

[This is a section from an unfinished manuscript of mine entitled *The U.S. and World Economic and Political Situation*. I stopped working on it in July 2007 in order to focus on other things for a while. Consequently most of the economic statistics are a year or two out of date. But the general principles mentioned are still valid. –S.H.]

## 5.4 Unemployment Rate

Even better hidden than the actual trend in real wage income is the actual trend in unemployment. The basic technique has been to simply count more and more unemployed people as not being in the work force at all, and therefore “not really unemployed”.<sup>1</sup> Let’s look into this a bit, starting with an investigation of the unemployment rate in the late spring of 2006.

In May and June 2006 the official seasonally adjusted unemployment rate in the U.S., as calculated by the Bureau of Labor Statistics, was 4.6%. This was down from a recent peak rate of 6.3% in June 2003, in the aftermath of the recession of 2001, but still well above the recent 3.8% low in April 2000, before that recession began.<sup>2</sup> The actual number of people officially in the “work force” in May 2006 was 150,991,000 and the actual number of unemployed at that time was 7,015,000.<sup>3</sup> Seven million people seems like quite a lot to me, but not to the U.S. ruling class. But as we’ll see, the reality is actually very much worse.

The unemployment rate is calculated by dividing the number of unemployed by the number of people age 16 or over in “the civilian work force”. Already we see some fudging: their very definition of the pool of potential workers excludes those on active duty in the military, those in prison, and those otherwise institutionalized. Probably most of those “otherwise institutionalized” really are not capable of working, but almost all of those who are in prison or in the military would seek jobs if they were not otherwise detained. Indeed, a large fraction of those *in* the military, or *in* prison, are there precisely because they could not find decent jobs and had to turn to “something else”. As of 2005 there were more than 1.4 million people on active duty in the U.S. military.<sup>4</sup> So that’s 1.4 million potential workers who are effectively unemployed, as far as the actual economy goes. As of yearend 2004 there were 1,421,911 inmates in Federal or State prisons, and as of midyear 2004 there were an additional 713,990 people in local jails (some serving their sentence, some awaiting trial).<sup>5</sup> So roughly 2.1 million more people in jail or prison are ignored by unemployment statistics. (We’ll talk about the prison population some more later.) Adding in just these two categories of people would raise the unemployment rate by about 50%.

Next we discuss people with “employment disabilities”. Many people with disabilities find working very difficult or impossible. I won’t include them in our tally of the hidden unemployed. Others could work, but don’t because they can’t find jobs and/or because they are receiving enough government or private disability insurance income to get by. (The issue here is not whether this is just or unjust; but simply that it is a form of hidden unemployment.) The point is that many of those with disabilities who could work *don’t* work, and are excluded in the count of the unemployed because they are not even included in the work force at all. How many people are there in this category? This is very difficult to determine. There are 11.5 million people with disabilities in the U.S., and 40% of them are unemployed. Probably millions could

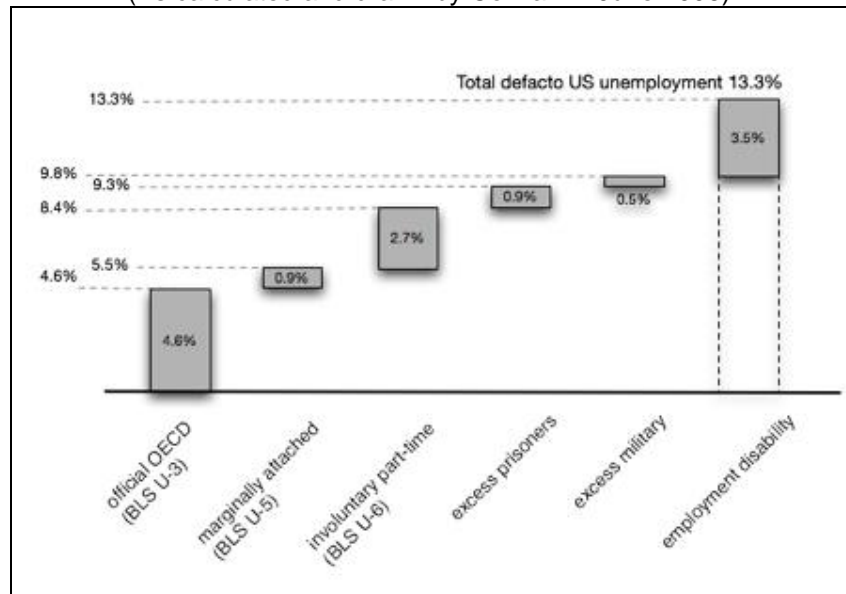
and would work if the circumstances were different. I won't hazard a guess myself as to the actual number, but in Chart 5.4.1 below, Colman estimates their percentage in the real work force at 3.5%.<sup>6</sup>

Another group of hidden unemployed people are those who are actually working, but only part time, and who desire to work full time. The Bureau of Labor Statistics says that in 2005 there were 4,350,000 workers who were working only part time due to various economic reasons. That includes those who normally work full time and were working part-time due to slack business conditions, those who have only seasonal work, and so forth. It also includes 1,341,000 workers who said they were looking for full-time jobs, but who could only find part-time work.<sup>7</sup> So should we add in 1.341 million more workers to the total hidden unemployed, or perhaps the whole 4.35 million?

Now we come to perhaps the most egregious case, the workers who the BLS excludes from the "work force" simply because they have become discouraged about finding a job—even though they still want a job, are available for a job, and have actively looked for a job in the past year (though not in the past month). The BLS calls these people "marginally attached" (to the work force) but does *not* include them *in* the work force. There is no good reason for this except as part of an effort to keep the official unemployment rate looking fairly low. In June 2006 the official unemployment rate (series "U-3") was 4.6%, but the seldom reported "U-5" series which includes "marginally attached" workers showed an unemployment rate of 5.8%. (Many observers believe this greatly understates the actual number of "marginally attached" workers, however. During World War II, for example, when suddenly great numbers of jobs opened up, millions of formerly unemployed people, including vast numbers of housewives and others who had not been counted as being in the "work force" at all, suddenly came forward to work.) And the almost never reported "U-6" unemployment series, which also includes those employed part time for economic reasons (not their own choice), stood at 8.4%.<sup>8</sup> Moreover, even the "U-6" series does not include several of the other categories of hidden unemployment that we have already mentioned, such as those in the active military, those in jail or prison, and those with disabilities that could work but don't.

So what then is the *real* unemployment rate in the U.S.? Since the BLS has not provided adequate information, it is impossible to say precisely. But some informed observers calculate that as of June 2006 the real unemployment rate was over 13%. (See chart below.)

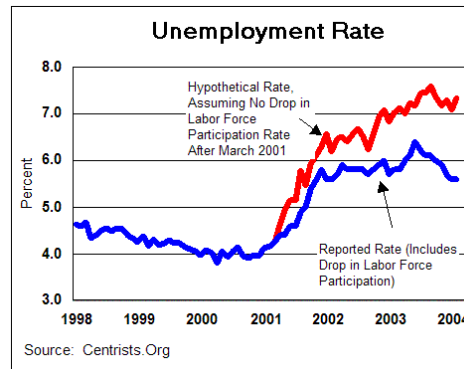
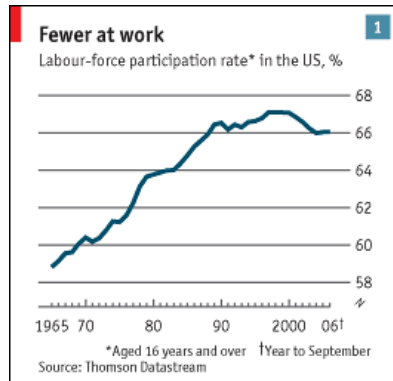
**Chart 5.4.1: Real U.S. Unemployment Rate**  
 (As calculated and drawn by Colman in June 2006)<sup>9</sup>



When we later come to discuss the current long-developing general economic crisis it will be well to keep in mind how the government and the bourgeois media hide most of the current unemployment, how they hide the decline of real wages over the past 30 years, how they hide the very low real rate of industrial capacity utilization and downplay the decline of manufacturing in the U.S., and how—in general—they try to hide the real seriousness of the present crisis even in its initial phase. Those who do not look beneath the surface and beyond the superficial and lying media reports—and that obliviousness is true even of many people on the left—are thus unable to see the colossal economic storm that continues its steady development.

## Notes

<sup>1</sup> The fact that the government is simply not counting growing numbers of the unemployed can be easily shown by looking at the “labor-force participation rate”, i.e., the fraction of the whole adult civilian non-institutionalized population which the government *counts* as being in the “labor force”. The LFPR grew steadily over the last several decades as more and more women entered the work force and it reached its peak of 67.1% in the years 1997-2000. Since then, however, the trend has been down as the government excludes more and more people from the official “work force”. In 2005 the LFPR was down to 66.0%. [See: BLS Table A-1, “Employment status of the civilian non-institutional population 16 years and over, 1969 to date”, at: <http://www.bls.gov/web/cpseal.pdf> (Accessed Nov. 20, 2006.) See also the two charts below.]



Note that in the chart on the right even the red line still understates the actual unemployment rate. Even before the LFPR began to fall there were already many forms of hidden unemployment. All this chart shows is that those various categories of hidden unemployment have been tremendously added to since around 2001.

<sup>2</sup> Data from the Bureau of Labor Statistics web site at: <http://www.bls.gov> , series id “LNS14000000” as of Nov. 24, 2006. (See also next reference.)

<sup>3</sup> Figure from Table A-1 at <http://www.bls.gov/web/cpseea1.pdf> (Accessed Nov. 20, 2006.)

<sup>4</sup> The total authorized “personnel end strength” in the U.S. military (including mobilized National Guard forces) for fiscal year 2005 was 1,415,600. However, at the direction of the Secretary of Defense, many military services were somewhat over their authorized levels. See: <http://globalsecurity.org/military/agency/end-strength.htm> (Accessed Nov. 25, 2006)

<sup>5</sup> “Corrections Statistics”, U.S. Department of Justice, Bureau of Justice Statistics, online at: <http://www.ojp.usdoj.gov/bjs/correct.htm> (Accessed Nov. 25, 2006.)

<sup>6</sup> “Colman” explains his reasoning: “The figure for people unemployed through disability is calculated from the U.S. census figures, which give 11.5 [million] people with an ‘employment disability’—that makes work difficult or impossible—and an unemployment rate of 40% for all disabled people. Since I can’t find out the unemployment rate for those with employment disabilities directly I’ve averaged the case where none of them work and the case where 60% of them work. It’s an estimate.” From a posting entitled “The US has a ‘real’ unemployment rate of 13.3%”, by “Colman” on June 15, 2006, at: <http://www.dailykos.com/story/2006/6/15/82034/1813>

<sup>7</sup> BLS Table 20 “Persons at work 1 to 34 hours...”, at: <http://www.bls.gov/cps/cpsaat20.pdf> (Accessed Nov. 26, 2006).

<sup>8</sup> BLS Table A-12. “Alternate measures of labor underutilization”, posted at: <http://www.bls.gov/news.release/empsit.t12.htm> (Accessed Nov. 26, 2006.)

<sup>9</sup> “The US has a ‘real’ unemployment rate of 13.3%”, Internet posting by “Colman” on June 15, 2006, at: <http://www.dailykos.com/story/2006/6/15/82034/1813> Posted below Colman’s article and chart are extensive discussions about the specific statistics used, sources and so forth. Some of the figures in the chart do not seem to add up because of rounding errors. “Discouraged workers” are included in the “marginally attached” group. Several commentators agreed that this group should actually be much larger, but the figure is based on BLS estimates.