

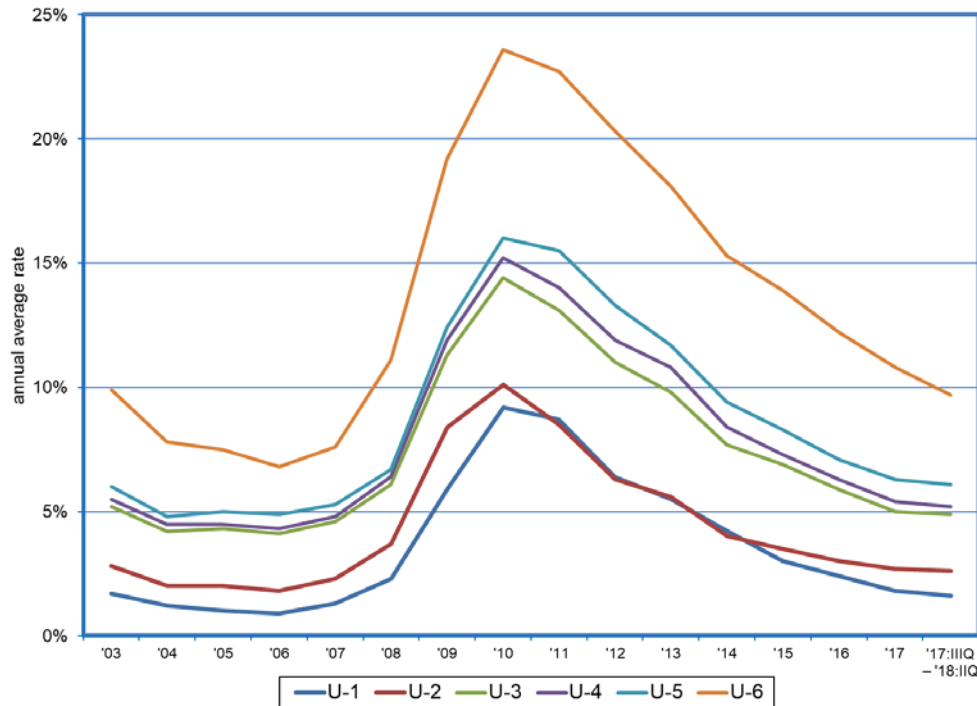
# Research Notes



Alternative Measures  
Dionny McDonnell, Economist

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## Alternative Measures of Labor Underutilization Continue Trending Down



- The Bureau of Labor Statistics produces six alternative measures of labor underutilization which are available on a quarterly basis from the Current Population Survey (CPS) at the state level. The official concept of unemployment (as measured in the CPS by U-3 in the U-1 to U-6 range of alternatives) includes all jobless persons who are available to take a job and have actively sought work in the past four weeks. This concept has been thoroughly reviewed and validated since the inception of the CPS in 1940. The other measures are provided to data users and analysts who want more narrowly (U-1 and U-2) or broadly (U-4 through U-6) defined measures. The use of four-quarter averages for states increases the reliability of the CPS estimates, which are based on relatively small sample sizes at the sub-national level, and eliminates seasonality. Due to the inclusion of lagged quarters, the state alternative measures may not fully reflect the current status of the labor market.
- U-3, which averaged 4.9% in Nevada over the year ending 2018:IIQ, is the total of unemployed workers as a percentage of the civilian labor force. This measure is most similar to the official State unemployment rate, which stood at 4.8%<sup>1</sup> in this period. U-3 peaked at 14.4 percent in 2010.

<sup>1</sup> 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.

# Research Notes



## Alternative Measures continuation

- U-4 adds discouraged workers to U-3, bringing the underutilization level to 5.2%, up by 0.3 percentage points. 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. U-4 peaked at 15.2 percent in 2010.
- 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.). U-5 totaled 6.1% during this period. U-5 peaked at 16 percent in 2010.
- 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 9.7%.
- The U-6 measure stands at 9.7% over the year ending 2018:IIQ, it is the fifth-highest in the U.S. compared to the third-highest a year ago. All alternative measures of labor underutilization in the Silver State are down over-the-quarter.

Alternative Measures of Labor Underutilization				
Measure	Underutilization Concept	Annual Average 2017:IIQ through 2018:IQ	Annual Average 2017:IIIQ through 2018:IIQ	O-T-Q Percentage Points Change
Official Rate	jobless persons available to take a job who have actively sought work in the past four weeks	4.9%	4.8%	-0.1
U-1	jobless 15 weeks or longer	1.7%	1.6%	-0.1
U-2	job losers and persons losing a temporary job	2.7%	2.6%	-0.1
U-3	similar to official rate	5.1%	4.9%	-0.2
U-4	U-3 plus discouraged workers	5.5%	5.2%	-0.3
U-5	U-4 plus others marginally attached to the labor force	6.4%	6.1%	-0.3
U-6	U-5 plus those employed part-time for economic reasons	10.4%	9.7%	-0.7