



## Why Prior Jobs Report Numbers Were Wrong By Over Half A Million

InterLink is often asked about variant numbers in our newsletters when reporting employment statistics from the Bureau of Labor Statistics (BLS). A good example of this comes with the August 21 announcement by the Bureau of Labor Statistics that the official payroll numbers in 2018 and 2019 were overstated and the amount of new jobs created had been reduced downwards by more than 500,000 jobs.



(AP Photo/Wilfredo Lee)

<https://www.bls.gov/web/emp/sit/cesprelbnmk.htm>

Forbes Economist and Senior Contributor, Jack Kelly has over time written several articles about how the Bureau of Labor Statistics numbers are calculated, pointing out the challenges to the system. Following are several of his observations, as edited by InterLink.

The U.S. Department of Labor releases the jobs report on a monthly basis. It serves as a gauge as to the financial health and well being of the country. For instance, if there are more people obtaining jobs, then it is deemed good for the economy. The newly revised numbers indicate that over 60% of the downward revisions emanated from the retail, leisure and hospitality sectors. These industries are closely tied to consumer spending. Our economy is highly dependent on individual spending, as it comprises over 70% of the economy. According to the *Associated Press*, "This was the sharpest downward revision in jobs totals since 2009, when the economy was just starting to emerge from the recession.

Some challenges to the system of labor market collection include significant systemic shifts that may skew the numbers:

- The reported numbers are estimates because they are based on surveys, not actual counts of every single business. That's an important distinction. The government does not physically knock on the doors of more than 160 million Americans in the labor force and over seven million businesses. Consider how impossible a task this would be to contact every single employer each and every month and call every American household to find out whether the residents are working or not.

- The Labor Department uses a Birth/Death Model that assumes the amount of jobs created when a new company commences business and the number of jobs lost when a company closes. These are not based on actual data, but on black-box assumptions. For instance: there is the rapidly growing trend of corporations relocating high-paying jobs to lower-cost states. The companies then reduce the head count of the costly employees and replace them by hiring people at far lower wages in these other cities.

- Also, black-box assumptions do not account for are a vast number of people who have opted out of the workforce—and not of their own volition due to the inability to find meaningful

work with suitable pay, people have elected early retirement. In fact, *Bloomberg* reported that 25% of retirees were involuntarily forced into retirement due to lack of available work. Nearly half of retirees in 2018 opted out of the workforce before the age of 62 and one fourth retired between the ages of 62 and 64. Currently, the full retirement age to collect Social Security for people born in 1960 and later is 67.

- People who are no longer on unemployment insurance and haven't found a new job after six months are not included in the data and disappear off the government's radar.

- The jobs report avoids accurately depicting the millions of people who work in the gig economy.

- The government data does not reflect the people being displaced by Technology. Those impacted either lose their positions or need to find a new career. This inevitable tsunami of technological disruption is ignored and invisible against the bulwark of seemingly strong jobs growth. Economists worry that financial inequality will widen without any proactive actions taken. Artificial intelligence, machine learning and sophisticated robotics possess the potential to automate tasks currently performed by workers. This could devastate employees in jobs with rote aspects that can easily be replaced.

Although these are issues impacting the data, the current statistics are what we have to work with and InterLink will continue to report BLS data monthly.

To read relevant articles written by Jack Kelly in *Forbes*:

- <https://www.forbes.com/sites/jackkelly/2019/08/23/heres-why-the-prior-jobs-report-numbers-were-wrong-by-over-half-a-million/#502362aa1fc8>
- <https://www.forbes.com/sites/jackkelly/2019/06/07/job-growth-dramatically-decreased-and-disappointed-with-only-75000-news-jobs-added-in-may/#10ef2a4b196f>
- <https://www.forbes.com/sites/jackkelly/2019/04/05/march-jobs-report-bounces-back-with-record-high-employment-but-beware-of-the-storm-thats-brewing/#4d7d9594f6e2>

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