

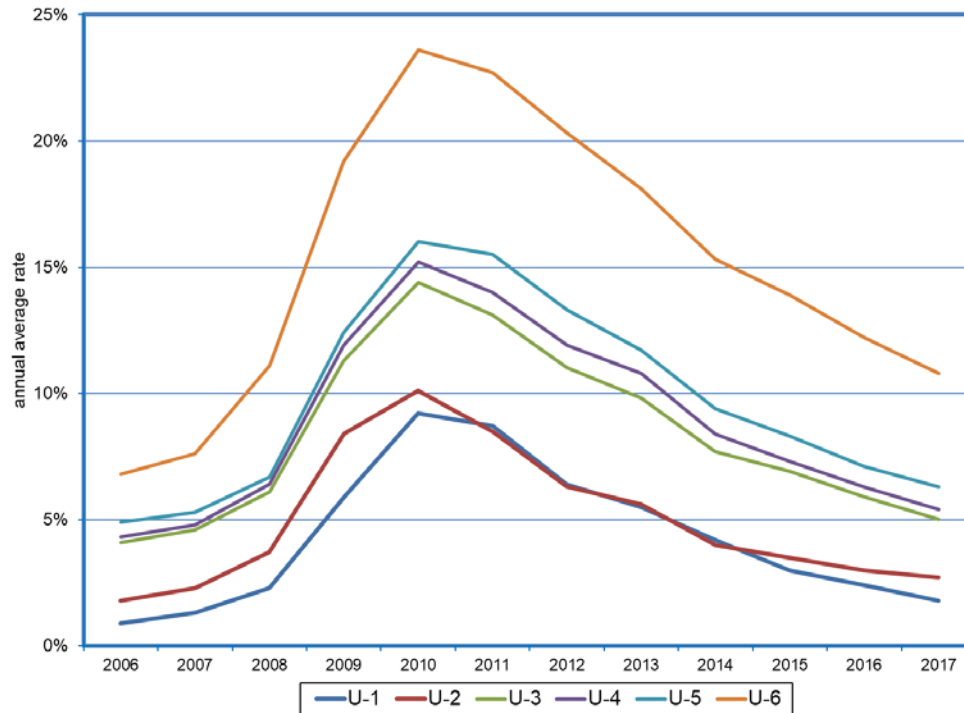
# Research Notes



Alternative Measures  
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Note: 2018:59  
May 9, 2018

## Alternative Measures of Labor Underutilization Trending Down



- Six alternative measures of labor underutilization have long been available on a monthly basis from the Current Population Survey (CPS) for the United States as a whole. 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 5.1 percent in Nevada over the year ending 2018:IQ, is the total of unemployed workers as a percentage of the civilian labor force. This measure is most similar to the official rate, which stood at 4.9%<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 5.5%. 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.). U5 totaled 6.4% 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 10.4%.
- All Alternative Measures in Nevada are trending down since 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. The U-6 measure has been cut more than half from its recessionary peak of 23.7% over the year ending 2011:1Q. Despite this improvement, Nevada's U-6 measure is still the third-highest in the U.S.