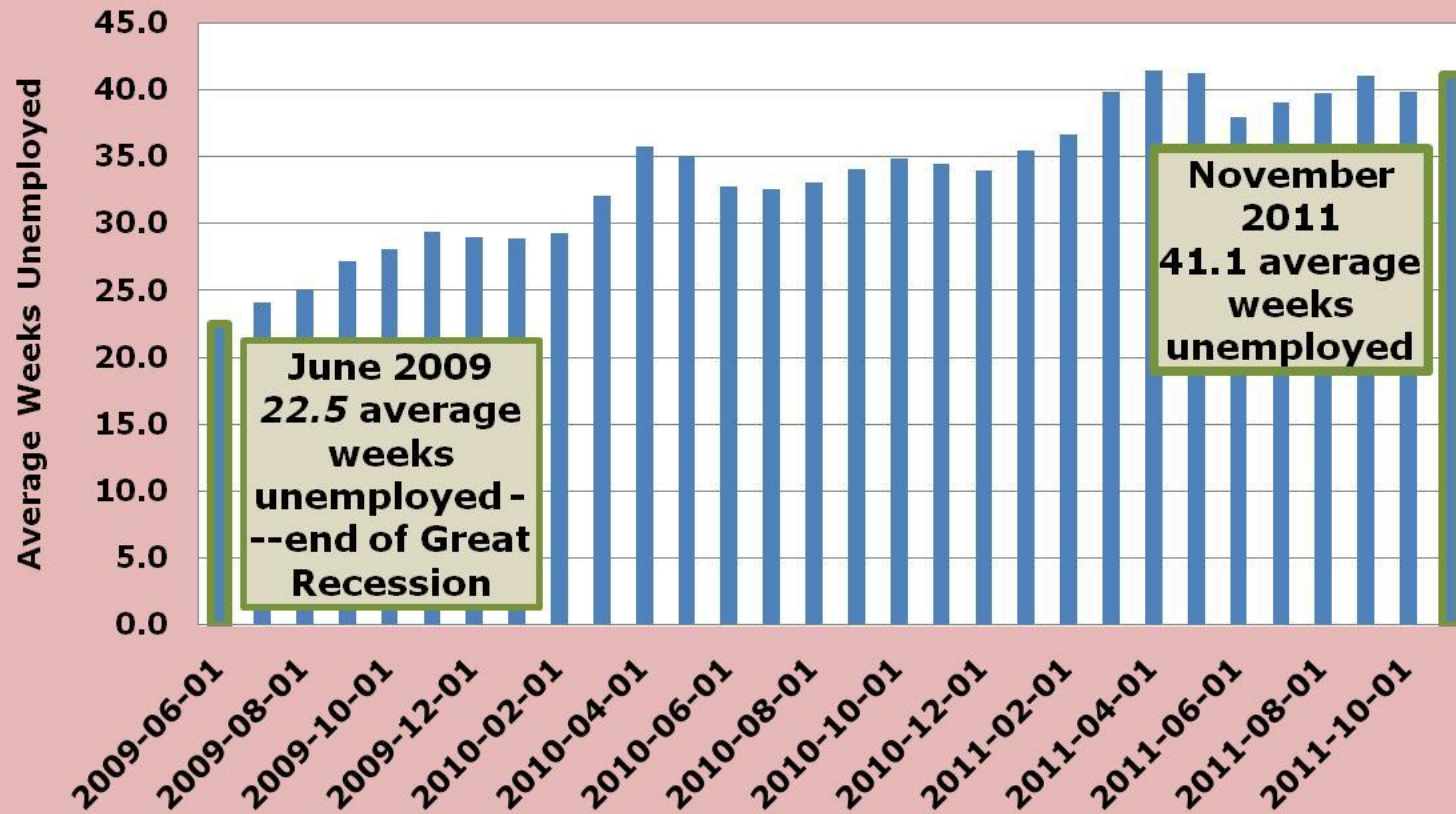


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Average Weeks Unemployed (Not Seasonal Adjusted)

U.S. Department of Labor: Bureau of Labor Statistics

December 4, 2011



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Examples of reduction in the Labor Force

New Awards to Workers, 1969–2009

Awards to retired workers have increased considerably over the past four decades, but proportionately much less than awards to disabled workers. The annualized rate of increase over the period from 1969 to 2009 is 1.9% for retired workers and 2.6% for disabled workers. The annual number of awards to retired workers rose from 1.3 million in 1969 to 2.7 million in 2009, while for disabled workers it increased from 345,000 in 1969 to 971,000 in 2009.

New awards to retired and disabled workers

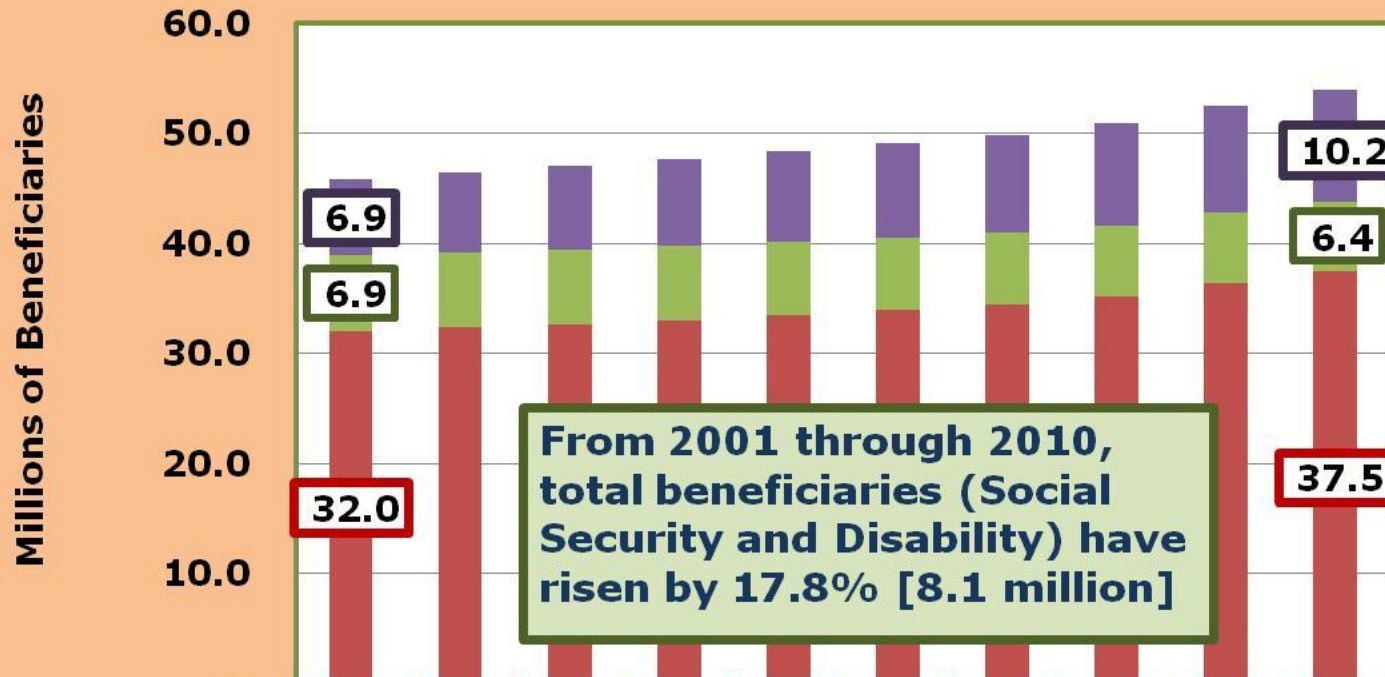


SOURCE: Social Security Administration, Master Beneficiary Record, 100 percent data.

Social Security Beneficiary Statistics

U.S. Social Security Administration

<http://www.ssa.gov/OACT/STATS/OASDIbenies.html>



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
■ Disabled workers and dependents	6.9	7.2	7.6	7.9	8.3	8.6	8.9	9.3	9.7	10.2
■ Survivors	6.9	6.9	6.8	6.7	6.7	6.6	6.5	6.5	6.4	6.4
■ Retired workers and dependents	32.0	32.3	32.6	33.0	33.5	33.9	34.5	35.2	36.4	37.5

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How are the participation rate and the various elements of the unemployment rate determined along with the definition of the terms used in arriving at these various rates?

The following are various measures used in determining employment statistics as used by the U.S. Department of Labor, Bureau of Labor Statistics (Current Population Survey)

<http://www.bls.gov/lau/rdscnp16.htm#defs>

Civilian Non-institutional Population

The civilian non-institutional population consists of persons 16 years of age and older residing in the 50 States and the District of Columbia who are not inmates of institutions (for example, penal and mental facilities and homes for the aged) and who are not on active duty in the Armed Forces.

Employment

Employment consists of all persons who, during the reference week (the calendar week including the twelfth day of the month), (a) did any work at all (at least 1 hour) as paid employees, worked in their own business or profession or on their own farm, or worked 15 hours or more as unpaid workers in an enterprise operated by a member of the family, or (b) were not working but had jobs or businesses from which they were temporarily absent because of vacation, illness, bad weather, childcare problems, maternity or paternity leave, labor-management dispute, job training, or other family or personal reasons, whether or not they were paid for the time off or were seeking other jobs.

Unemployment

Unemployment consists of all persons who had no employment during the reference week, were available for work, except for temporary illness, and had made specific efforts to find employment some time during the 4-week

period ending with the reference week. Persons who were waiting to be recalled to a job from which they had been laid off need not have been looking for work to be classified as unemployed.

Employment-Population Ratio

Employment-population ratio is the proportion of the civilian noninstitutional population aged 16 years and over that is employed.

Civilian Labor Force

The civilian labor force consists of all persons classified as employed or unemployed as described above.

Labor force Participation Rate

The labor force participation rate represents the proportion of the civilian noninstitutional population that is in the labor force. This measure of labor force activity grew from about 60 percent nationally in 1970 to about 67 percent in 2000, with much of the increase resulting from increased participation by women.

Unemployment Rate

The unemployment rate is the number of unemployed as a percent of the civilian labor force. Unemployment rates move inversely with the business cycle, sometimes with a lag.

U-3 (Official Unemployment Rate)

U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)

U-6 (Alternative – [more precise/complex] unemployment rate)

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

Various measures of unemployment rate

<http://www.bls.gov/news.release/empst.t15.htm>

Measure	Not seasonally			Seasonally adjusted					
	Nov. 2010	Oct. 2011	Nov. 2011	Nov. 2010	July 2011	Aug. 2011	Sept. 2011	Oct. 2011	Nov. 2011
U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force	5.5	5	4.9	5.7	5.3	5.4	5.4	5.1	5.1
U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force	5.8	4.8	4.7	6.2	5.4	5.3	5.3	5.2	4.9
U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)	9.3	8.5	8.2	9.8	9.1	9.1	9.1	9	8.6
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers	10	9.1	8.9	10.5	9.8	9.7	9.7	9.6	9.3
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	10.8	10	9.7	11.2	10.7	10.6	10.5	10.5	10.2
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	16.3	15.3	15	17	16.1	16.2	16.5	16.2	15.6

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.

...an alternative to the U-3 and U-6 measurements --- adjusting for a more realistic Labor Force Participation Rate

Participation rate adjustment for U-3 and U-6 Unemployment Rates

From April 1996 through March 2001, the average Labor Force Participation Rate was 67.1%. In our presentation, we adjusted the reported rates to reflect the 67.1% to identify the discouraged workers who have entirely given up any hope of gaining employment. When you experience lengthy bouts of unemployment, the discouraged worker effect is amplified, beyond even the normal levels when shorter term unemployment cycles occur.

CIVILIAN NONINSTITUTIONAL POPULATION

Since January 2001, the [Civilian Noninstitutional Population](#) [those 16 and older, not in the military or in institutions (for example, penal and mental facilities, homes for the aged)] has grown by around 200,000 per month.

CIVILIAN NONINSTITUTIONAL POPULATION

January 2001 = 213,888,000

November 2011 = 240,441,000

Difference = 26,553,000 / 131 months = 204,000 / month

During the Great Recession – 19 months

December 2007 = 233,156,000

June 2009 = 235,655,000

Difference = 2,499,000 / 19 months = 131,526 / month

During Bush Presidency – 97 months (actually 96 months, added January 2009)

January 2001 = 213,888,000

January 2009 = 234,739,000

Difference = 20,851,000 / 97 months = 214,959 / month

During Obama Presidency – 35 months

January 2009 = 234,739,000

November 2011 = 240,441,000

Difference = 5,702,000 / 35 months = 162,914 / month

End of the Recession (June 2009) to November 2011 – 30 months

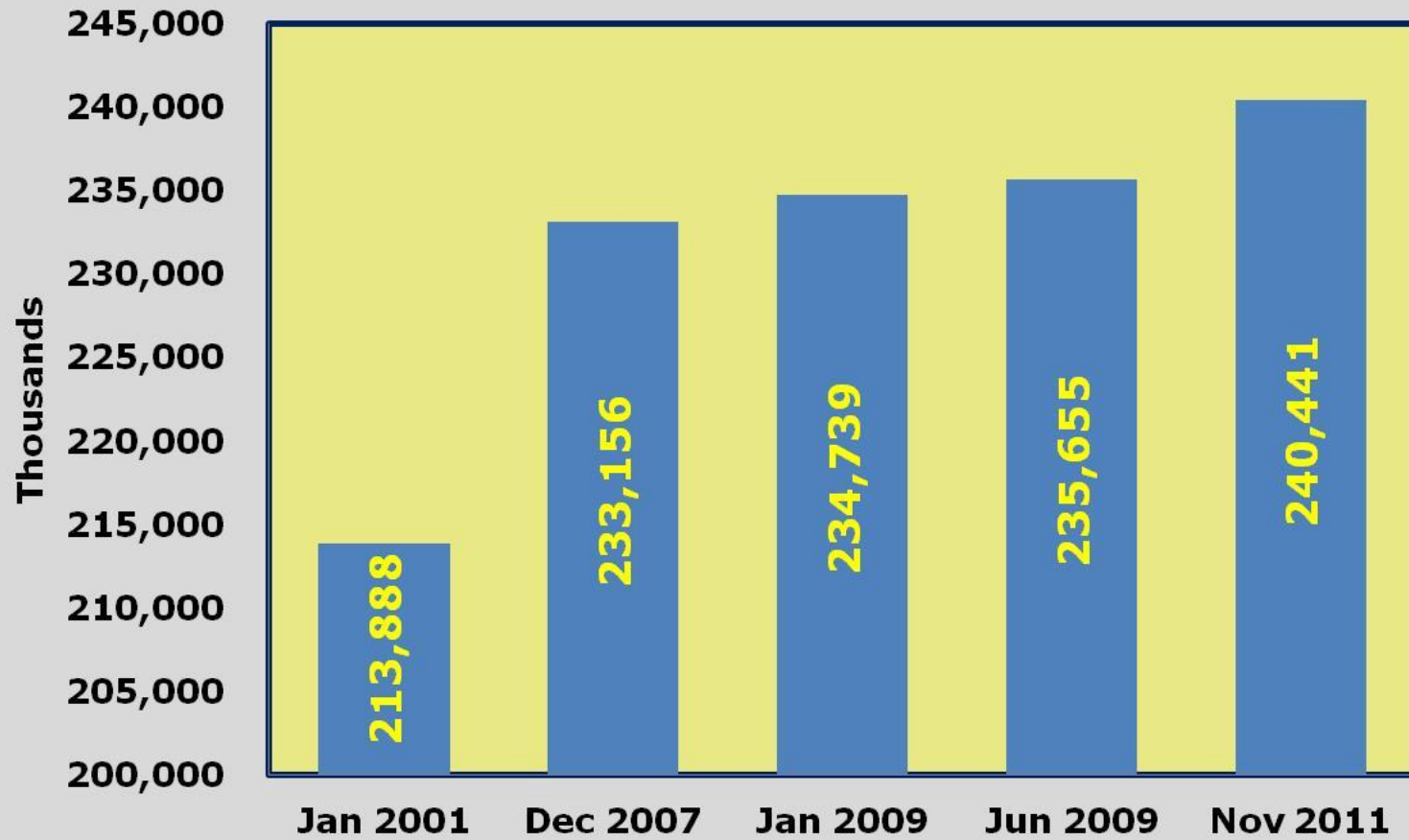
June 2009 = 235,655,000

November 2011 = 240,441,000

Difference = 4,786,000 / 30 months = 159,533 / month

Clearly, the decline in the labor force participation was a result of the slower rate of economic activity and since it is the denominator of the calculation of the unemployment rate, that rate was biased downward and not a realistic measure of the unemployment rate picture and hence the need for an adjustment.

Civilian Noninstitutional Population
U.S. Dept of Labor Bureau of Labor Statistics
December 2, 2011



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LABOR FORCE

Since January 2001, the [Labor Force](#) (a subset of the Civilian Noninstitutional Population, labeled as employed or unemployed) has only grown by around 77,000 per month.

LABOR FORCE

January 2001 = 143,800,000

November 2011 = 153,883,000

Difference = 10,083,000 / 131 months = 77,000/month

During the Great Recession – 19 months

December 2007 = 153,936,000

June 2009 = 154,754,000

Difference = 818,000 / 19 months = 43,053 / month

During Bush Presidency – 97 months (actually 96 months, added January 2009)

January 2001 = 143,800,000

January 2009 = 154,185,000

Difference = 20,851,000 / 97 months = 107,062 / month

During Obama Presidency – 35 months

January 2009 = 154,185,000

November 2011 = 153,883,000

Difference = **(302,000)** / 35 months = **(8,629)** / month

End of the Recession (June 2009) to November 2011 – 30 months

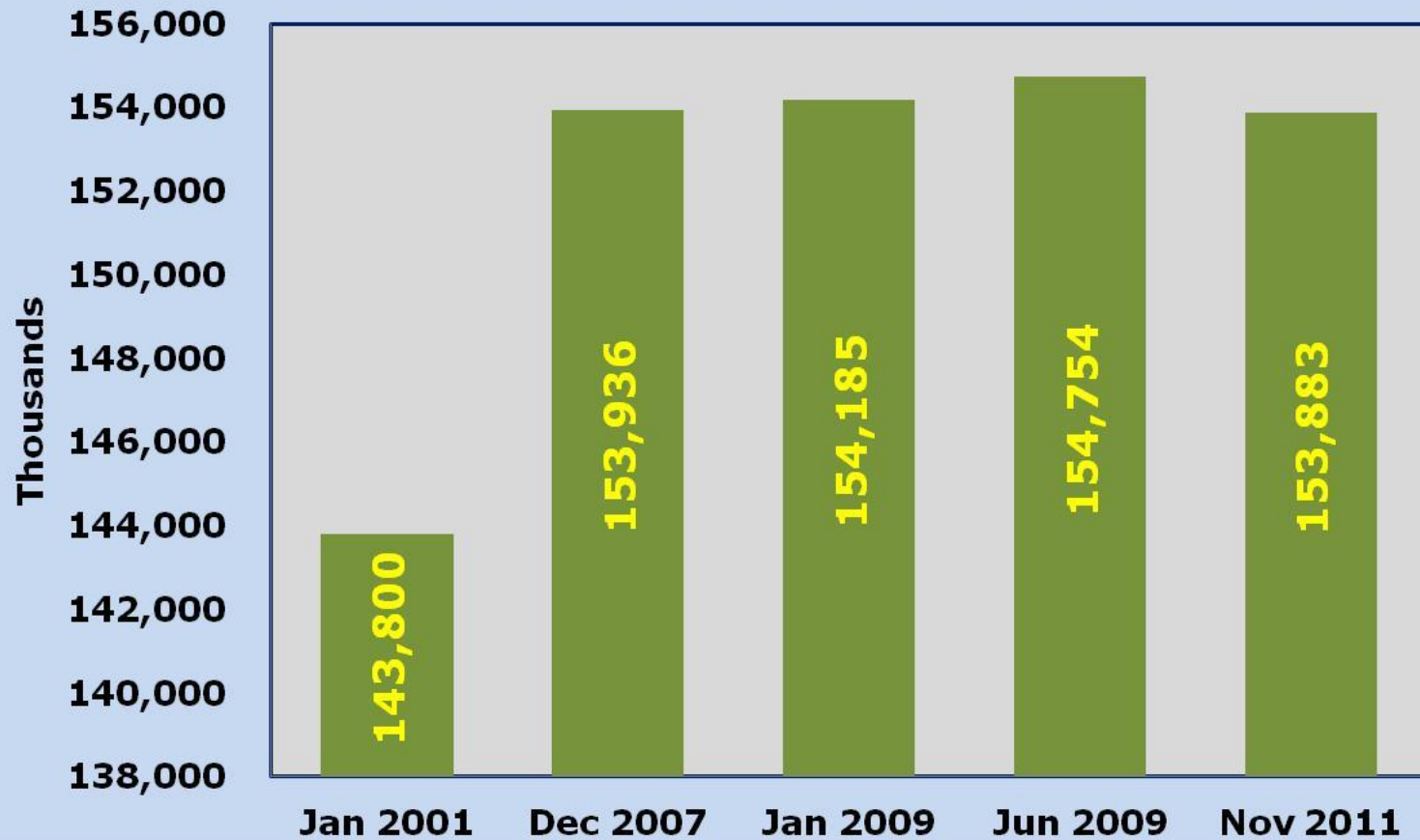
June 2009 = 154,754,000

November 2011 = 153,883,000

Difference = **(871,000)** / 30 months = **(29,033)** / month

Civilian Labor Force

U.S. Dept of Labor Bureau of Labor Statistics
December 2, 2011



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Labor Force Participation Rate

From January 2001 through November 2011, the [Labor Force Participation Rate](#) (The Labor Force as a percent of the Civilian Noninstitutional Population) grew by around 56,000 per month.

Labor Force Participation Rate

January 2001 = 67.2%

November 2011 = 64.0%

Difference = **-3.2%**

During the Great Recession – 19 months

December 2007 = 66.0%

June 2009 = 65.7%

Difference = **-0.3%**

During Bush Presidency – 97 months (actually 96 months, added January 2009)

January 2001 = 67.2%

January 2009 = 65.7%

Difference = **-1.5%**

During Obama Presidency – 35 months

January 2009 = 65.7%

November 2011 = 64.0%

Difference = **-1.7%**

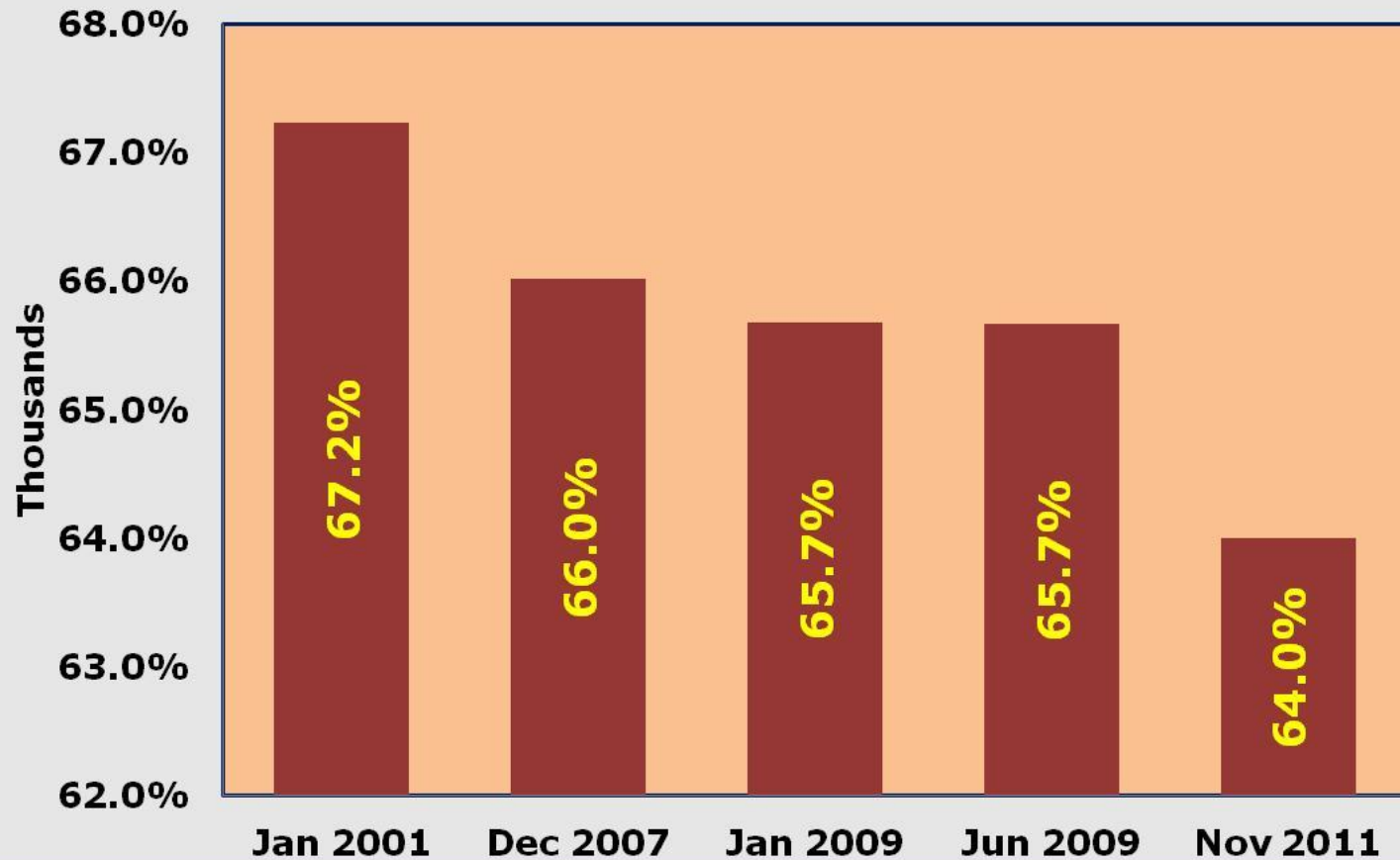
End of the Recession (June 2009) to November 2011 – 30 months

June 2009 = 65.7%

November 2011 = 64.0%

Difference = **-1.7%**

Labor Force Participation Rate
U.S. Dept of Labor Bureau of Labor Statistics
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Employed

From January 2001 through November 2011, the [Employed Persons](#) (a subset of the Labor Force) grew by around 21,000 per month.

Employed

January 2001 = 137,778,000

November 2011 = 140,580,000

Difference = 2,802,000 / 131 months = 21,389 / month

During the Great Recession – 19 months

December 2007 = 146,272,000

June 2009 = 139,978,000

Difference = **(6,294,000)** / 19 months = **(331,263)** / month

During Bush Presidency – 97 months (actually 96 months, added January 2009)

January 2001 = 137,778,000

January 2009 = 142,201,000

Difference = 4,423,000 / 97 months = 45,598 / month

During Obama Presidency – 35 months

January 2009 = 142,201,000

November 2011 = 140,580,000

Difference = **(1,621,000)** / 35 months = **(46,314)** / month

End of the Recession (June 2009) to November 2011 – 30 months

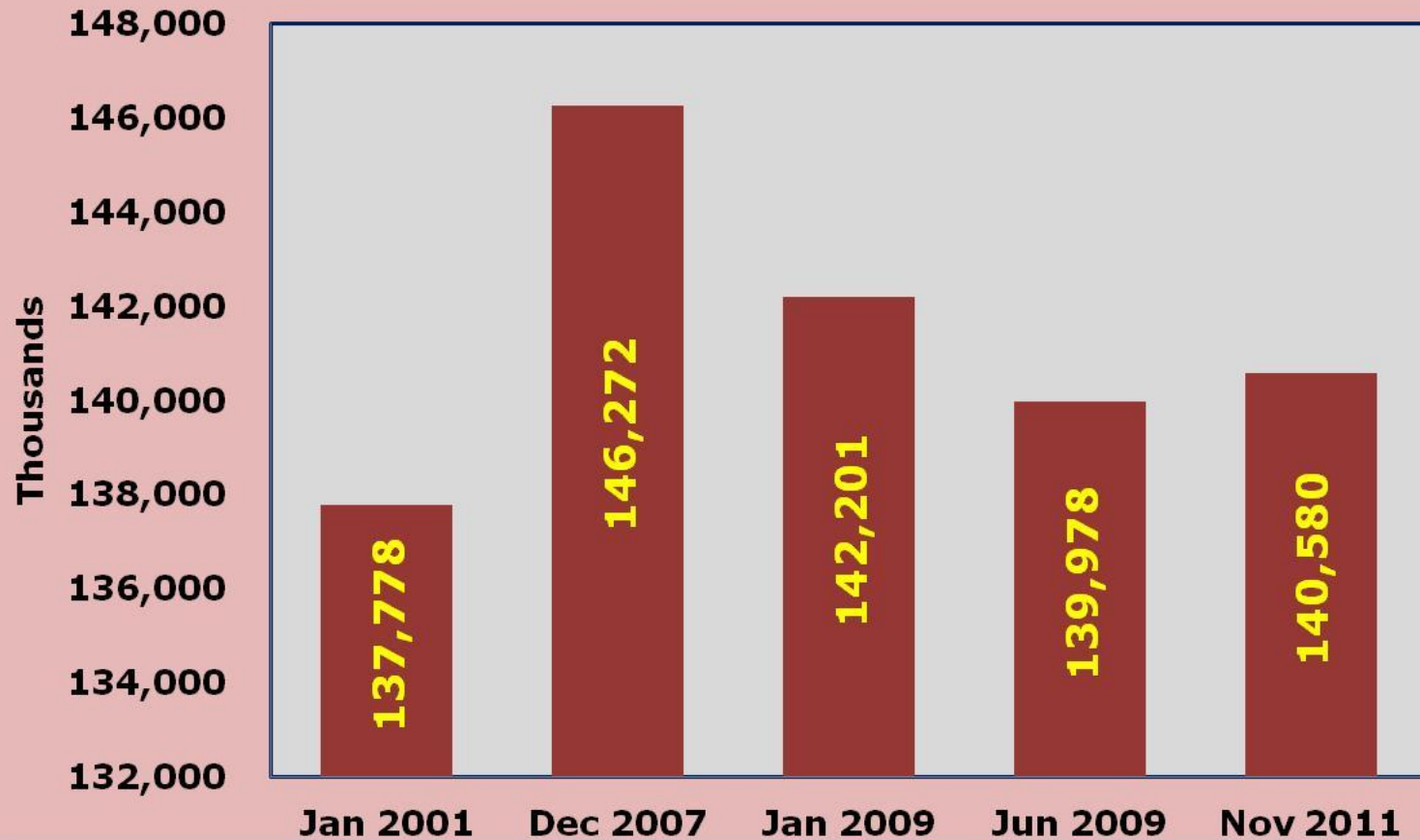
June 2009 = 139,978,000

November 2011 = 140,580,000

Difference = 602,000 / 30 months = 20,067 / month

Employed

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Unemployed

From January 2001 through November 2011, the [Unemployed Persons](#) (a subset of the Labor Force) grew by around 56,000 per month.

Unemployed

January 2001 = 6,023,000

November 2011 = 13,303,000

Difference = 7,280,000 / 131 months = 55,573 / month

During the Great Recession – 19 months

December 2007 = 7,664,000

June 2009 = 14,776,000

Difference = 7,112,000 / 19 months = 374,316 / month

During Bush Presidency – 97 months (actually 96 months, added January 2009)

January 2001 = 6,023,000

January 2009 = 7,664,000

Difference = 1,641,000 / 97 months = 16,918 / month

During Obama Presidency – 35 months

January 2009 = 11,984,000

November 2011 = 13,303,000

Difference = 1,319,000 / 35 months = 37,686 / month

End of the Recession (June 2009) to November 2011 – 30 months

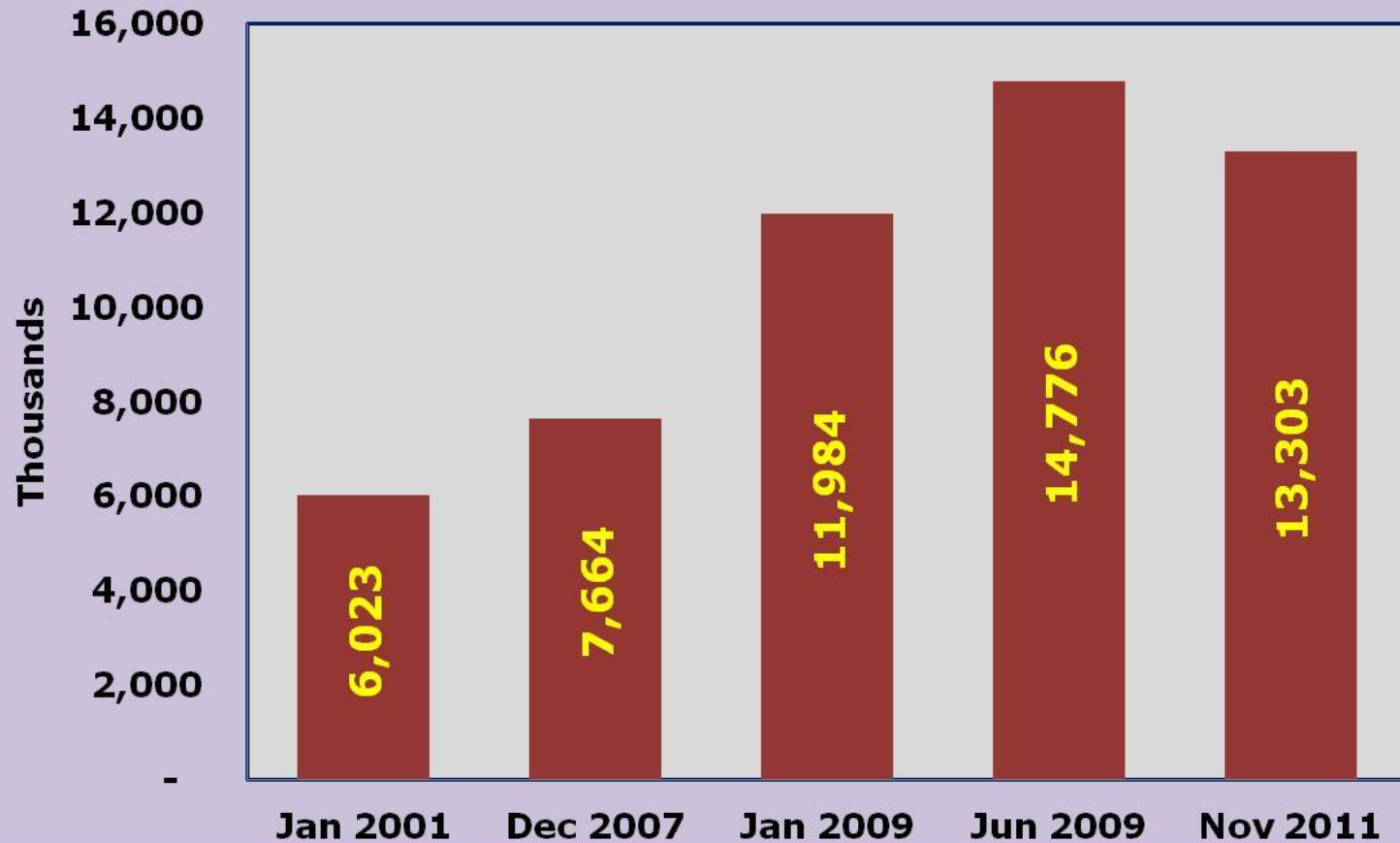
June 2009 = 14,776,000

November 2011 = 13,303,000

Difference = **(1,473,000)** / 30 months = **(49,100)** / month

Unemployed

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Unemployment Rate (U-3) Official

From January 2001 through November 2011, the [Unemployment Rate](#) (unemployed as a percent of the labor force.) went from 4.2 to 8.6%.

Unemployment Rate (U-3) Official

January 2001 = 4.2%

November 2011 = 8.6%

Difference = 4.4%

During the Great Recession – 19 months

December 2007 = 5.0%

June 2009 = 9.5%

Difference = 4.5%

During Bush Presidency – 97 months (actually 96 months, added January 2009)

January 2001 = 4.2%

January 2009 = 7.8%

Difference = 3.6%

During Obama Presidency – 35 months

January 2009 = 7.8%

November 2011 = 8.6%

Difference = 0.8%

End of the Recession (June 2009) to November 2011 – 30 months

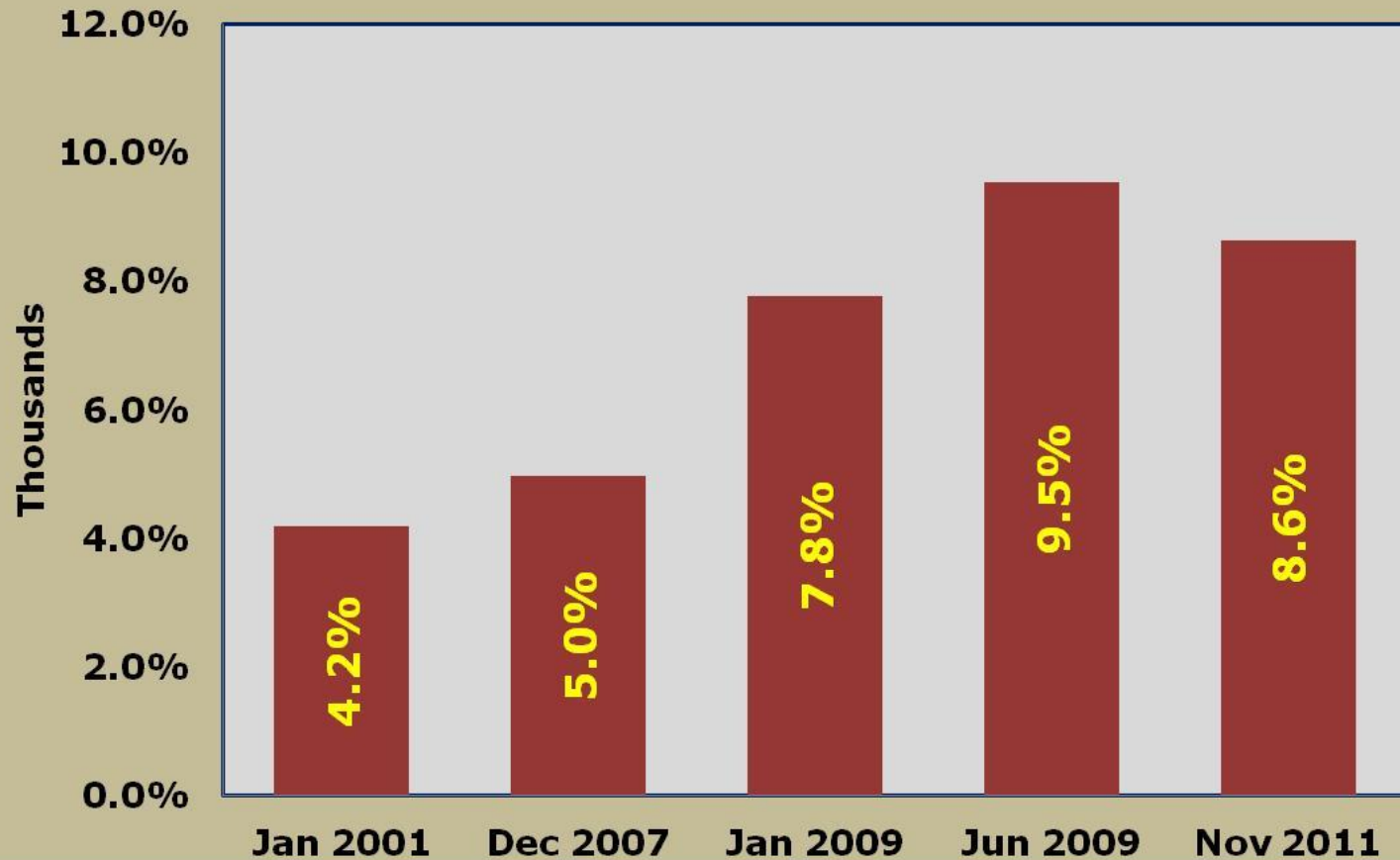
June 2009 = 9.5%

November 2011 = 8.6%

Difference = **-0.9%**

U-3 Unemployment Rate

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Adjusting to reflect Labor Force Participation Rate of 67.1%

Note: from April 1996 – March 2001, the average Labor Force Participation Rate was 67.1%)

Unemployment Rate (U-3) Official – again, adjusting to reflect Labor Force Participation Rate of 67.1%

From January 2001 through November 2011, the **adjusted Unemployment Rate** (unemployed as a percent of the labor force.) went from 4.2 to 13.3%.

Adjusted U-3 Unemployment Rate

January 2001 = 4.2%

November 2011 = 13.3%

Difference = 9.1%

During the Great Recession – 19 months

December 2007 = 6.5%

June 2009 = 11.6%

Difference = 5.1%

During Bush Presidency – 97 months (actually 96 months, added January 2009)

January 2001 = 4.2%

January 2009 = 9.8%

Difference = 5.6%

During Obama Presidency – 35 months

January 2009 = 9.8%

November 2011 = 13.3%

Difference = 3.5%

End of the Recession (June 2009) to November 2011 – 30 months

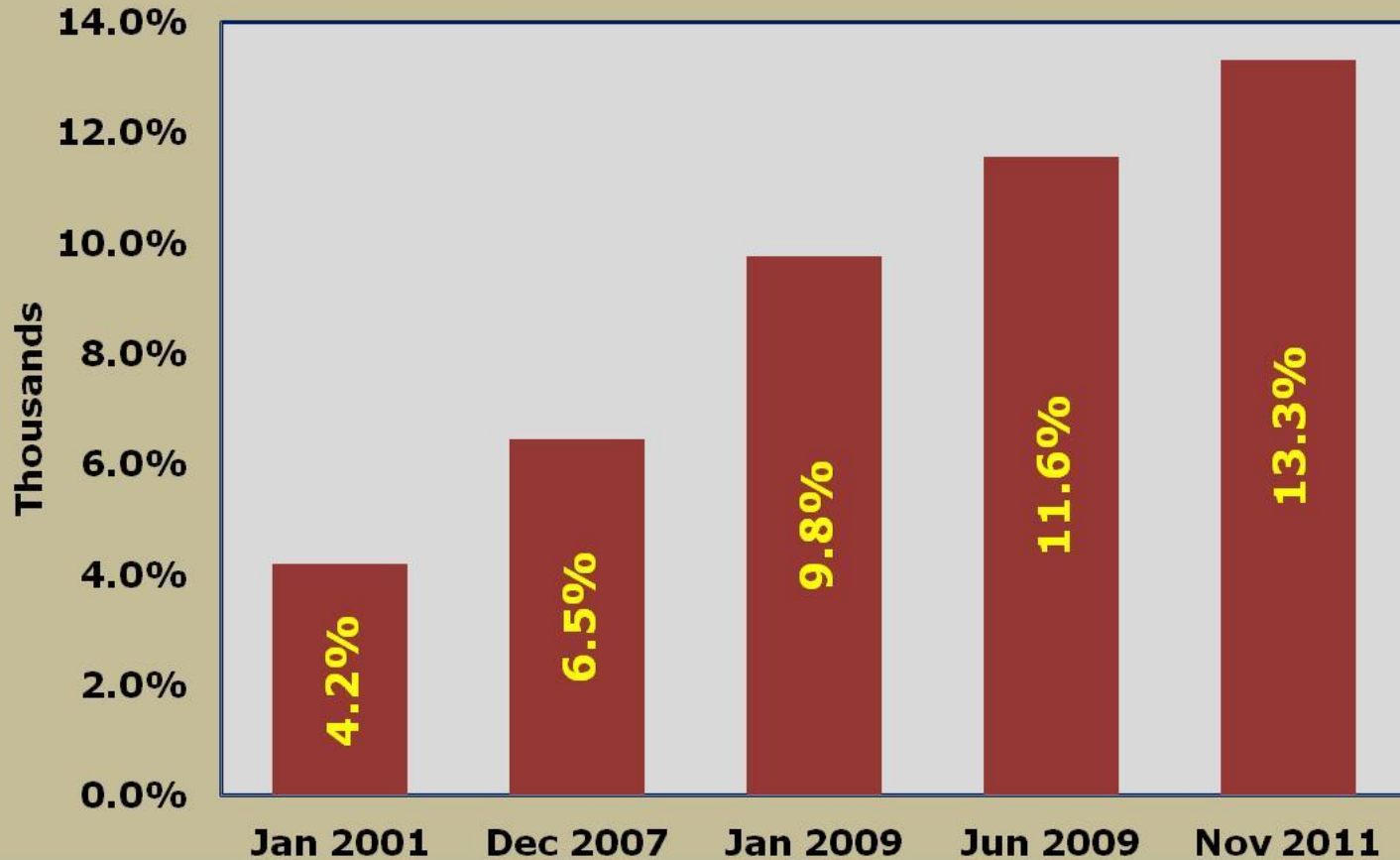
June 2009 = 11.6%

November 2011 = 13.3%

Difference = 1.7%

U-3 Unemployment Rate - ADJUSTED
(Adjusted for 67.1% Labor Force Participation Rate)

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Unemployment Rate (U-6) Official

From January 2001 through November 2011, the [U-6 Unemployment Rate](#) (Alternative measures of labor underutilization = 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) went from 7.3 to 15.6%.

Unemployment Rate (U-6) Official

January 2001 = 7.3%

November 2011 = 15.6%

Difference = 8.3%

During the Great Recession – 19 months

December 2007 = 8.8%

June 2009 = 16.6%

Difference = 7.8%

During Bush Presidency – 97 months (actually 96 months, added January 2009)

January 2001 = 7.3%

January 2009 = 14.1%

Difference = 6.8%

During Obama Presidency – 35 months

January 2009 = 14.1%

November 2011 = 15.6%

Difference = 1.5%

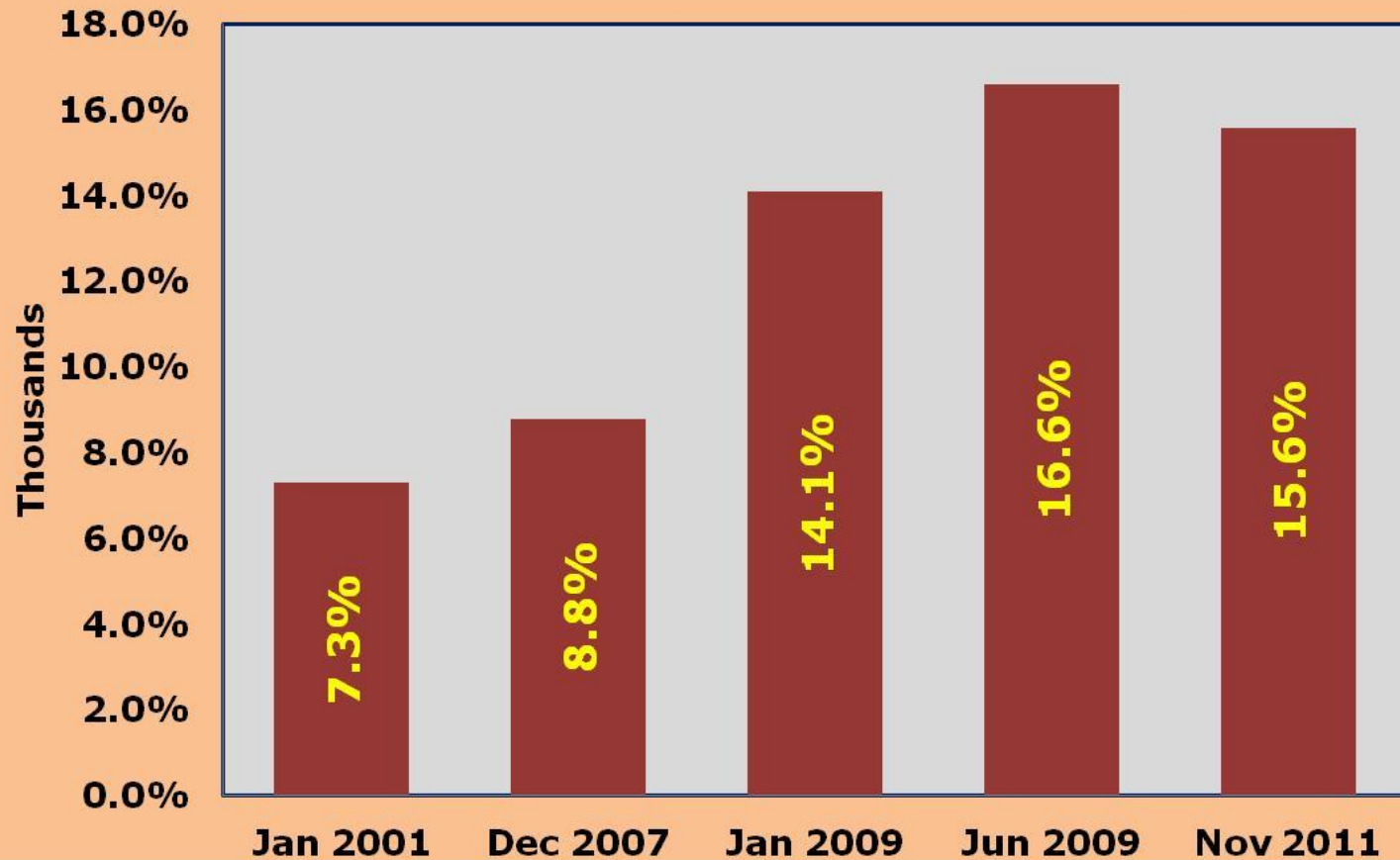
End of the Recession (June 2009) to November 2011 – 30 months

June 2009 = 16.6%

November 2011 = 15.6%

Difference = **-1.0%**

U-6 Unemployment Rate
U.S. Dept of Labor Bureau of Labor Statistics
December 2, 2011



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Adjusting to reflect Labor Force Participation Rate of 67.1%

Note: from April 1996 – March 2001, the average Labor Force Participation Rate was 67.1%)

Unemployment Rate (U-6) Alternative measures of labor underutilization – again, adjusting to reflect Labor Force Participation Rate of 67.1%

From January 2001 through November 2011, the **adjusted U-6 Unemployment Rate** (Alternative measures of labor underutilization = 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) went from 7.3 to 20.6%.

Adjusted U-6 Unemployment Rate

January 2001 = 7.3%

November 2011 = 20.3%

Difference = 13.0%

During the Great Recession – 19 months

December 2007 = 10.3%

June 2009 = 18.6%
Difference = 8.3%

During Bush Presidency – 97 months (actually 96 months, included January 2009)

January 2001 = 7.3%
January 2009 = 16.1%
Difference = 8.8%

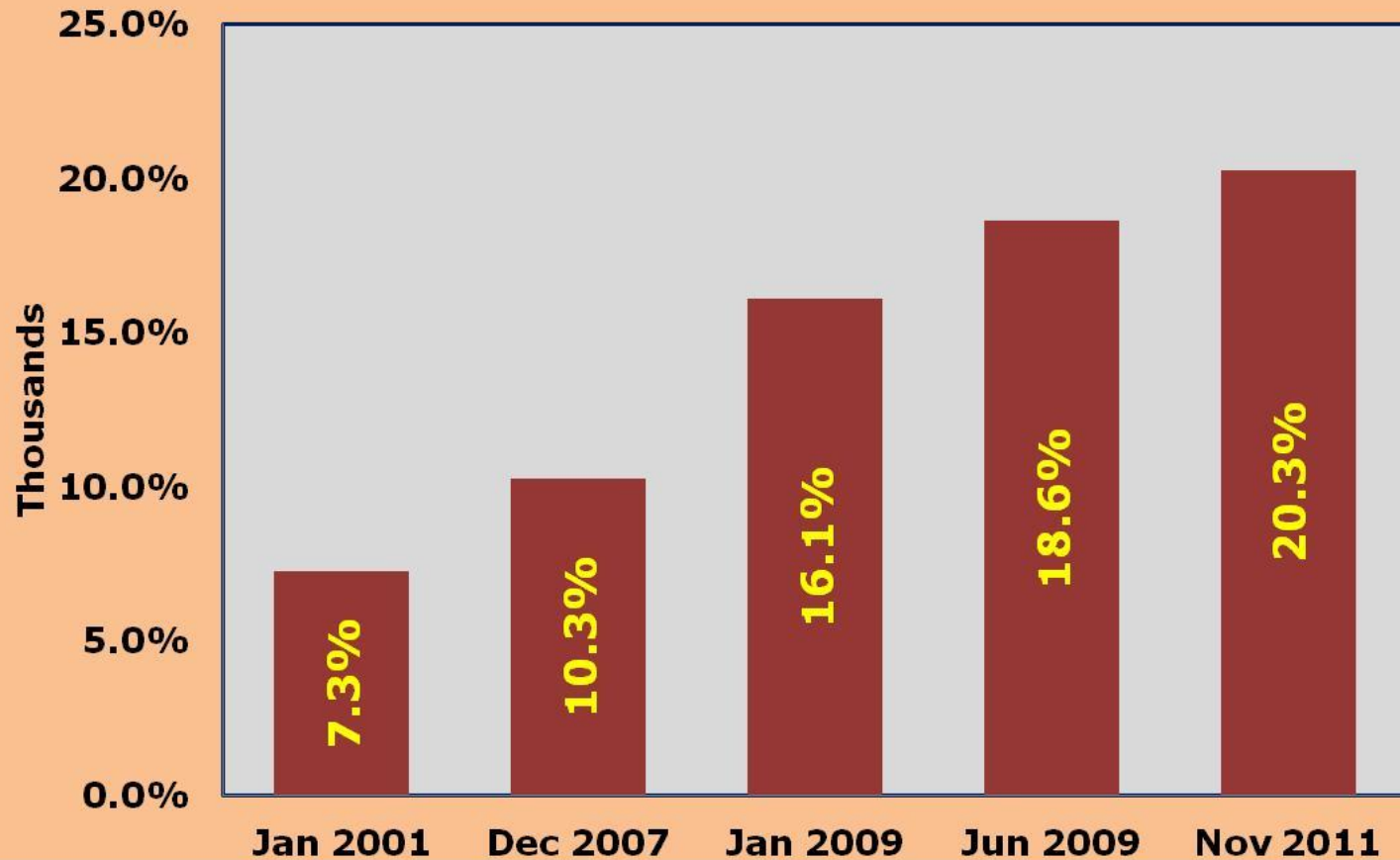
During Obama Presidency – 35 months

January 2009 = 16.1%
November 2011 = 20.3%
Difference = 4.2%

End of the Recession (June 2009) to November 2011 – 30 months

June 2009 = 18.6%
November 2011 = 20.3%
Difference = 1.7%

U-6 Unemployment Rate - ADJUSTED
(Adjusted for 67.2% Labor Force Participation Rate)
U.S. Dept of Labor Bureau of Labor Statistics
December 2, 2011

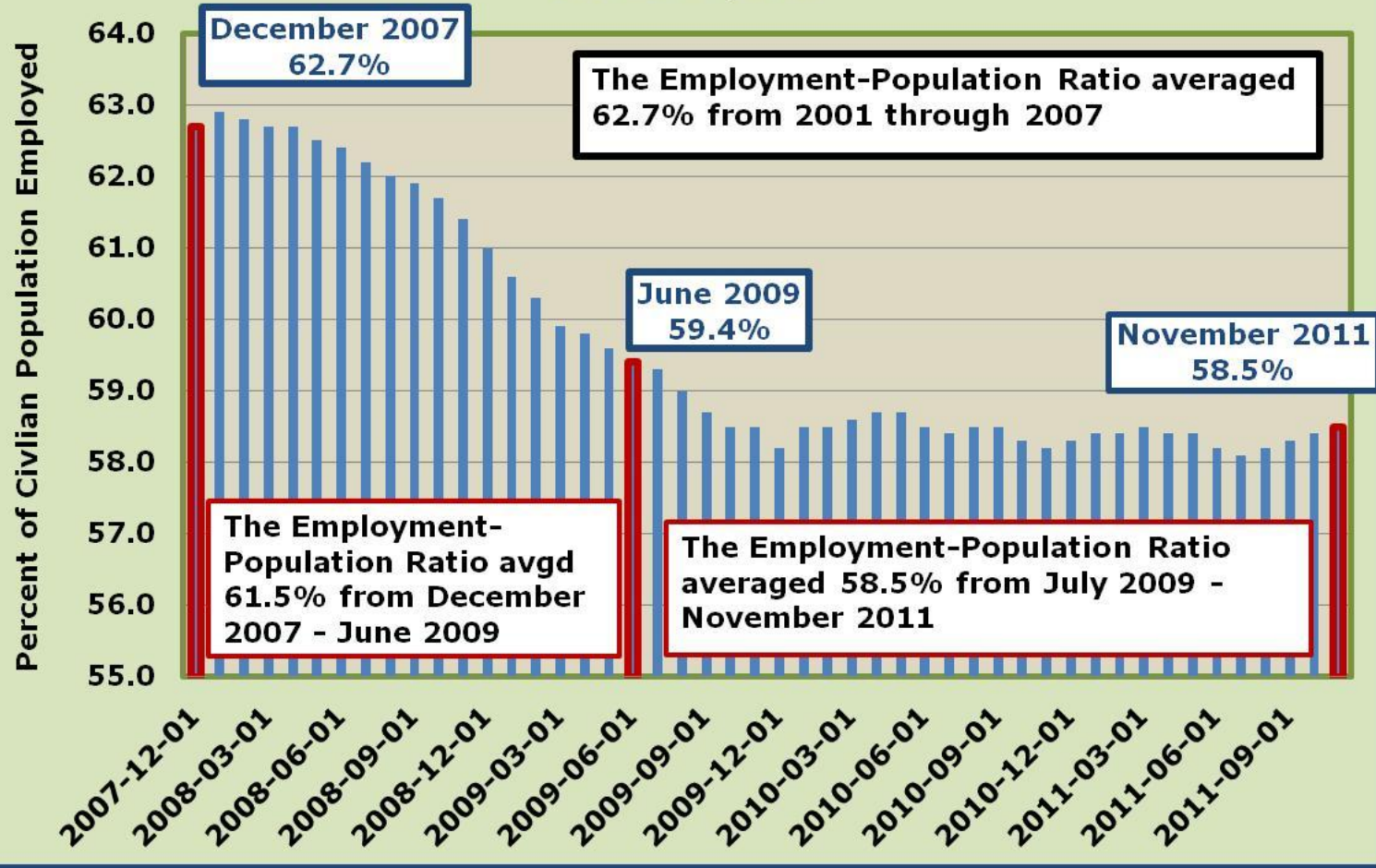


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Civilian Employment-Population Ratio (Seasonally Adjusted)

U.S. Department of Labor: Bureau of Labor Statistics

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One last example of shrinkage in the Civilian Noninstitutional Population

U.S. Department of Justice - In 2009, over 7.2 million people were under some form of correctional supervision

Source: Bureau of Justice Statistics Correctional Surveys (The Annual Probation Survey, National Prisoner Statistics Program, Annual Survey of Jails, and Annual Parole Survey)

<http://bjs.ojp.usdoj.gov/content/glance/corr2.cfm>

