

# ***PERSONALLY SPEAKING***

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**THE GREAT RECESSION:  
“IT AIN’T OVER TILL IT’S OVER”**

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*Permission to quote is granted when the source is acknowledged.*

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Spin doctors in Washington and instant analysts in the media tell us that the March figures on employment and unemployment indicate continued improvement in the economy. They point specifically to the jobless rate that “ticked down” from 8.9 percent in February to 8.8 percent in March. What they don’t tell you, or possibly do not even know, is that the jobless rate is based on a sample survey and as such is subject to sampling error.

The proper interpretation of the March figures is that there was no statistically reliable improvement in employment, unemployment, or the jobless rate.

Information published by the Bureau of Labor Statistics and available on its website indicates that the standard error on a consecutive month-to-month change in the unemployment rate is 0.12. At the 90 percent confidence interval, any month-to-month change of less than 0.2 is not statistically significant. At the same confidence interval, any month-to-month change in the estimated number of persons unemployed less than 283,000 and any change in the number employed less than 436,000 are not statistically significant.

The change in the jobless rate from 8.9 percent in February to 8.8 percent in March is **NOT STATISTICALLY SIGNIFICANT**. Similarly the change from 9.0 percent in January to 8.9 percent in February is **NOT STATISTICALLY SIGNIFICANT**. Further, the reported February-March decline of 131,000 in the number of persons unemployed is **NOT STATISTICALLY SIGNIFICANT**. At the same time, the rise in employment of 291,000 is **NOT STATISTICALLY SIGNIFICANT**.

**Lesson 1.** The careful follower of BLS labor force data must keep in mind these three threshold numbers: 0.2, 283,000, and 436,000. Casting them aside can lead to misinformation and a false sense of optimism.

Years ago the Census Bureau that conducts the household interviews and compiles the data for analysis by the BLS did those interviews by putting an enumerator in the household who addressed the household respondent face to face. Today those interviews are conducted chiefly by telephone. That change, which was initiated to reduce the cost of interviewing 60,000 households every month, eliminates the opportunity to observe the facial expressions and body

language of the respondent that might give rise to repeating a question on the survey. In addition, there no longer are opportunities for the respondent to check immediate surroundings such as the number of cars in the driveway, the names of residents posted on the entry door, the size of the housing unit versus the number of persons reported as living there.

The BLS does not ask questions about immigration status and therefore does not provide an estimate of the number of persons living in the 60,000 households in the sample – the sample changes month to month – who might be employed or unemployed but are not reported by the respondent because they are illegal immigrants who are hiding from government authorities.

**Lesson 2.** There may be errors in the BLS data that unlike sampling errors cannot be estimated. The careful follower of BLS data must treat the data as estimates that approximate but do not fully disclose the complexity of the U.S. labor force.

Keeping those two lessons in mind, one number in particular is underreported and of considerable significance. In March there were an estimated 6,250,000 persons not in the labor force who want a job now but are not included in any of the BLS seven measures of labor underutilization. In December 2007 when the Great Recession began the number was 4,398,000. These persons can and do move into the labor force from month to month and impact estimates of employment and unemployment. To illustrate, an estimated 3,508,000 persons not in the labor force in February were counted as employed in March and at the same time another 2,904,000 persons not in the labor force were reported as unemployed.

Also overlooked is the difference in joblessness among men born in the United States and those born elsewhere. For the more than 67 million native-born American men in the labor force the jobless rate has been above 10 percent in 24 of the last 26 months. In March it was 10.3 percent. For the more than 14 million foreign-born men in the United States the jobless rate has been above 10 percent in 11 of the last 26 months. In March it stood at 9.6 percent.

**Lesson 3.** The Great Recession isn't over for large numbers of Americans. As Yogi Berra would say "it ain't over, till it's over."

Focusing attention on the last five years provides insights into the complexity of the Great Recession that are counter-intuitive.

In 2009-2010, for example, there were MORE persons classified as not in the labor force in a typical month who were unemployed in the following month (2.8 to 3.0 million) than were classified as employed in one month and in the following month were counted as unemployed (2.3 to 2.6 million).

In 2010 there were MORE persons who were unemployed in one month who became employed in the following month (2.5 million) than were employed in that month and were classified as unemployed in the following month (2.3 million).

There were MORE persons unemployed in the typical month in 2008-2010 who became employed in the following month (2.1 to 2.5 million) as compared to 2006-2007 when the comparable monthly figures hovered at or just below 2.0 million.

Lesson 4. The very large and counter-intuitive complexity of U.S. labor force is not reducible to a single number like the monthly jobless rate. A 30-second sound bite once a month tells us as much about that complexity as the score at the end of the first inning of a baseball game tells us about the final score.

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