

Adjusted U.S. figures paint rosier jobs picture

Government likely underestimating
employment gains, economists say

By Paul Davidson
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Job growth may be stronger than it appears.

Another healthy drop in unemployment claims reported last week is the latest clue that job gains might be more robust than the Labor Department's monthly reports show.

Some economists say jobless claims and other recent data show that employers likely added 200,000 to 300,000 jobs a month this year, rather than the 128,000 average reported by the Bureau of Labor Statistics (BLS).

The reason for the possible disparity: The government tends to underestimate both job gains in a recovery and job losses in a recession, the economists say.

That helps explain why the nation's unemployment rate has fallen more sharply than the modest payroll increases suggest. The jobless rate was 8.9 percent last month, down from 9.8 percent in November.

"The data suggest there's been more improvement already in the employment numbers," says Jim O'Sullivan, chief economist of MF Global.

Jobless claims for the week ending March 5 fell to 385,000 from 401,000 and are down from an average 450,000 in the second

half of 2010.

History suggests a drop of 50,000 or more means 100,000 or more additional jobs, O'Sullivan says.

Because monthly job gains, excluding temporary Census workers, averaged 103,000 in 2010's second half, average growth in January and February should have topped 200,000, he says.

Other markers of a healthier job market:

■ Payroll taxes withheld by the U.S. Treasury are up 7 percent vs. a year ago.

■ The Institute for Supply Management's reports on manufacturing and non-manufacturing sectors show surging employment the past two months.

■ BLS' survey of households, used to calculate the unemployment rate, has reported average monthly job increases of 379,000 since November.

That survey is considered volatile because it canvasses only 60,000 homes, but it and other data point to job increases exceeding 200,000 in January and possibly more than 300,000 in February based on historical models, O'Sullivan says.

BLS' survey of 400,000 establishments — from which it estimates job growth — is more comprehensive, but doesn't track start-ups and failures.