

Official unemployment rate is an attempt to hide economic collapse

by Richard Freeman

On June 6, the Bureau of Labor Statistics of the U.S. Department of Labor announced that in May, the level of unemployment in America had fallen to 6.534 million workers; further, that the unemployment rate had dropped to 4.80% in May, from 5.24% in March, and 4.93% in April. The May unemployment rate, the BLS said, was the lowest since 1973.

The BLS unemployment rate is a hoax. Using exclusively BLS data, *EIR*'s economics staff used two alternate methods to calculate America's real unemployment level. By the first method, *EIR* calculated 15.753 million workers unemployed; by the second, 25.206 million workers unemployed. These levels are, respectively, approximately 2.5 and 4 times the official unemployment level.

The BLS unemployment figures are an attempt to cover up the ongoing economic collapse. As a result of the British financier oligarchy's imposition of post-industrial economic policies on the United States in the mid-1960s, a giant, speculative financial bubble grew, while the U.S. physical economy was sucked dry. The economy, and the related household consumer market basket, have fallen by 50% over the past 30 years. As a share of total employment, the number of operatives engaged in productive activity—manufacturing, construction, agriculture, power generation, transportation, and so on—fell by half. Instead, two types of jobs proliferated: low-paying full-time service and retail jobs, and part-time jobs.

It is the proliferation of non-productive full-time and part-time jobs, that is trumpeted as the "U.S. job-creating model." The British financier oligarchy markets this model to other nations, telling Germany, France, Japan, and other industrial nations that they are too concerned about preserving their old industrial jobs, and that they should adopt the U.S. model, because this would lower their unemployment. But, adoption of this model brings deleterious effects, including *higher* unemployment.

The British-controlled media have promoted the BLS reports. One day after the BLS May unemployment report was released on June 6, the *New York Times* covered the story as its lead item on its front page under the headline, "U.S. Jobless Rate Declines to 4.8%, Lowest Since 1973: Healthy Economy Hailed—Stocks and Bonds Soar and Interest Rates Fall." Apparently, the BLS report did everything but eliminate tooth

decay. The *Times* article quoted a report by Bruce Steinberg, chief economist of America's biggest investment bank, Merrill Lynch, which stated, "The best of all possible economies keeps rolling along."

Here, we look at the level of real U.S. unemployment, which, under current economic policies, is deeply rooted; we also examine the deteriorated quality of jobs in the United States.

Real unemployment

The BLS determines its official level of unemployment from the responses to its monthly "Household Survey." This surveys only 50,000 households out of 100 million U.S. households (0.05%). If, in response to the "Household Survey," a worker says that he was unemployed during the survey's reference week (the second week of the month), and that he had actively sought work during the four weeks preceding the reference week, he is designated as officially unemployed. The BLS extrapolates from the results of the survey, to arrive at a national unemployment level.

But, there are two other groups that should be counted as unemployed, which the BLS excludes. The first category is the group which the BLS classifies as "part-time for economic reasons," defined as those workers who would be working *full-time*, but for the fact that full-time jobs simply don't exist. This is the economic reason that they are working part-time. **Figure 1** shows that, in May, there were 4.019 million workers who worked "part-time for economic reasons." (The BLS does not report all "part-time workers for economic reasons" on a "seasonally adjusted basis," but only on a "seasonally unadjusted basis." Since the BLS presents the figures for total civilian employment on a "seasonally adjusted basis," *EIR* sought to bring the "part-time workers for economic reasons" into conformity with the other numbers, by putting them also on a "seasonally adjusted basis." The best approximation is to sum up the "seasonally unadjusted" figures for "part-time workers for economic reasons" for the first five months of 1997, and divide by five. This creates a best estimate, for May, for "part-time workers for economic reasons" on a "seasonally adjusted basis.")

The second category of excluded unemployed, is the group which the BLS classifies as "want a job now," which



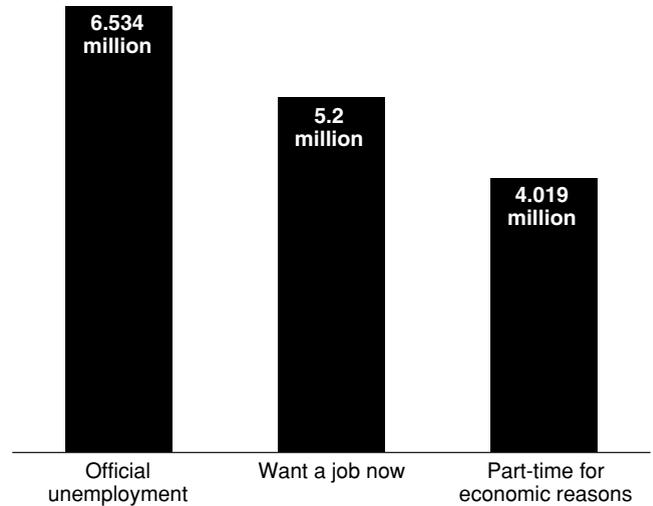
Food lines throughout the United States are a symptom of the high levels of unemployment that are masked by official statistics.

is *not* in the labor force. The workers in the “want a job now” category are workers who responded to the BLS “Household Survey” by saying that, yes, they want a job, but because of health or job-skill or other reasons, they have not been actively seeking a job within the BLS’s specified time period of the previous four weeks. An important sub-category of the “want a job now” category is the group of workers classified as “too discouraged to look for work.” These are workers who have looked for many months, often for years, for jobs at their old job classifications, but cannot find one.

For example, let us suppose you are a steelworker or skilled master-machinist in an auto plant, and you are fired. A BLS survey-taker interviews you and asks if you have looked for work in the last 30 days. You say, “No, I haven’t actively looked for the past month, but before that I looked for 18 months at hundreds of factories, but couldn’t find a job at my skill level, or even at a step down from my skill level.” The BLS survey-taker asks, “Have you looked for a job at McDonalds?” You say, “No.” For this response, you are not classified as unemployed, but as “too discouraged to look for work.” In 1993, the BLS redesigned its survey questions; as a result, between 1993 and 1994, the number of workers classified as “too discouraged to look for work” suddenly fell by half, even though the BLS interviewed the same class of

FIGURE 1

Real unemployment is at least 15.75 million (Method 1)



Source: “Employment & Earnings,” various years, Department of Labor, Bureau of Labor Statistics

workers. These workers were put into other sub-categories of “want a job now.”

Another example is a worker who may have exhausted his unemployment benefits, and then become ill for a couple of months, which prevented him from searching for a job. Because he didn’t actively seek a job during the previous four weeks, he is shunted into the “want a job now” category.

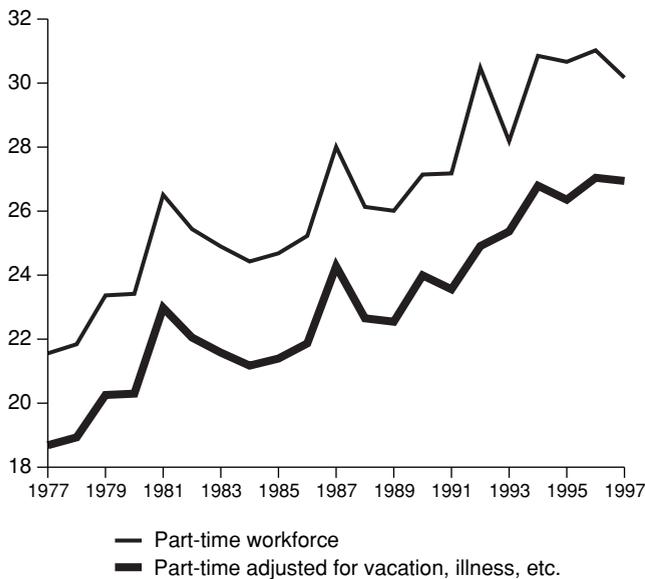
The value to the BLS of the “want a job now” category, is that it is a sub-classification of the category “not in the labor force.” But here’s the catch: To be classified as unemployed, one has to be “in the labor force.” Thus, the 5.2 million workers who “want a job now,” though actually unemployed, are not counted as unemployed by the BLS. However, *EIR* counted them as unemployed. (In determining the number of “want a job now” workers, *EIR* had to convert them from a “seasonally unadjusted basis” to an estimated “seasonally adjusted basis.” It is possible that some of the “want a job now” workers should not be counted as unemployed, but it is hard, from BLS figures, to determine which ones; this portion of workers would influence the calculations of real unemployment only slightly.)

Adding all categories together (Method 1), *EIR* estimated the total number of unemployed in May to be 15.753 million. In May, the total civilian labor force was 136.173 million workers. If one adds into the labor force the workers who “want a job now,” who are otherwise left out, the labor force for the month expands to 142.074 million workers. Dividing the real level of unemployed by the expanded labor force, yields a real unemployment rate of 11.09%. This is more than double the official BLS unemployment rate of 4.80%.

FIGURE 2

Number of part-time workers, 1977–97

(millions)



Source: "Employment & Earnings," various years, Department of Labor, Bureau of Labor Statistics

Part-time employment

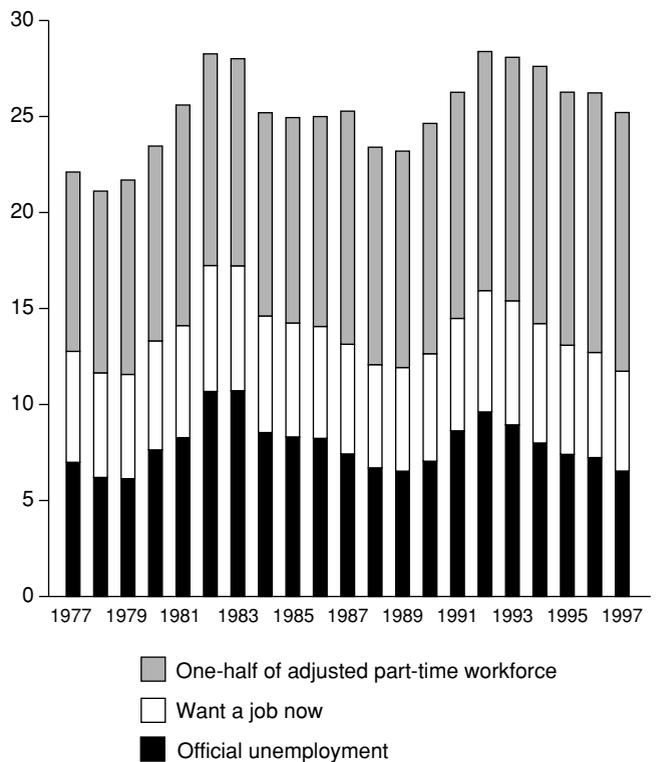
But the real level of unemployment is higher still. Over the last 20 years, the United States has experienced an explosion in the number of part-time jobs. It should be stressed that even if an individual works for pay for only one hour per week, he or she will be classified as employed. The person working one to five hours a week, does not earn enough to support himself, let alone his family; yet, that person is classified as gainfully employed, on an equal footing with a worker who is employed the average 43.4 hours that a full-time operative works in America. To the BLS, it is all the same. Part-time work hides unemployment.

Figure 2 shows the growth in the number of workers who are classified by the BLS as "part-time workers." Between 1977 and May 1997, the number of "part-time workers" rose from 20.89 million to 31.08 million. Included within the BLS "part-time workers" category, are workers who usually work full-time, but are not employed for part of the work week because they are on vacation, or are ill, or have a legal or personal matter to attend to. These workers should not be considered to be regular "part-time," because they are part-time for very understandable reasons. Therefore, *EIR* subtracted them from the total of "part-time workers," thereby creating an alternative group called "part-time workers, adjusted for vacation, illness, etc." Between 1977 and May 1997, this group grew from 18.10 million workers to 26.943 million workers. This represents a substantial growth in part-time employment of 8.843 million workers over 20 years.

FIGURE 3

Real U.S. unemployment, 1977–97 (Method 2)

(millions)



Source: "Employment & Earnings," various years, Department of Labor, Bureau of Labor Statistics

Between 1977 and May of this year, total civilian labor force employment rose by 37.164 million. Part-time jobs alone represented one-quarter of all new jobs created in America.

Consider the fact that the BLS counts these part-time workers (on an adjusted basis) as if they were doing the work of a full-time job, that is, as if they were fully employed. But, during 1993-96, these "part-time workers" worked an average of 20.95 hours per week, or 48.5% — that is, not even half — of the number of hours worked per week by workers classified as "full-time workers." It is absurd to count workers who are working jobs that are half of a full-time equivalent, on a par with full-time employed workers. These 26.94 million "part-time workers, adjusted for vacation, illness, etc.," in terms of the work that they accomplish for the economy, fill only 13.47 million full-time jobs. Thus, in reality, half of the "part-time workers (on an adjusted basis)" are employed, and half are unemployed.

EIR calculated the real unemployment level by adding together the "official unemployed" workers, the "want a job now" workers, and one-half the "part-time workers, adjusted for vacation, illness, etc." Figure 3 shows the real level of unemployment (Method 2) for 1977 through May 1997. In May 1997, by this method, the real level of unemployment

FIGURE 4

Size of U.S. labor force, 1947–97

(millions)

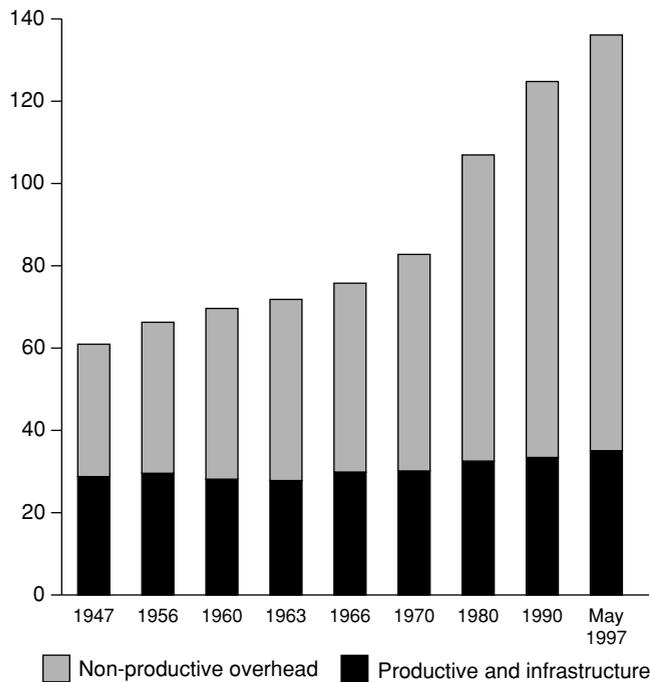
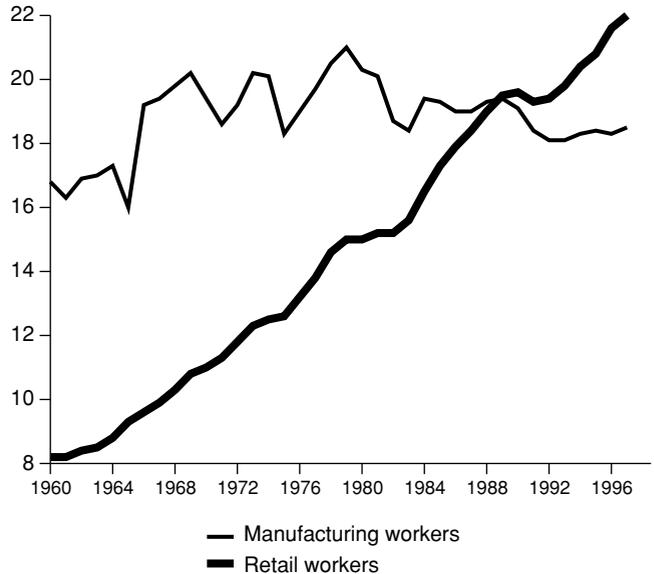


FIGURE 5

Retail employment vs. manufacturing employment, 1960–97

(millions)



Source: "Employment & Earnings," various years, Department of Labor, Bureau of Labor Statistics

was 25.206 million workers. Notice that the overall real unemployment level has not changed fundamentally during the last decade. What occurred is a change in distribution: While "official unemployment" has declined slightly, unemployment due to "part-time workers (on an adjusted basis)" has increased. This means that some of the "official unemployed" and some of the potential future unemployed took on part-time jobs. Since they worked part-time, they were no longer officially unemployed.

Dividing this real level of unemployed for May of 25.206 million, by the expanded civilian labor force of 142.074 million (which includes the workers who "want a job now"), yields an unemployment rate for May of 17.74%.

Thus, by Method 1, *EIR* calculated the level of unemployed in America to be 15.753 million workers; by Method 2, to be 25.206 million workers. Whichever of the two methods one prefers—and Method 2 recommends itself as more accurate—these two respective levels are approximately 2.5 and 4 times the official BLS unemployment level.

Downsizing of the productive labor force

To get beyond the sham of the official BLS figures, one must look at the deteriorating condition of the U.S. workforce. Examining this will show that the conditions of employment, as well as of the productive output of the U.S. economy, are rapidly worsening, giving rise to a *deep-seated, structural unemployment*, which the BLS badly attempts to disguise.

While not discussing this issue at length here, two examples demonstrate the underlying trend.

For the past 30 years, there has been a transformation of the U.S. labor force, away from engagement as full-time operatives in productive activity, to working part-time jobs, or non-productive, dead-end full-time jobs.

The significance of productive labor, as distinct from non-productive labor, comes from a concept of real economics.

All economic wealth derives from the developable power of cognition of the sovereign individual mind: The creative individual mind generates or re-creates valid discoveries of principle. The productive labor force assimilates and transmits these validated revolutionary discoveries of principle, using them to alter nature. The productive labor force alters nature through the use of the machine-tool-design sector and the building of infrastructure, which themselves have been upgraded by revolutionary scientific discoveries. The result is an anti-entropic action in the economy, associated with an increase in the rate of relative potential population density.

Figure 4 shows that under the "post-industrial society" policies, the composition of the U.S. labor force has been degraded. Within a half-century, the size of the total labor force more than doubled, but the combined productive and essential infrastructure workers remained essentially the same. Thus, the number of new productive workers who are needed to produce an expansion of goods output, did not develop. This was one of the important reasons for the 50%

TABLE 1

Manufacturing vs. retail workers' yearly wages

	Manufacturing wages	Retail wages
1960	\$ 4,486	\$ 2,858
1970	6,667	4,124
1980	14,431	7,369
1990	22,093	9,720
1992	23,493	10,253
1994	25,347	10,823
1996	26,583	11,491
May 1997	27,426	11,909

Source: Department of Labor, Bureau of Labor Statistics

collapse of the consumer market basket over the past 30 years. Instead, the United States was flooded with non-productive jobs in finance, real estate, the retail trade, and services.

In the second example, **Figure 5** compares the number of jobs in the U.S. manufacturing and retail sectors since 1960, and **Table 1** shows the weekly wage paid by the manufacturing and retail sectors, respectively, for selected years. Three trends become evident. First, since 1980, the manufacturing

workforce has declined, which is part of the degradation of the productive labor force. (The manufacturing workforce includes all workers in the manufacturing sector, both production and non-production. The number of production workers in manufacturing declined more sharply.) Second, in 1960, America had a manufacturing workforce twice as large as the workforce in the retail sector. Now, the retail sector has expanded, to the point where it is 20% larger than the manufacturing workforce. One out of every 6.2 workers in America now works in a retail job. Third, retail jobs are dead-end, low-wage jobs that are non-productive, and do not enable a family to support itself, even if its members hold three such jobs.

Thus, even in a sector where full-time jobs are created—and the retail sector is a combination of full-time and part-time employment—this does not represent a step toward full-employment and growth; rather, it represents a breakdown in living standards, and a ratchet down in America's ability to produce to sustain its own existence.

The real level of unemployment in America is either 15.753 million or 25.206 million workers, whose capacities are wasted. The unemployment derives from a deeper breakdown process in the financial system and physical economy. To address the problem, America must dispense with the debilitating "U.S. jobs model" and the BLS's unemployment hoax, and face reality.

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