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Introduction: David Stockman, the former OMB manager for Ronald Reagan, recently stated¹ that the real unemployment rate is 42.9%. The purpose of this report is to present the results of an alternative analysis that includes some of Stockman's ideas.

Summary: At 42.9%, Stockman overestimates the unemployment rate because he assumes that everyone over the age of 15 wants to be employed 2000 hours per year. A better estimate is 23.0%.

Discussion: The official unemployment rate as reported by the BLS is 5.3%. This is called the U3 rate. The BLS' U6 rate, which includes those who have stopped looking for work, is 10.4%¹.

Stockman computed the unemployment rate by comparing the number of hours worked, nationally, by all of the employed (240 billion) to the potential number of hours worked. The potential number he obtained by multiplying the number of people age 16 and above (210 million) by 2000 hours per year, to obtain 420 billion. The difference is 180 billion, which, when divided by the 420 billion, yields 42.9% -- Stockman's estimate of the unemployment rate.

Stockman overestimates the unemployment rate for the following reasons:

1. He assumes that all 210 million over the age of 16 want to work full time, whereas many are students and quite a few are stay-at-home mothers.
2. He assumes that all people, whether employed or unemployed, would want jobs that required them to work 2000 hours per year (approximately 40 hours per week), whereas many do not work in the summer (e.g., teachers) or prefer to work part-time (e.g., mothers who want to be home when their children are home).

We derive here a better estimate. According to the BLS, the number of people employed, on average, in 2014 was 147.19 million². The 10.4% U6 unemployment rate corresponds to 17.085 million people who want to work but are not working³. These could have worked another 35.5 billion hours if they had worked 2080 hours per year.

We must next estimate, for these 147.19 million working, the number of hours they could have worked. The 147.19 million people who did work worked 238.375 billion hours per year⁴ (Stockman rounded to 240 billion). That is an average of 1,620 hours per year. We assume that 1% workers are in education on 10-month contracts and do not work in the summer. We also assume that 12% are students⁵ who can work only 2 months. Therefore, the average number of hours available for working is 1869 per year⁶, not 2080. If the 147.19 million worked 1869 hours instead of the current average of 1620, they would have worked an additional 36.7 billion hours.

Based on the sum of the additional hours that could have been worked (71.2 = 35.5+36.7 billion), the unemployment rate is $71.2 / (238.375 + 71.2) = 23.0\%$.

¹ <http://www.inquisitr.com/2218523/david-stockman-says-unemployment-is-really-42-9-percent/>

² <http://data.bls.gov/pdq/SurveyOutputServlet>, file LNU02000000

³ $10.4\% = 17085 / (147190 + 17085)$

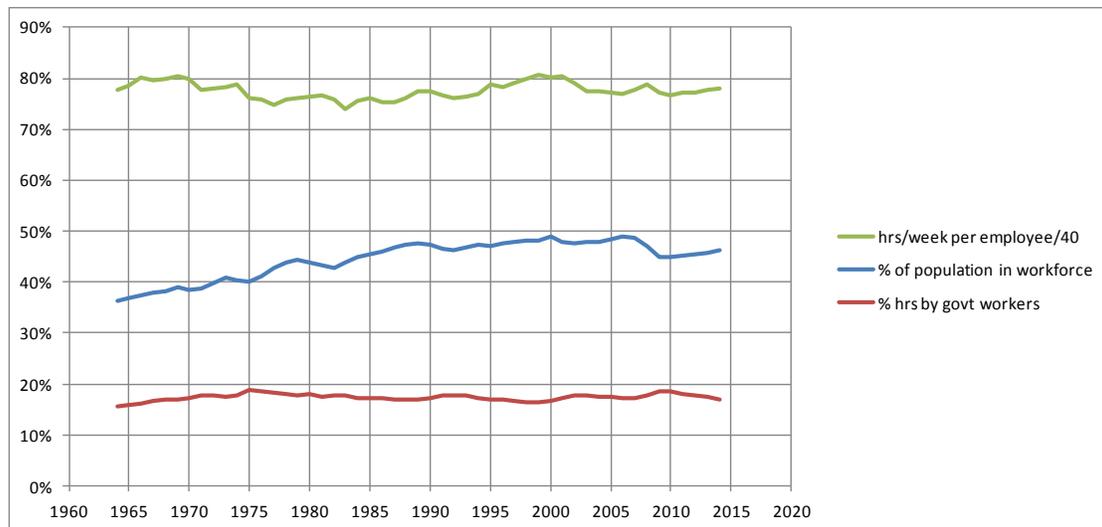
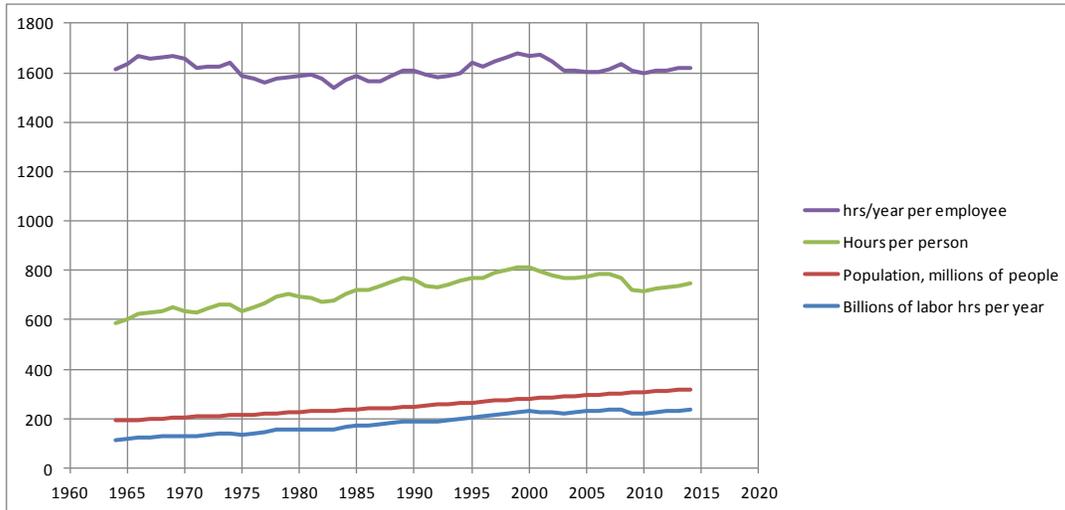
⁴ http://www.bls.gov/lpc/special_requests/tableb10.txt

⁵ Based on the ages of students, 16 through 21, as compared to the ages in the workforce, 16 through 65: $12\% = (21-15) / (65-15)$.

⁶ $1869 = 1\% * 10/12 * 2080 + 12\% * 2/12 * 2080 + (100\% - 1\% - 12\%) * 2080$

Appendix A: Supplementary Data

The following graphs and table were derived during the course of the study reported in the foregoing. The trends might be of interest in other studies.



The table shows that government now accounts for 17.1% of the labor effort. The workforce is 46.2% of the population, as if both parents are working.

Since 2000, the population has increased 11.5%, which is more than the workforce at 6.3%. The government has grown 6.2%, which is more than the average of government and non-government, 3.6%.

The table also shows that those employed are working 3.0% fewer hours.

Current conditions	
Workforce/population	46.2%
Hrs/employee/2080	78%
Govt hrs/total hrs	17.1%
Increases since 2000	
Population	11.5%
Workforce	6.3%
All hrs/year	3.6%
Govt hrs/year	6.2%
Hrs/employee	-3.0%
Workforce/population	-5.8%