

Ludwig Institute Launches New Economic Indicator; Shows True Rate of Unemployment More Than Three Times Government Reported Rate

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WASHINGTON, D.C. – A new economic indicator launched today by the Ludwig Institute for Shared Economic Prosperity (LISEP) reveals a True Rate of Unemployment (TRU) of 26.1 percent for September, compared to the accurate but misleading 7.9 percent reported by the U.S Bureau of Labor Statistics (BLS).

The new monthly economic indicator, TRU, [developed by LISEP](#), measures the percentage of the U.S. labor force that is *functionally* unemployed. Using data compiled by BLS, TRU tracks the percentage of the U.S. labor force that does not have a full-time job (35+ hours a week) but wants one, has no job, or does not earn a living wage, conservatively pegged at \$20,000 annually before taxes. An income of \$20,000 or less per year is below the poverty level set by the U.S. Department of Health and Human Services (HHS).

“The True Rate of Unemployment sets out to put an end to misleading Americans, including policymakers, into thinking that the functionally unemployed are somehow employed,” said LISEP Chairman Gene Ludwig. “For example, the BLS unemployment rate characterizes someone as employed even if he or she can only find work for an hour in a two-week period, even if that person is only earning a few hundred dollars a year.

“Policymakers and political leaders make crucial decisions using this information, so continuing to use misleading data leads them in directions that can cause bad or weak decision-making, when in fact we have an employment crisis on our hands.”

[In the paper released today](#) LISEP’s new data show, according to Ludwig, that recent historic gains by the wealthiest Americans offset and obscure the plight of those at the lower end of the economic spectrum.

“Even in the best of economic times – as measured by government economic indicators – it was obvious that too few policymakers were taking heed of the fact that many communities, and many low- and middle-income families, were being left behind,” said Ludwig. “One logical explanation is that policy is being made using misleading aggregate data. A robust Wall Street does not always translate to a vibrant Main Street.”

As an example, Ludwig cited January’s pre-pandemic BLS unemployment rate of 3.6 percent – a level many economists would consider “full employment” – which might lead policymakers to curtail domestic job creation efforts. But as revealed by LISEP’s January TRU of 23.5 percent,

nearly one-fourth of Americans defined as “employed” by BLS standards did not have a job that took them above the poverty line, thus were “functionally unemployed.”

TRU also reveals some somber statistics when broken down by race, with inequalities exacerbated by the coronavirus pandemic. TRU peaked in April, with a rate of 36.85 for Black Americans, compared to a 30.86 rate for Whites. But by August, the White TRU had recovered to 23.28 percent, while the Black TRU had recovered only slightly, to 34.77 percent.

Ludwig notes that “when looking at the BLS unemployment rate and the True Rate of Unemployment, one is struck that over long periods of time, Black workers are the first fired, and the last hired.”

“This new True Rate of Unemployment statistic can serve as a tool for policymakers to better understand the real state of the labor force and appropriately formulate policy and direct resources,” Ludwig said. “Just as an accurate census is needed to properly fund communities, accurate economic indicators are required to tell the story of Americans’ well-being. Without it, policymakers will be blind when it comes to where to best focus their efforts.”

The full white paper, “Measuring Better: Development of ‘True Rate of Unemployment’ Data as the Basis for Social and Economic Policy,” can be viewed [here](#). Moving forward, LISEP will issue the TRU one-to-two weeks following the release of the BLS unemployment report, which occurs on the first Friday of each month. The TRU rate and supporting data are available on the LISEP website at www.lisep.org.

LISEP was created in 2019 by Ludwig and his wife, Dr. Carol Ludwig. The mission of LISEP is to improve the economic well-being of middle- and lower-income Americans through research and education, and seeks to advance the dialogue around policy solutions to improve the well-being of all Americans.

In addition to his role as LISEP chair, Gene Ludwig is founder of the Promontory family of companies and Canapi LLC, the nation’s largest financial technology venture fund. He is the CEO of Promontory Financial Group and chairman and CEO of Promontory MortgagePath, a technology-based mortgage fulfillment and solutions company. Ludwig is the former vice chairman and senior control officer of Bankers Trust New York Corp., and served as the U.S. Comptroller of the Currency from 1993 to 1998. He is also author of the book [The Vanishing American Dream](#), which investigates the economic challenges facing low- and middle-income Americans. It was released in September by Disruption Books.