

U Twists and Turns

The Many Dimensions of Unemployment

For 2016 the U.S. unemployment rate averaged just under 5%, a level most economists regard as full employment, and the economy added net about 200,000 jobs per month. How does one square that seemingly decent news with charges during the presidential campaign by Bernie Sanders that the real unemployment rate was about 10%? Or with Donald Trump, who said at various junctures that the rate is a hoax, the result of cooking the books; in October the actual rate was 9.7%, instead of the reported 5.0%; the actual rate was in the range of 20 to 42 percent; and there were 94 million Americans out of work? (The official count is 7-8 million.)

BY ALLEN R. SANDERSON

The same exaggeration surfaced during the 2012 campaign, with Mitt Romney's claim that there were 23 million unemployed.

The unemployment rate is a ratio or a percentage, not unlike a batting average in baseball. The numerator is the number of people without a job but actively looking; the denominator is the labor force – the sum of the currently employed plus those searching for work. However, if I have a part-time job but prefer to be employed full time, or I'm on strike because of a labor dispute, I am nevertheless counted as employed by the Bureau of Labor Statistics (BLS).

If I don't have a job and have stopped looking – “discouraged worker” is the formal label, though “discouraged non-worker” would seem more appropriate – then I am not counted in the numerator or denominator. The same holds for being in the military, a mental institution, prison, college full time, or under 16.

Trump's 94 million figure would have had to include anyone who is retired, a

student, disabled, a care-giver for a family member, quite content to be playing golf or at home watching Dr. Phil, and therefore is not in the labor force; thus it is a meaningless data point.

The BLS conducts the Current Population Survey (CPS) of 60,000 households each month to determine the unemployment rate and the Establishment Survey of business firms and government agencies to determine the number of jobs created. And it uses various metrics to get a good handle on labor-market conditions.

One of those is the official unemployment rate – or U3 to cognoscenti – but there is a range of rates. U1 counts only those unemployed 15 weeks or longer and is about 2 percent (long-term unemployment is a serious issue plaguing many European nations). The most encompassing category, U6, is just under 10 percent, arguably the beacon Sanders was, so to speak, employing. Over time, U1 through U6 largely move in tandem.

In terms of historical comparisons, for the last 70 years we have averaged a little under 6% unemployment, and a tad above that in this century. In the depth of the 2007-09 Great Recession we hit 10% and have trended steadily downward ever since. The European Union as a whole is about three percentage points above us, with Spain “leading” the pack at around 20 percent (Greece is much higher, but who's counting!) and Germany at the bottom with around 4%. Canada's rate is higher than us; the U.K. is approximately at our level.

Rates also vary by demographic category: adult women have slightly lower unemployment rates than men; the teenage rate is three times that of adults. Asian-Americans have the lowest unemployment rate, followed by whites, Hispanics, and African-Americans (at about twice the figure for whites). In good times those without



a high school diploma experience unemployment rates around 8%, high school graduates mirror the overall average for the economy as a whole, and those with a four-year college degree or higher have rates that hover around 2%.

In addition to inequality and sluggish wage growth, other contemporary labor-market concerns include the fact that 1 in 8 men in the prime working-age category, about 7 million in number, are currently not in the labor force – they don't have a job nor are they looking for one. This is of some consequence because a complementary statistic, the Labor Force Participation Rate, continues to fall – 62.7% late last year, a forty-year low. This does not bode well for economic growth in the country.

Other controversies involve the extent to which the level and duration of unemployment benefits, or a sudden increase in the minimum wage rate, affect employment and unemployment; the alleged mismatch between employers' needs and the skill set of job candidates; and whether implementing “ban the box” measures, whereby someone with a criminal record is not required to divulge it on an employment application, has backfired and actually hurts minority job seekers. □