

Government Numbers Show Increase in Number of Unemployed and a Drop in Unemployment Rate - Huh?

July 2, 2010 - Here is a riddle for you. How can the number of people who are unemployed go up while, at the same time, the overall unemployment rate goes down? What's that you say? You don't get it? Well, unless you are a government employed bureaucrat, or an economist from someplace like Harvard, you are not likely to understand it. But, according to the federal government, 125,000 people lost jobs in June and the unemployment rate dropped to 9.5%; the lowest unemployment rate in over a year. Welcome to the wonderful world of government statistics where it is apparently more important for you to feel good about the numbers than it is for the numbers to be accurate.

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The unemployment numbers released this morning paint a very bleak picture of the economy. Private companies added 88,000 new jobs; much weaker than the 110,000 that had been expected. At the same time, more than 230,000

temporary census workers lost jobs. In all, more than 125,000 more people wound up unemployed in June than there were in May.

But even with that large increase in the number of unemployed, the government is also saying that the unemployment rate dropped from 9.6% to 9.5%. The reason for this decrease is that according to government statisticians, 652,000 people who had been seeking employment in May had become discouraged and are not longer looking for a new position. The government's solution to that issue is simply not to count them. In case you are wondering, that is no solution.

President Obama was quick to paint the best picture possible by saying, "â€ we are heading in the right direction." Of course, this was on the heels of a speech he gave two days ago in which he argued that the recession was not as bad as it would have been if the government hadn't spent Trillions of dollars on so-called stimulus and health care. He actually stated took credit for an economy that is not currently a "catastrophe". Talk about setting a low goal!

Markets are certainly not buying the government rhetoric. The Dow Jones Industrial Average has now dipped below 9,700, giving back all of this year's gains over the past three weeks. And while the White House, Treasury Department, FED and Congress keep talking about the economy being in the midst of a recovery, anemic business growth and private sector employment growth tell a much different story.

None of this is good news for job seekers. Not only are unemployment numbers trending in the wrong direction, the lack of economic understanding on the part of the White House and Congress are making business leaders nervous. And nervous businesses are far less likely to expand than those that believe that there will be some stability in the economy. This combined with higher taxes slated to take effect at the beginning of the year and increase costs to business as a result of the recently passed health care legislation are likely to mean we will continue to see the number of unemployed rise each month between now and the end of the year.

byJim Malmberg

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