

What Is the True Unemployment Rate in the US?

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A reader of this blog recently asked an important question: what do I think is the actual unemployment rate in the US today, not the media's 3.8% that is almost always quoted. Here's my reply as to why I calculate the real, actual unemployment at minimum to be 10%-12%.

"The real unemployment rate is probably somewhere between 10%-12%. Here's why: the 3.8% is the U-3 rate, per the labor dept. That's only for full time employed. What the labor dept. calls the U-6 includes what it calls discouraged workers (those who haven't looked for work in the past 4 weeks. Then there's what's called the 'missing labor force'-ie. those who haven't looked in the past year. They're not calculated in the 3.8% U-3 unemployment rate number. Why? Because you have to be 'out of work and actively looking for work' to be counted. The U-6 also includes what the labor dept. calls involuntary part time. But it should include the voluntary part time as well, but doesn't (See, they're not actively looking for work even if unemployed). But the involuntary part time is itself under-estimated. It counts only those involuntarily part time unemployed whose part time job is their primary job. It doesn't count those who have second and third involuntary part time jobs. The labor dept. also misses the 1-2 million workers who went on social security disability (SSI) because it provides better pay, for longer, than does unemployment insurance. That number rose dramatically after 2009 and hasn't come down much (although the government and courts are going after them). The way the government calculates unemployment is by means of 60,000 monthly household surveys but that survey also misses a lot of workers who are undocumented and others working in the underground economy in the inner cities (about 10-12% of the economy according to most economists and therefore potentially 10-12% of the reported labor force in size as well. The labor dept. just makes assumptions about that number (conservatively, I may add). But it has not real idea of how many undocumented or underground economy workers are actually employed since these workers do not participate in the labor dept. phone surveys, and who can blame them. The SSI, undocumented, underground, etc. are what I call the 'hidden unemployed'.

Finally, there's the corroborating evidence about what's called the labor force participation rate. It has declined by roughly 5% since 2007. That's 6 to 9 million workers who should have entered the labor force but haven't. The labor force should be that much larger, but it isn't. Where have they gone? Did they just not enter the labor force? If not, they're likely a majority unemployed, or in the underground economy, or belong to the labor dept's 'missing labor force' which should be much greater than reported. The government has no adequate explanation why the participation rate has declined so dramatically. Or where have the workers gone. If they had entered the labor force they would have been counted. And their 6 to 9 million would result in an increase in the total labor force number and therefore raise the unemployment rate.

All these reasons--i.e. only counting full timers in the official 3.8%; under-estimating the size of the part time workforce; under-estimating the size of the discouraged and so-called 'missing labor force'; using methodologies that don't capture the undocumented and underground unemployed accurately; not counting part of the SSI increase as unemployed; and reducing the total labor force because of the declining labor force participation--together means the true unemployment rate is definitely over 10% and likely closer to 12%. And even that's a conservative estimate perhaps."

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Jack Rasmus is author of the forthcoming book, 'The Scourge of Neoliberalism: US Policy from Reagan to Trump', Clarity Press, October 1, 2019, of which the preceding material is an excerpt. His website is <https://kykloproductions.com> and twitter handle, @srjackrasmus. He hosts the Alternative Visions radio show on the Progressive Radio network weekly, podcasts available are available at <http://alternativevisions.podbean.com>.

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