

## Problems in Measuring Unemployment

Statistics Canada measures unemployment by its monthly Labour Force Survey. What economists want to know is how many people genuinely want a job but are unable to find one. But this is not always what the official measure of unemployment provides.

On the one hand, measured unemployment overstates the amount of “true” unemployment by including some people who are *voluntarily* out of work. For example, Canada’s program of Employment Insurance provides protection against genuine hardship caused by job loss, but it also induces some people to stay out of work to collect Employment Insurance benefits for as long as the benefits last. Such people have, in fact, voluntarily withdrawn from the labour force, although to remain eligible for benefits they must make a show of looking for a job. Such people are usually included in the ranks of the unemployed because, for fear of losing their benefits, they tell the person who surveys them that they are actively looking for a job even though they are not really trying very hard to find one.

On the other hand, measured unemployment understates the amount of “true” unemployment by omitting some people who would accept a job if one were available but who did not actively look for one during the week in which the data were collected. For example, people who have not found jobs after searching for a long time may become discouraged and stop actively looking for work. Such people have withdrawn from the labour force and are not recorded as unemployed. They are, however, unemployed in the sense that they would willingly accept a job if one were available. People in this category are referred to as *discouraged workers*. They have withdrawn from the labour market because they believe that they cannot find a job under current conditions.

In addition, there are part-time unemployed people. If some people are working six hours instead of eight hours per day because there is insufficient demand for the product that they help to make, these workers are suffering 25 percent unemployment even though none of them are reported as unemployed.

The official figures for unemployment are useful, particularly because they tell us the *direction* of changes in unemployment. It is unlikely, for example, that the official unemployment figures will be rising when “true” unemployment is actually falling. For the reasons that we have just discussed, however, they can at times give under- or over-estimates of the total number of persons who would be genuinely willing to work if they were offered a job at the going rate of pay.