

# Research Notes



Alternative Measures, 2019 Third Quarter Annual Average  
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## Over the Year Most Components of Alternative Measures in Nevada Declined; Jobless 15 weeks or longer slightly up

Alternative Measures of Labor Underutilization			
Measure and Components	2018:IIIQ annual average	2019:IIIQ annual average	Over the year change
Official Rate unemployed	4.7% 69,610	4.1% 63,315	-0.6 p.p. -6,295
<b>U-1</b> jobless 15 weeks or longer	1.4% 20,770	1.5% 22,720	+0.1 p.p. 1,950
<b>U-2</b> job losers and persons losing a temporary job	2.3% 34,250	1.9% 29,440	-0.4 p.p. -4,810
<b>U-3</b> (similar to official rate) unemployed	4.6% 70,025	4.2% 65,150	-0.4 p.p. -4,875
<b>U-4</b> discouraged workers	5.0% 5,500	4.5% 4,350	-0.5 p.p. -1,150
<b>U-5</b> marginally attached to the labor force	5.9% 13,590	5.2% 11,370	-0.7 p.p. -2,220
<b>U-6</b> employed part-time for economic reasons (involuntary part-time workers)	9.4% 53,890	8.2% 47,490	-1.2 p.p. -6,400

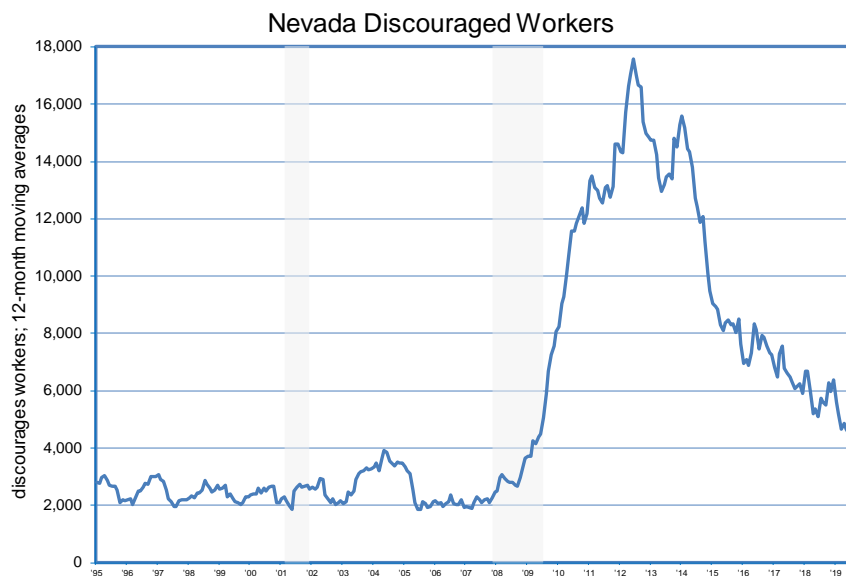
- The Bureau of Labor Statistics produces six alternative measures of labor underutilization which are available on a quarterly basis since 2003 second quarter. These are based on data from the Current Population Survey (CPS) and are available at the state and national level. The official concept of unemployment (as measured in the CPS by U-3 includes all jobless persons who are available to take a job and have actively sought work in the past four weeks). 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, in addition to eliminating seasonality. Due to the inclusion of lagged quarters, the state alternative measures may not fully reflect the current status of the labor market.
- U-1 is the total of persons unemployed 15 weeks or longer, as a percentage of the civilian labor force. In Nevada this measure averaged 1.1% from the beginning of 2004 through the third quarter of 2007. U-1 peaked at 9.2% in 2010. During the year ending 2019:IIIQ, U-1 averaged 1.5%, up from 1.4% in the previous year. During this period those unemployed 15 weeks or longer averaged 22,720, up from 20,770 in previous year. The Silver State's U-1 is the 13th-highest among other states and the District of Columbia (D.C.), in other words 12 states and D.C. have a higher U-1 than Nevada.

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- U-2 is the total of job losers and persons who completed temporary jobs, as a percentage of the civilian labor force. This measure averaged 2.1% from the beginning of 2004 through the third quarter of 2007. U-2 peaked at 10.1% in 2010. During the year ending 2019:IIIQ, U-2 averaged 1.9%, down from 2.3% a year ago. Job losers and persons who completed temporary jobs averaged 29,440, down from 34,250 in the previous year. Nevada's U-2 is the 17th highest in the U.S.
- U-3 is the total of unemployed workers as a percentage of the civilian labor force. In the Silver State this measure averaged 4.3% from the beginning of 2004 through the third quarter of 2007. U-3 peaked at 14.4% in 2010. During the year ending 2019:IIIQ, U-3 averaged 4.2% in Nevada, down from 4.6% a year ago. Unemployed workers averaged 65,150, this is down from 70,025 in the previous year. Nevada's U-3 is the 11th<sup>th</sup>-highest in the nation. This measure is very similar to the official unemployment rate at 4.1%<sup>1</sup> in this period, down from 4.7% a year ago.
- U-4 adds discouraged workers to U-3. 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. This measure averaged 4.4% from the beginning of 2004 through the third quarter of 2007. U-4 peaked at 15.2% in 2010. During the year ending 2019:IIIQ, U-4 averaged 4.5%, down from five percent a year ago. Discouraged workers averaged 4,350 in the year ending September 2019, down from 5,500 in previous year. The chart below shows that discouraged workers in Nevada are trending down. Nevada's U-4 is the 10<sup>th</sup>-highest in the nation.



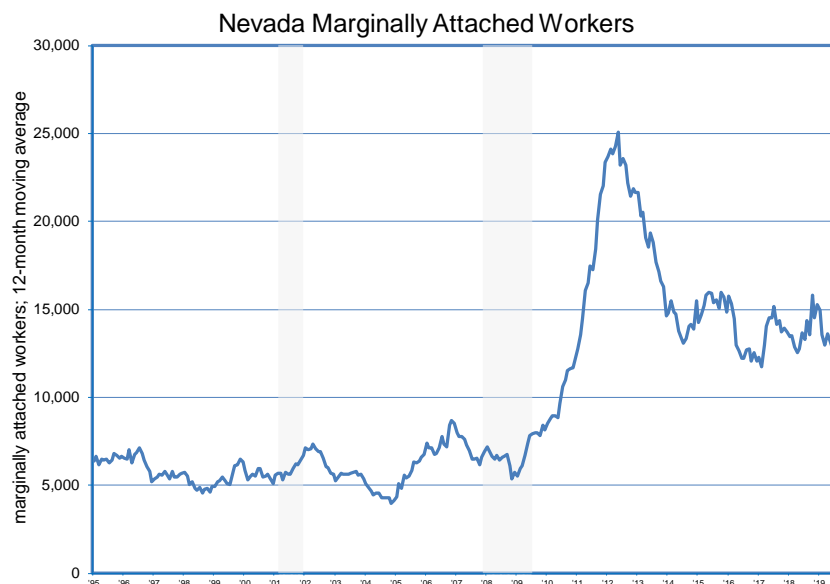
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<sup>1</sup> Note that the unemployment rate (U-3) that is shown is derived directly from the Current Population Survey, because this is the only source of data for the various components of the other five measures. As a result, the U-3 measure can 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.

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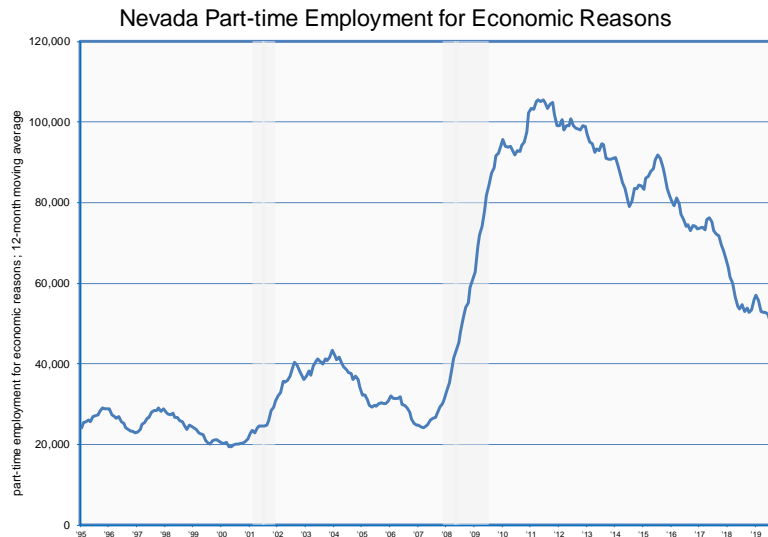
- Marginally attached workers, the addition to U-5, are workers who have not searched for work for reasons other than belief that there are no jobs to fill (school attendance, transportation problems, poor health, family responsibilities, etc.). U-5 averaged five percent from the beginning of 2004 through the third quarter of 2007. U-5 peaked at 16% in 2010. During the year ending 2019:IIIQ, U-5 totaled 5.2%, down from 5.9% in previous year. Marginally attached workers stood at 11,370, this is down from 13,590 a year ago. The chart below shows the trend for the marginally attached workers in the State, which is being trending down. Nevada's U-5 is the 11th-highest in the U.S.



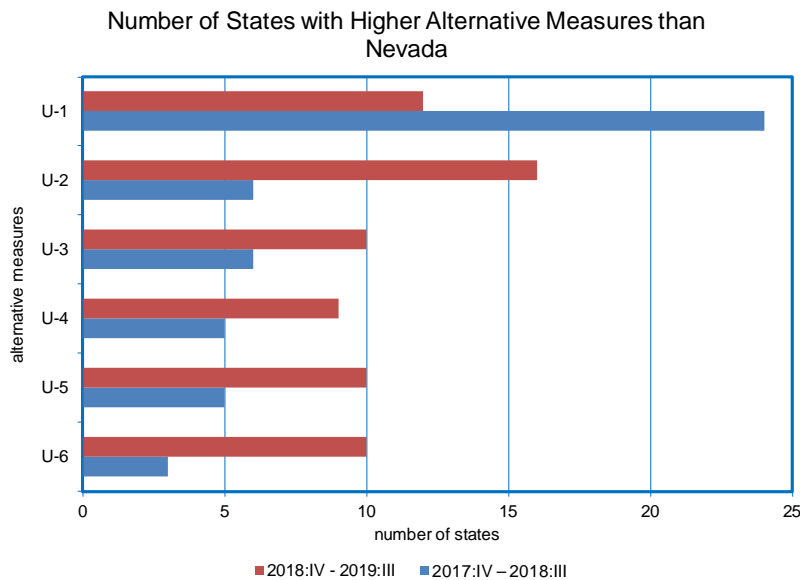
- Finally, U-6 adds part-time workers (working less than 35 hours per week) who would rather be working full-time, but cannot due to economic reasons including having their hours cut or being unable to find full-time work. These employees are also called involuntary part-time workers. U-6 averaged 7.5% from the beginning of 2004 through the third quarter of 2007. U-6 peaked at 23.7% in year ending 2011:IQ. During year ending 2019:IIIQ, U-6 totaled 8.2%, down from 9.4% a year ago. Those employed part-time for economic reasons averaged 47,490 compared to 53,890 in previous year. The chart below show that involuntary part-time workers are declining in the State. Nevada's U-6 measure it is the 11th-highest in the nation.

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- Most of the components of the alternative measures of labor underutilization declined over the year ending September 2019 in the Silver State. Those unemployed for 15 weeks or longer (included in U-1 measure), increased by 1,950 over the year. All alternative measures levels are returning to their historical average levels seen from the beginning of 2004 through the third quarter of 2007.
- Overall Nevada shows improvement in most alternative measures compare to other States and D.C. The alternative measure U-2 which includes job losers and persons losing a temporary job shows the highest improvement over the year. The U-1 measure, which includes those who are jobless for 15 weeks or longer ranked 13<sup>th</sup> among other States and D.C., last year ranked 25<sup>th</sup>.



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