

RESEARCH NOTES



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Alternatives Measures
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Including Discouraged Workers Adds 0.4 Point to the “Official” Unemployment Rate

Alternative Measures of Labor Underutilization (Annual Average - 2015:IVQ through 2016:IIIQ)		
Measure	Underutilization Concept	Level
Official Rate	jobless persons available to take a job who have actively sought work in the past four weeks	6.1%
U-1	jobless 15 weeks or longer	2.7%
U-2	job losers and persons losing a temporary job	3.2%
U-3	similar to official rate	6.2%
U-4	U-3 plus discouraged workers	6.6%
U-5	U-4 plus others marginally attached to the labor force	7.4%
U-6	U-5 plus those employed part-time for economic reasons	12.5%

Official Rate: annual average of 2015:IVQ through 2016:IIIQ

- With data from the Current Population Survey, we can assess a number of the factors affecting the unemployed in the state. U-3, which averaged 6.2% over the year ending 2016:IIIQ, is the total of unemployed workers as a percentage of the civilian labor force. This is most similar to the official rate, which measured 6.1%¹ over this period.
- U-4 adds discouraged workers to U-3, bringing the underutilization level to 6.6%. Discouraged workers are those people who would like to work, but have stopped looking for work because they believe there are no jobs to be filled.
- Marginally attached workers, the addition to U-5, have not searched for work for reasons other than belief that there are no jobs to fill (school attendance, transportation problems, poor health, family responsibilities, etc.), totaling 7.4%.
- Finally, U-6 adds part-time workers (working less than 35 hours per week) who would rather be working full-time, but cannot due to economic reasons including having their hours cut or being unable to find full-time work. This leads to a U-6 underutilization rate of 12.5%.
- There has been significant improvement in all Alternative Measures in Nevada over the recovery period. For instance, at the height of the recession, counting discouraged workers among the unemployed added 1.1 points to the official unemployment rate. Despite this improvement, Nevada stands within the highest five positions in all measures of Labor Underutilization through the year ending 2016:IIIQ.

¹ Note that, in the table and in the comparisons below, the unemployment rate (U-3) that is shown is derived directly from the Current Population Survey, because this is the only source of data for the various components of the other five measures. As a result, the U-3 measure can differ from the official state unemployment rate. The official rate is developed from statistical models that greatly improve the reliability of the labor force and unemployment estimates.