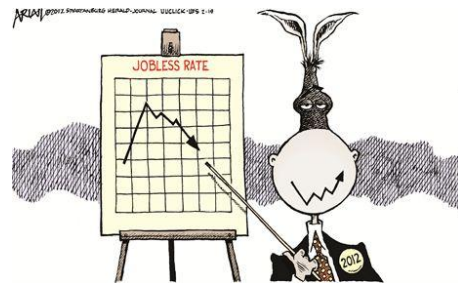




 **UNDERSTANDING THE JOBS REPORTS – IT AIN’T EASY!**
– Part, The Second –
**What the Heck Do Disability Benefits Have
to Do With Unemployment Stats?**

Stephen L. Bakke  **June 10, 2012**

This is the second in a series of reports about “Understanding the Jobs Reports” which come out each month and are much anticipated by the press and the financial markets. We read claims that the numbers don’t make sense; that the stats are being fudged; that real unemployment is much higher than the stats show – and so on.



A great example of my confusion is the April jobs report which disclosed actual employment in the U.S. declined by 169,000 workers. BUMMER! you say? Not according to the Obama administration which joyously claimed another economic victory because the reported unemployment number fell by .1%. I must admit I’m very confused by all of this. What’s good news and what’s bad? This is a huge topic but I’m going to tackle it. I already suspect a few of the answers but must do more work to satisfy myself. Go ahead and peak over my shoulder while I try to figure this out.

This report deals only with on a small corner of the controversy, but one I hadn’t thought of until it was recently presented by a few news sources – i.e. it looks as if payments of disability benefits are being used to reduce the level of unemployment. OK, how does that work?

Glad You Asked!

The first hint one sees in looking at a variety of statistics is the correlation between the reported unemployment percentages and the number of citizens drawing disability benefits. Financial analyst, investment advisor and columnist Mike Shedlock (along with numerous others sources) points out that while unemployment has dropped from its height (a couple years ago) to its current level, Social Security Disability payments have risen by about 2.2 million beneficiaries. “Unemployment math” requires that those drawing disability (SSDI) automatically be excluded from the unemployment numbers. Can it be determined that Obama is somehow using the SSDI program to assist in artificially lowering the unemployment figures?

A Bloomberg News article by Charles Payne reports that there is a scam going on and the disability program is being used as a backstop by many who go off the unemployment rolls. Apparently many benefits have been granted following claims for “difficult to verify” disorders. It is commonly felt that recent reforms make it easier to qualify for certain of these disorders – Shedlock credits MIT economist David Autor with this conclusion. Autor wrote: “... highly motivated applicants in many cases will eventually succeed in obtaining benefits, particularly because of the 1984 liberalization of the criteria for pain and mental illness.”

Whether done purposely by the Obama administration or not, there is no question that the rapidly accelerating numbers of “disabled” has improved the otherwise miserable employment statistics. I saw one analysis that demonstrated unemployment would be over 9%, absent the much higher disability numbers. I felt that since the unemployment number has been reduced by 1% just due to the granting of disability benefits, it was worthy of this brief discussion.



Anecdotally, one can come up with many examples of people slip-sliding out of unemployment lines, but anecdotes aren't convincing to me. As Mr. Shedlock points out, statistically, the jump in unemployment claims coincides precisely with the expiring of unemployment benefits after 99 weeks. From July 2010 to April 2012, the decline in the number of people collecting extended and emergency unemployment benefits was 2.46 million. Over the same time period, the

number of people collecting disability benefits increased by 2.20 million. The inverse relationship is more than coincidence. Some attribute this to lack of controls, and many blame increased fraud. I don't know about that, but I am convinced lower unemployment/higher disability is certainly more than just a coincidence. Prior to this recession, 33% of claims were for mental illness, now it's 43%.

You figure it out!

The Republicans have fully embraced extremism and they have brought, in two years, almost no jobs legislation to this floor and not worked with the president on any legislation to help make sure that we can move the economy forward because their number one goal is political and that's to defeat Barack Obama. – DNC Chairwoman Debbie Wasserman Schultz (D-FL) playing the “blame game” -Republicans actually brought at least 15 “jobs” bills to the House floor.

