



True Unemployment Rate Higher Than Reported

If only the truth were as mild as that. The true rate of unemployment in the United States is considerably higher than BLS statistics indicate. This is because the Clinton administration changed the official U.S. definition of unemployment to agree with the that of the UN's International Labor Organization (ILO).

According to the ILO, unemployment is equivalent to what employment statisticians call U3, that is, the total of unemployed workers divided by the population of the total labor force. The rub lies in the UN's definition of "unemployed worker"; by ILO calculus, those not working are only counted as unemployed workers if they are willing and able to work for pay, are currently available for work, and have actively looked for work.

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There are other, more inclusive measures of unemployment, however, ranging from U4 (U3 plus "discouraged workers," i.e., those who are qualified but have given up looking for work) to U6 (U4 plus various classes of "marginally attached" workers who are able and willing to work, but cannot find employment, as well as part-time workers who want to work full-time but cannot because of economic conditions). Prior to the Clinton years, unemployment statistics, inadequate though they are, reflected these other classes of people. At the moment, measured in terms of U6, unemployment would be around 12 percent, and possibly significantly higher.

Regardless of the standard of measurement statisticians choose, evanescent numbers like employment are notoriously difficult to calculate. Besides, in a truly free market, capitalists and private investors would do the economic calculating, not the state. But, if such numbers are computed using consistent standards and sampling techniques, the trends they reveal are important to heed. And last year's trend was toward much higher unemployment. Around 550,000 jobs were lost in December (as compared to 584,000 in November and 423,000 in October). For the last month of 2008, this figure included 101,000 construction jobs, 149,000 factory jobs, 113,000 professional jobs, 67,000 retailing jobs, and 22,000 jobs in the hospitality sector.

At some point, the falling employment rate will stabilize as the recessionary economy painfully recalibrates prices, wages, and inventory stockpiles to exclude inflationary distortions. Until then, expect the employment base to continue hemorrhaging.

Photo: AP Images