HUDSON VALLEY **PATTERN** *for* **PROGRESS**

The PULSE of the ECONOMY

EDITION 37 | FEBRUARY 26, 2021

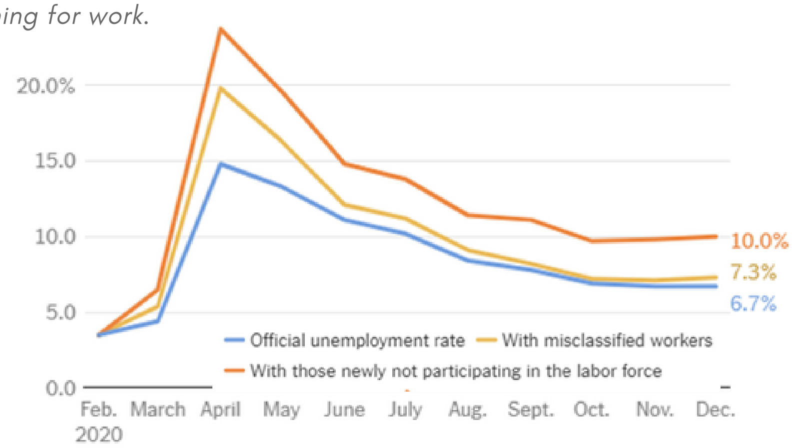
WHAT'S IN AN UNEMPLOYMENT RATE?

Top economic officials are adding labor force dropouts and workers who are misclassified to the share of people who are actively searching for work.

For some time those of us that followed the reported unemployment numbers have felt “no way, its’ got to be higher”. The standard measurement of the unemployment rate, compiled by the US Bureau of Labor Statistics, is the number of Americans actively looking for work or are on temporary layoff. This data point is calculated through the middle of each month. The combined figure is then taken as a percentage of the civilian labor force and reported as the official unemployment rate. However, economists and colleagues in the Hudson Valley would often ask, “But what about those who simply were not applying for work because they were discouraged or looking for the right opportunity?” They were, and are correct.

The reported unemployment numbers were not taking them into account. Following the Great Recession, (2007-2009) additional unemployment measurements were added, but seldom reported, until now. Treasury Secretary Janet Yellen and Federal Reserve Chair Jerome Powell are now both firmly on board with adding misclassified workers and those classified as “newly, not participating in the workforce” to the official unemployment rate. The result is the chart on the right that shows the national unemployment rate is more accurately reported at around 10%.

To get to the rate of 10%, the traditional two groups of unemployed people are added to those who are classified as “temporary layoffs” and those who left the labor force since February 2020 and have stopped applying for jobs. Our colleagues would refer to the second group as the "underemployed” and have led us to look at another measure – the labor force participation rate.



Both Yellen and Powell are acknowledging that some jobs may not come back. Additionally, they recognize it will take longer for the former workers to find employment in new jobs and find their place in the new Post Pandemic workforce.

This more realistic measurement of the workforce, proposed by Yellen and Powell, is a strong argument for the larger stimulus package currently under consideration in Washington.

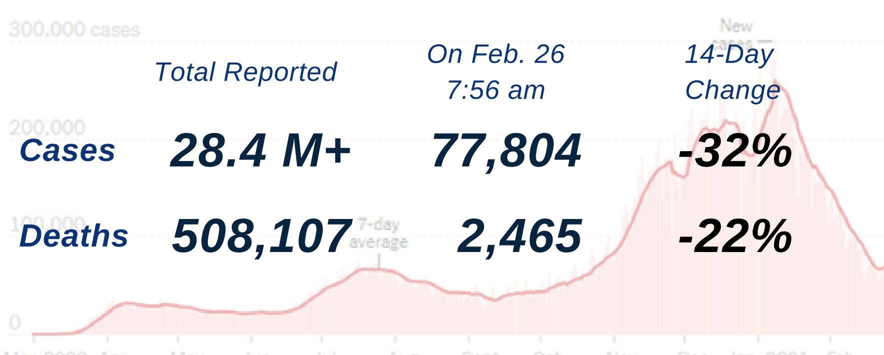
When the economy is struggling the delta between the lower “headline rate” and the actual unemployment rate is higher. As the economy improves the delta shrinks as more people join the workforce and the workforce participation rate increases. The “good” news is, that as opposed to the employers that were saying pre-pandemic, “I can’t find workers”, they should now have a larger pool of workers to recruit from. The more complex elements within this equation are the restoration of jobs in the hardest hit sectors or creating new employment opportunities.

Sources: Federal Reserve calculations on Bureau of Labor Statistics Data, from Jerome H. Powell speech on Feb.10 – the New York Times

STOCK MARKET DOW JONES

OPENING NUMBERS	FEBRUARY 19	FEBRUARY 26	Change
	31,504	31,401	↑ 103

COVID IN THE U.S.A.: LATEST COUNT

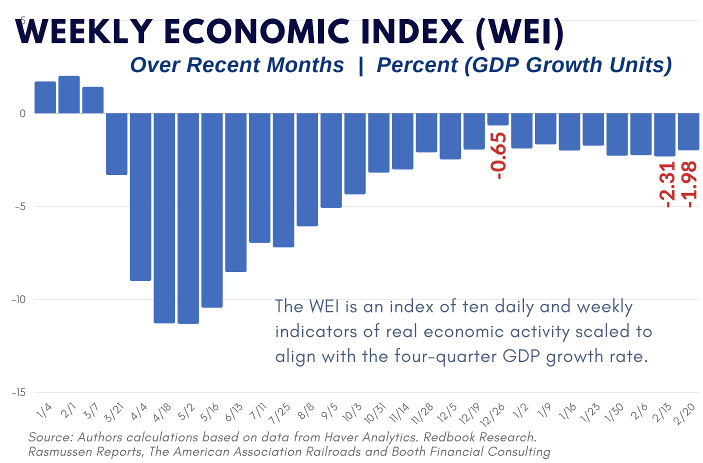


	Total Reported	On Feb. 26 7:56 am	14-Day Change
Cases	28.4 M+	77,804	-32%
Deaths	508,107	2,465	-22%

Source: https://www.nytimes.com/interactive/2020/us/coronavirus-us-cases.html

WEEKLY ECONOMIC INDEX (WEI)

Over Recent Months | Percent (GDP Growth Units)



Source: Authors calculations based on data from Haver Analytics. Redbook Research. Rasmussen Reports, The American Association Railroads and Booth Financial Consulting