

# Measuring Unemployment: The Saga Continues



In the last two issues of Trendlines, economists addressed the dicey question of whether the official unemployment rate fully captures the status of workers.\* The theme was brought about by the release of a set of statistics for the states called Alternative Measures of Underutilization. The data set has been available for the nation as a whole since 1940, but not individually for each of the states. The Bureau of Labor Statistics recently made state data available for 2005 to the present. Release of the state data has magnified the interest in these alternative measures of underutilization.

The standard calculation of the unemployment rate divides the number of unemployed by the civilian labor force. Measuring the status of American workers, however, isn't that simple. Six alternative measures of underutilized labor are defined. These were discussed in the previous issues of Trendlines, but again are presented in abbreviated form starting with the unemployment rate we are used to. This standard unemployment rate is called the U-3 mea-

sure. If you added discouraged workers (U-4), plus other marginally employed (U-5), and then added in workers that were employed part-time for economic reasons (dictated by the employer), you would get what is called the U-6 underutilization rate. Right now, in this deep recession, there is a significant gap between the standard U-3 unemployment rate and the rate that includes the total U-6 defined workers.

## Beyond the "unemployment rate"—How Much Worse Off is the American Worker?

Just looking at the standard (U-3) unemployment rate and comparing it with the "worst" scenario (the U-6) rate, the rate for the U.S. would jump from 8.5 percent to 15.2 percent. (That's using the most recent annual calculation for the year ending in third quarter 2009.) At the state level, there were six states with double-digit standard unemployment rates. The underutilization rate (U-6) was nearly double the standard unemployment rate in these states (see the graph). Half of those six high-rate

states were in the west: California (10.4 percent), Nevada (10.2 percent), and Oregon (11.2 percent). Adding in the other components of the underutilization rate and these rates go to 19.5 percent, 17.5 percent, and 20.1 percent, respectively.

## How Does Utah Rank in Underutilization Rate?

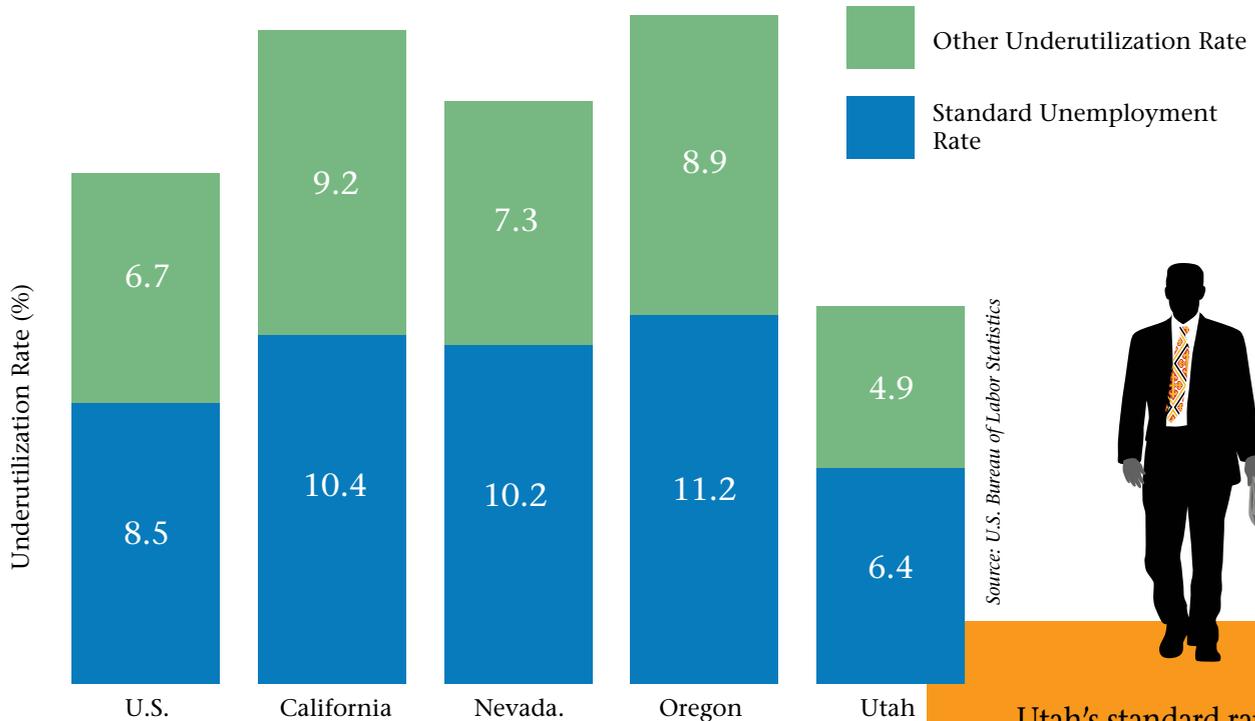
Clearly, Utah has been heavily affected by the recession with job losses at unprecedented levels and unemployment rising significantly. In 2006 the standard rate was an unprecedented 2.9 percent, with an underutilization rate of 5.8 percent. For comparison, the 2008 standard U-3 rate was 3.5 percent and the accompanying U-6 rate was 6.2. For the year ended in third quarter 2009, Utah's standard rate jumped from 3.5 percent (2008) to 6.4 percent, and the U-6 underutilization rate nearly doubled the standard rate, rising to 11.3 percent (see the graph).

Now compare the Utah rates, both the standard unemployment rate and the

\*<http://jobs.utah.gov/opencms/wi/pubs/trendlines/mayjune09/nationalnews.pdf>

\*<http://jobs.utah.gov/opencms/wi/pubs/trendlines/julaug09/whats happening.pdf>

## Standard Unemployment Rates & Other Underutilization\* Rates



### Year Ending Third Quarter 2009

*\*Includes discouraged workers (U-4) plus other marginally employed (neither working or looking for work in the past excluding discouraged workers) (U-5) and workers that were employed part-time for economic reasons (dictated by the employer).*

total underutilization rate (U-6), with the rates shown for the other states in the west and the nation. Although it's no respite to those currently unemployed Utahns, it does put Utah in a better light relative to the west. Michigan is still in the worst position with unemployment (12.9 percent) and high underutilization (20.9 percent).

In the perspective of either the U-3 rates or the U-6 rates, we are in a re-

cession. Hopefully, in the next few months, the economy will start to grow. That economic growth will result in job growth, but probably with a lag of many months. ●

For current information and data on underutilization rates see:

- <http://www.bls.gov/lau/stalt.htm>
- <http://www.bls.gov/ore/pdf/ec090020.pdf>

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