

## Unemployment Redefined

According to U.S. Department of Labor's Bureau of Labor Statistics [1]: "The unemployment rate was 6.1 percent in May; the number of unemployed persons was 9.0 million." "The employment-population ratio edged down to 62.3 percent in May; total employment, at 137.5 million, ..." "Over the month, the civilian labor force and labor force participation rate were unchanged at 146.5 million and 66.4 percent, respectively." "In May, 1.4 million persons were marginally attached to the labor force, about the same as a year earlier. These individuals wanted and were available to work and had looked for a job sometime in the prior 12 months. They were not counted as unemployed, however, because they did not actively search for work in the 4 weeks preceding the survey. There were 482,000 discouraged workers in May, essentially unchanged from May 2002. Discouraged workers, a subset of the marginally attached, were not currently looking for work specifically because they believed no jobs were available for them."

By definition, "the unemployment rate includes only people within the labor force who are out of work" (Lawrence Summers, former U.S. Secretary of Treasury) only for a short period covered by unemployment insurance (usually 6 months). The above official statistics explains why many unemployed people (not in labor force, NILF) were not counted as unemployed. Under this definition of unemployment, "trained economists" all over the world seriously study such "academic" policies as "Is unemployment a problem?" "The natural rate of unemployment".

How degenerated Economics has become! What is the usefulness of Economics? If the unemployment is not easy to measure, the employment data are relatively complete and accurate.

[Definition]

$$U = 100\% - E = 100\% - EP = 100\% - LFP \times (100\% - U_g)$$

where U is unemployment rate, E is employment rate, EP is employment-population ratio, LFP is labor force participation rate, and  $U_g$  is the governmental unemployment rate [2].

Simple, easy and accurate. No more ambiguous definition or explanation. According to the above governmental statistics, the U.S. 2003 May unemployment is  $100\% - 62.3\% = 37.7\%$ , and the unemployed population are  $8,998,000 + 74,283,000 = 83,281,000$ , versus 137,500,000 employed labor force.

If American economic policies are based on this 37.7% unemployment rate fact, will there be an economic revolution?

Now let see the second largest world economy. The Japanese government does not use "unemployment". Instead, it uses "complete unemployment rate," which is "completely unemployed population-labor force population ratio". The "completely unemployed population" is defined as: "during the survey week, among these who did not work at all but they could work, wanted work and actually sought work, and who could work immediately but was waiting for job-seeking result" [3]. This is a confusing definition. Following further the Japanese governmental definition, we know that: 1) like the U.S. statistics, many unemployed (NILF) are not counted as unemployed, 2) the opposite of "completely unemployed," i.e., the "employed," includes those who worked longer than one hour with income in a week, and those who "although did not work but..."

By the above "one hour pay in a week means you are employed" employment definition, the Japanese 2003 April "complete unemployment" is 5.4% [4].

Let's help the Japanese governmental official economists. From the same Statistics Bureau data, Japan's "employed labor force" (who has more than one hour's pay in one week) is 63.06 million. The 15-64 age population (the actual labor force) estimation on May 1, 2003 is 85.33 million [5]. So Japan's "complete unemployment" should be  $100\% - 63.06/85.33 \times (100\% - 5.4\%) = 30.1\%$ . This rate is lower than America's 37.7% because it is "complete" unemployment. If we use the American standard to measure Japan's employed labor force, the Japanese unemployment will be higher than 37.7%.

As another comparison, the third largest world economy, China's "registered urban unemployment" is 3.6% and "labor force participation rate" is 77.03% [6]. We cannot therefore conclude that China's unemployment is  $100\% - 77.03\% \times (100\% - 3.6\%) = 25.7\%$ , because among the "participated" 730.25 million labor force, 67.2% are in countryside, which are heavily under-employed. China's urban hukou (residency registration system) does not include the explosive migration from countryside. There are 14.59 million people in absolute poverty, with an annual income below 500 yuan; There are 90.33 million in poverty, with an annual income below 1,000 yuan; Those with an income between 1,000 and 2,000 yuan are 310.79 million [7]. They amount to about half of the agricultural population. Under-employment should be studied as unemployment but it is not this essay's subject.

Stocks and productivities may rise up, largely under policy manipulations. However, employment cannot be manipulated, and it will not rise under current world economical system. Rather, the undergoing Globalization raises unemployment everywhere around the world, with or without economic growth. This is an era of globalization of unemployment.

Notes:

[1] The Employment Situation: May 2003, Unemployment (Household Survey Data), <http://www.bls.gov/news.release/empisit.nr0.htm>.

[2] The US Bureau of Labor Statistics undertakes a monthly survey of about 60,000 households, to generate the unemployment rate and voluminous ancillary data. It is almost impossible to know to what degree these 60,000 households represent the total American population. To not make this issue more complicated, we assume the unemployment rate is accurate enough to use.

[3] <http://www.mhlw.go.jp/toukei/kaisetu/index-l.html>.

[4] <http://www.stat.go.jp/data/roudou/sokuhou/tsuki/index.htm>.

[5] <http://www.stat.go.jp/data/jinsui/tsuki/index.htm#05k2-1>.

[6] The Chinese State Council (Government), Chinese Labor and Social Security Situations, 2002 April, <http://www.china.org.cn/ch-book/429/2.htm>.

[7] Cited Wang Xuchao, President of the China Poverty Alleviation Fund in Ming Pao, Hong Kong, 23 March 2003. Recited from Zhang Kai, "China struggling with acute issues today," \_October Review\_ (<http://www.octreview.org>) June 2003.

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