

Jobless rate sounds great, but there's a catch

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Job listings, computers and other support are available at the netWORKri job center in Providence. While jobs are more plentiful now than they have been at many times in the past, the number of people on employer-sponsored health care has decreased.

The national unemployment rate hit 4.4 percent last month, a five-year low, and over the past year real wages in the United States rose by 2.4 percent.

In the days prior to the election, those pushing voters to keep Republican majorities in Congress touted the numbers as proof that the state of working America is strong and that the economy is humming along quite nicely.

"Americans are finding jobs, and they're taking home more pay," President Bush told Americans at the beginning of his weekly radio address on Nov. 4. "The main reason for our growing economy is that we cut taxes and left more money in the hands of families and workers and small business owners."

Larry Kudlow, economics editor for the Republican-leaning National Review, writing on Election Day, argued that the "blockbuster 4.4-percent unemployment rate, the last front-page economic statistic to appear before the election" would be a major factor in keeping voters from being too harsh on the nation's incumbent Republicans.

Similarly, Democratic candidates across the country shied away from mentioning these economic indicators. The Democratic National Committee Web site vaguely referenced "paying attention to the aspects of our lives that cannot be measured in economic terms," and Sheldon Whitehouse kept his talking points focused on the Iraq war and social service issues such as health care and Social Security.

But, it's unclear whether the numbers are as positive as the cheers of some and the silence of others indicate. While working is almost always better than not working, according to some economists the national economy has changed so much over the past few decades that evaluating its strength purely on unemployment numbers is bound to give an inaccurate picture.

"The unemployment rate has become a less useful indicator of what has been going on in the economy over the last 25 years," Ellen Frank, senior economist at Rhode Island College's Poverty Institute, said. "When they report that number you have to remember that it is one of only a bunch of indicators, and there are a lot of important questions that number doesn't answer."

The unemployment rate, as a statistic, was developed during the Great Depression, along with most of the economic indicators published by the federal government, to help the country get a sense of where it was going economically. That unemployment decreased from nearly a quarter of the population in 1933 to less

that 2 percent by the middle of World War II was celebrated as proof of a vastly improved economy.

Today there are two monthly surveys conducted by the United States Census Bureau that attempt to measure the state of working America: the Current Population Survey, which asks questions of 60,000 American households and the Current Employment Statistics survey, which questions 300,000 employers. The unemployment rate is derived from the Current Population Survey, while statistics such as payroll growth are derived from Current Employment Statistics.

Looking at the unemployment rate for the past 30 years, the fluctuations felt by American workers since 2001 have been relatively minor. In 2003, the U.S. unemployment rate reached its highest point over the past five years, maxing out at 6.5 percent in January. Unemployment was comparatively much higher or the same for January in almost every month going back to 1977. The worst years for unemployment in recent history, 1982 and 1983, saw average unemployment numbers that were one-third greater than the worst years of the new century.

For more than a decade, unemployment rates have been historically low. The problem is that it's unclear whether they are better compensated for it. In other words, there might be more jobs, but the quality of these jobs, especially at the low end, has not improved. In some cases it has gotten worse.

"The recession of 2001 didn't reflect what was really going on in the work force," Frank said. "It was a mild recession in terms of the unemployment rate. Although people were not out of work, there was an increasing shift to part-time work or work without the same level of benefits.... This is a long-term trend of American workers being in competition with workers in the global economy. Even if people keep their jobs, they feel less secure."

In Rhode Island, where the unemployment rate has been steadier than the national rate, Frank said the number of people on employer-sponsored health care between 2000 and 2004 decreased 7.3 percent, while those on Medicaid went up 3.1 percent. Nationally, according to the U.S. Bureau of Labor Statistics, the number of people who are required to contribute to their health-care coverage has increased by 8 percent since 1999, from 67 percent to 75 percent.

Within the past few months, real wages have begun to increase. But that has come after years of stagnation, despite a low unemployment rate. And economists are unsure whether wages, adjusted for inflation, will continue to rise.

Frank calls this trend the "Walmartization of the work force." It's a change, she said, that the Bureau of Labor Statistics monthly numbers don't describe very well.

Understanding the quality of jobs being produced, according to Bureau of Labor Statistics economist Randy Ilg, is consistently an issue for people in his line of work.

"Do we do a good job of analyzing the kinds of jobs that are being created? No, and we struggle all the time with this problem," Ilg said. "Every so often we have to stop and look at this and remind ourselves these are real people we are looking at. These

people are unemployed or struggling to make ends meet, and we have to think about that.”

Ilg said that while the Bureau of Labor Statistics does a great job of understanding how well the labor force is being utilized, more detailed analysis on a month-to-month basis doesn't exist. While those reports are issued every few years, they don't get the same kind of attention as the monthly labor numbers. Given the “dramatic structural and social changes going on in the United States,” he said, attention must be paid to changes in the way people work and the benefits they derive from that labor.

But, Dianne Herz, program manager of Household Employment Survey, said part of the problem is the way media outlets and other public figures report the numbers.

“I would say the BLS produces a wealth of labor-market measures each month, but only a small number of them are mentioned each month by media,” she said. “I think people probably choose what they are writing about carefully, but it doesn't provide as vivid a picture as it could tell.”

Some of the numbers that Herz said should be more widely reported are the number of discouraged workers — those who have stopped looking for work — and the number of workers who have been unemployed for 27 weeks or longer.

It's partly with these problems in mind that Adelita S. Orefice, director of the Rhode Island Department of Labor and Training, said she tends to think less about the unemployment rate and more about work-force development. “The question is not just how do we create jobs, but how do we create the kinds of jobs we want to bring to Rhode Island,” she said. “That's why we are looking at work-force-development issues and developing the skills of Rhode Islanders as we look at creating jobs.”