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# THE RISE AND FALL OF FULL EMPLOYMENT.

## Part VIII: Hiding Joblessness and its Costs

by Bertram Gross

"We have learned," President Franklin Roosevelt said in 1945, "that we must live as men, and not as ostriches." (Fourth term inaugural address.) But too many people still stick heads in sand and fail to recognize the magnitude and the consequences of unemployment in our economy. They want to believe that if only 7% of the labor force (more than eight million adults) is "officially" unemployed, then 93% (more than 100 million) must be in good shape: They rationalize with percentages and averages, failing to recognize that real people are involved, and that mere statistics can be used to distort reality.

Many acknowledge that *something* should be done about the so-called "culture of poverty," at least about the deficiencies in education and training of Blacks, Hispanics, and Native Americans. They may also be uneasy that a few million Americans are homeless, and that a few million more have lost their livelihoods in farming, mining, and the transfer to other countries of our better-paying manufacturing jobs. They are generally alarmed about the increase in violent street crimes and the use of addictive drugs, and are sometimes willing to connect these increases with our social and economic policies.

But today's ostriches still rationalize. They maintain that enough new jobs are being created to replace the old ones that are lost. They want us to believe that economic downturns in

some areas are countered by larger growth in other areas. They argue that some gains cancel out some losses, and the situation "on the average" is not so bad.

Thus do they obscure the fact that mass depression has not been prevented; it has merely been contained. In the 1960s and 1970s, it was limited mainly to Black and Hispanic ghettos and Native American reservations. In the 1980s new islands of mass depression have been added: both urban and rural areas are hit by plant closings, declining basic industries, and farm failures. Throughout the mass depression archipelago, official unemployment ranges as high as 25%—close to the national averages during the Great Depression. Moreover, for most minorities and immigrants, and for all teenagers, official unemployment rates are constantly at least twice as high as those for others. The 1987 averages for teenagers were 14% for Whites, 22% for Hispanics, and 35% for Blacks.

### Official Unemployment Figures Can Hide Reality

Data compiled by the Bureau of Labor Statistics explains the general contours of employment and unemployment in our labor force, but the data is subject to considerable distortion in its reporting. It still can be used more to hide than to describe unemployment.

The first difficulty is historical. BLS criteria for counting the unemployed were invented in 1937 by statisticians who wanted to cover up the New Deal's failure to put enough jobless people to work. There was no interest then in measuring the total labor supply, which was regarded as sufficient for all possible levels of demand. The need instead was for concepts and data that would understate the degree of unemployment, and help to vindicate the government's failure to develop more jobs. The result was creation of the artifact of "the labor force," which was defined to include only the jobless of 14 years of age and over who were *actively seeking* paid employment.

Thus millions were excluded from the beginning as "not in the labor force." If a similar method were used to estimate the number of unmarried people, no singles (not even Catholic priests) would be counted as "unmarried" unless they reported that they

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were actively seeking a spouse! BLS also excluded other groups from the beginning, including those receiving public assistance or special job training, and people in institutions, which are often a haven for the jobless.

Other significant groups of jobless workers are reported by BLS, but excluded from the widely advertised monthly reports of those who are "officially" unemployed. BLS data for 1987 illustrates how these huge groups of unemployed workers are reported but still excluded from attention. In that year, BLS indicated a net civilian labor force of 120.9 million, and focused on a much-quoted figure of 6.2% as the amount of civilian unemployment during "an average month." This gave the impression that there were about 7.4 million jobless job seekers in 1987. No so.

First, BLS also revealed that there were over five million part-time employees who unsuccessfully sought full-time jobs in 1987, and that there were at least another million "discouraged jobless" in 1987. This total of more than six million workers got little attention, because BLS procedures classify them as outside the "official" labor force. They were thus excluded from the 6.2% "official" rate of unemployment for jobless job seekers in 1987.

Second, BLS data for 1987 identified another group of five million more jobless "job-wanters," who were also excluded from the "official" unemployment rate of 6.2% by defining them as "outside the labor force." Various categories in this group included those who thought they could not get a job, either because of job market factors (could not find a job, or did not believe an appropriate job was available), or because of personal factors (health, disability, or other handicap, lacking education or training, too young or too old), or because of home responsibilities, especially child care, which prohibited them from looking for work which they nonetheless wanted and needed.

At this point, a tabulation of data reported by BLS for 1987 looks like this:

Millions of U.S. Jobless in 1987, by official data:

|   |            |
|---|------------|
| Jobless job seekers (the official unemployed) | 7+         |
| Part-time employees (seeking full-time work)  | 5+         |
| Discouraged jobless (outside the labor force) | 1+         |
| Jobless job wanters (outside the labor force) | 5+         |
| <b>Total</b>                                  | <b>18+</b> |

The sum of the three additional groups which got little attention in the reporting of BLS data from 1987 is more than 11 million job seekers. In the single category of five million or more "jobless job wanters," one big group of workers includes those who want jobs now but are not looking "for other reasons." BLS gives no further data on these "other reasons."

### Distortions from Averaging the Monthly Averages

One final BLS procedure lends itself more than any of the above exclusions to the distortion of the unemployment count. That is the use of the 6.2% figure for 1987 as if it were an annual

figure. It is not. It is only a statistical representation for "an average month" in 1987. It is an average of the monthly BLS averages, which does not make it an annual figure.

BLS does report the annual figures. For 1987, the number of workers actually unemployed at one time or another during the year was 18.5 million (BLS Report of August 22, 1988: USDL 88-409). Thus the BLS monthly averaging technique which results in the figure of 6.2% or 7.4 million unemployed in 1987, simply ignored the periodic unemployment of 11.1 million persons. The total of 18.5 million unemployed at some time in 1987 amounts to 14.3% of the 130 million who actually worked or looked for work in 1987.

The monthly averaging technique also distorts the count of employed workers. In the recent Presidential election campaign, there was a brief discussion of future job goals, based on the monthly averaging assumption that 112 million persons were employed at some time during 1987. That assumption overlooks an extremely important increment of 16 million persons, who are simply ignored. The Presidential candidates did not even consider these 16 million workers in their brief reference to future jobs in our economy.

### More Neglected Data on Unemployment

Incredibly, the term "underemployment" does not even appear in government statistics. Statisticians have not been allowed to develop adequate data either on underemployment or on the "contingent" or "peripheral" workforce. But these are two kinds of data most needed now to supplement existing data on seasonal, irregular, and temporary employment (which are lumped too carelessly together by BLS). Two classes of workers are now distinguishable in many American companies. One is the "core" employee, protected by job security concepts of the 1960s and 1970s. The other, often a larger group, is composed of "peripheral" workers who can be laid off whenever the company decides that competition or other factors require cost-cutting. Many more employees even in managerial ranks are now in this peripheral group.

Further, we do not have the surveys (or the budgets for them) required to show the extent to which people work at jobs below their level of competence; or the extent to which they are "overemployed" (i.e., moonlighting to make ends meet, or working mandatory overtime, or performing an enormous amount of undervalued "women's work" at home); or the extent to which they turn to the underground economy and work illegally, with no taxes, no job security, no benefits protection, and no payroll records.

There are more hard facts about unemployment which are too casually considered and too frequently ignored altogether, including

- The average duration of "official" unemployment increased by 34%, from 10.8 weeks in 1979 to 14.5 weeks in 1987.
- Only one out of four jobless workers was protected by Unemployment Insurance benefits at the end of 1987, the lowest

level in the 52 year history of these programs in this country. The percentage of jobless workers protected by Unemployment Insurance declined in the 1980s to two-thirds of its level in 1978, when the unemployment rate was comparable. The maximum duration of UI benefit payments also declined in the same period, primarily because of cuts in the 13 week federal benefit period.

- Involuntary part-time employment reached a high of 5.4 million in 1988, compared to an average of 3.4 million in 1979.
- Workers are less able to provide their own cushion for periods of unemployment because their real wages (adjusted even to lower levels of inflation) have dropped more than 10% in the past decade. In addition, health insurance and pension protection, two key essentials for peace of mind on the job, have eroded for all workers in the past eight years.

More questions about unemployment remain unanswered, including (1) how many people are dependent on any single unemployed worker, and (2) how many businesses lose out because the jobless and their dependents become bad customers, tenants and credit risks? Further, we have the survey techniques but not the creditable estimates we need on the impact of job insecurity on worker productivity. Finally, why aren't we more critical of the cheerful political assurances that x number of "new jobs" are being created each month, based on BLS surveys of business payrolls? These surveys count each job a person holds, and thus overstate the number of "new jobs." In contrast, BLS household surveys count each person only once, and show a much smaller number of "new jobs." From July 1987 to July 1988, for example, there were only 2.4 million, compared to 3.9 million over-reported on the basis of the payroll survey.

## **Unemployment Leads to Crime, Drugs, Violence, and Fascism**

Congress had a reasonable expectation that the federal government, under the Employment Acts of 1946 and 1978, would estimate the annual dollar costs of joblessness from the viewpoint of the federal budget and the economy as a whole. These estimates have not been made. In response to a letter from Rep. Charles Hayes, the Congressional Budget Office has unofficially estimated that for every 1% of the officially unemployed in 1987, the federal government lost \$37.3 billion in tax revenues, and spent an additional \$7 billion on entitlement programs and net interest. This added up to an additional \$44.3 billion in the federal deficit.

For over 40 years, Leon Keyserling regularly estimated the economy's deficit, in terms of the total output of potential goods and services lost by unemployment. This led to astronomical figures on GNP losses accruing over the decades--losses that could also be expressed in terms of the houses, school buildings, health service, educational services, conservation activities and other goods and services, both for investment and for consumption, for which labor, plant and materiel capacity existed. Each

of these estimates, however, was based on the officially unemployed only, excluding other categories of the jobless. They were subject to criticism for underestimating the additional federal outlays necessary to put more people to work, and for overestimating the monetary benefits that might flow from the additional employment. Such deficit estimates were not valuable for their accuracy, but rather for suggesting the kind of information needed to reveal more of the true costs of joblessness.

Social costs, of course, are much more elusive and mysterious than money costs. One astute observer notes that "A low pressure economy slams the door on opportunity, breeds a bunker mentality that resists change, stifles productivity growth, and fosters both inequality and mean-spirited public policy." (Alan Blinder, *American Economic Review*, May 1988.)

Much more is involved. The jobless and underemployed are more likely than others to suffer the social costs of lost self-respect, skills, physical and mental health. The more obvious impacts include not only poverty and homelessness, but drug addiction and crime, alcoholism, family breakdown, violence in the home and on the street, and suicide. (Katherine Briar, *Human Costs of Unemployment*, Univ. of Washington, 1982, summarizes empirical research of psychologists, physicians, sociologists and social workers.) Less obvious is that both joblessness and bad jobs are the deepest roots of the poverty and hopelessness that produce huge dropout rates in our schools, and undermine even the best efforts to cope with the "culture of poverty" though education and training alone.

What we help to create with our casual tolerance of high unemployment are massive anxieties that can lead individuals to crime, drug use, and violence, and can make societies vulnerable to exploitation by extremists—particularly, those of the "rightist reaction" and the "spirit of fascism," against which FDR raised his warning.

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