

New Hampshire ECONOMIC CONDITIONS

September
2018

Measuring New Hampshire's Unemployment Rate

The July preliminary unemployment rate was 2.7 percent. The unemployment rate is one of the principal measuring sticks used to gauge the health of the economy. Each month New Hampshire announces the official seasonally adjusted unemployment rate representing the share of the labor force that is unemployed and looking for work. The labor force includes all persons age 16 years and over classified as employed or unemployed (but looking for work). The importance of seasonal adjustment is that it reflects the underlying state of the economy, and allows comparison from one month

to another, regardless of the seasonal patterns. An added benefit is that all states use the same methodology and can be compared.

The low unemployment rate bodes well for the 758,470 residents who are employed, but unemployed residents numbered 20,410. Unemployed persons include those age 16 years and over who have no employment, are available for work, and make efforts to find work. Persons waiting to be recalled to a job from which they had been laid off need not look for work to be classified as unemployed. Employed

persons include those who work for pay, are self-employed, work unpaid for 15 hours or more in a family-owned

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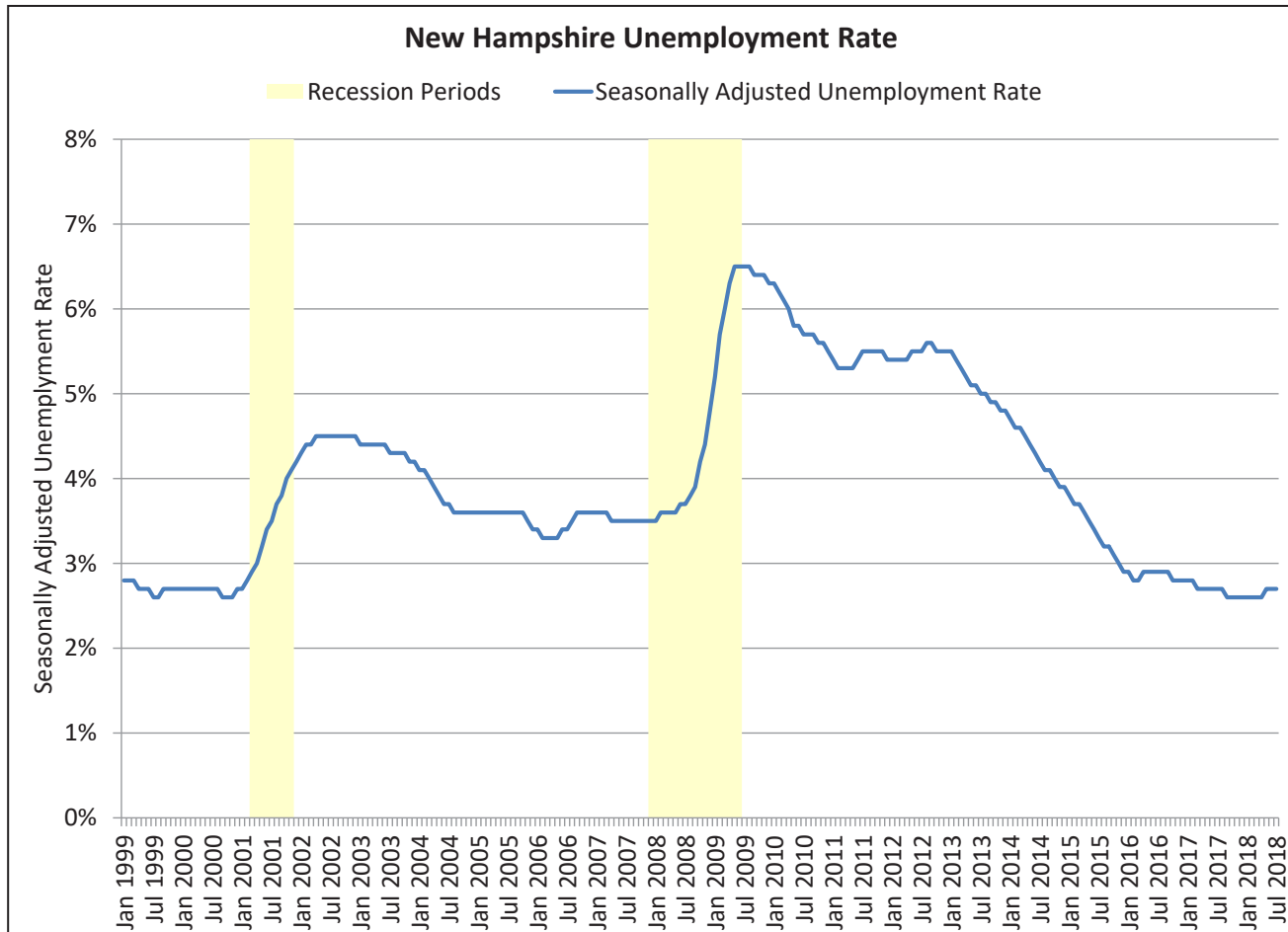
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business, or who are temporarily absent from a job due to vacation or illness.

Broad definitions, however, present some limitations. For example, a person is counted as employed no matter how many hours a week they work. Someone who works as little as one hour per week for pay is included the same way as someone who works sixty hours in a week. On the other hand, someone who has been unsuccessfully looking for a job could become so discouraged by the experience that they stop looking. If this happens, and they are no longer actively looking for a job, they would no longer be included as unemployed in the official unemployment measure.

To address these concerns, the Bureau of Labor Statistics prepares alternative ways to measure how labor resources – people – are being utilized in the United States. Five additional measures using a twelve-month average are made available by state each quarter. Each measure shows a different aspect of unemployment or underemployment. Because these are calculated using twelve-month averages, seasonality is removed and the data are not adjusted.

Alternative Measures of Labor Underutilization

(Adapted from New Hampshire Economic Conditions Extra – May 2009)

The low official unemployment rate suggests that New Hampshire's economy and labor force utilization have regained momentum since the most recent 2007-2009 recession. Using the alternative measures of labor underutilization, a more detailed comparison can be made from the beginning of the recession period to the current period. The intention of these measures is to determine any and all attachment to the work force.

U-1: Persons unemployed 15 weeks or longer, as a percent of the civilian labor force.

The same share of the labor force, 0.9 percent, was unemployed 15 weeks or longer in both 2007 and 2017. This indicates that roughly the same proportion of the labor force was experiencing long-term unemployment in 2017 as in 2007. The lower rate indicates that most unemployed people reenter employment easier and are not experiencing long periods of unemployment. The U-1 measure peaked at 3.2 percent in 2009.

U-2: Job losers and persons who completed temporary jobs, as a percent of the civilian labor force.

In 2007 the share of the labor force who lost their jobs only through layoff or other dismissal, and those who had

been working a temporary job that ended was 1.8 percent compared to 1.5 percent in 2017. This measure does not include persons who left jobs voluntarily but are still looking for a new job, nor does it include new entrants into the workforce. An elevation in this measure of job losers indicates that businesses are not confident with the economic environment, while an increase in the number of voluntary job leavers indicates an increased availability of jobs and confidence in the economy. The U-2 reached 4.5 percent in 2009.

U-3: Total unemployed (willing and able to work, and actively looking for a job), as a percent of the civilian labor force.

New Hampshire's U-3 measure was 3.6 percent in 2007 and had declined to 2.8 percent by 2017. This measure most closely resembles the traditional (official) unemployment rate. It measures total unemployment (those not working but willing and able to work, and actively seeking employment over the prior four-weeks) as a share of the total civilian labor force. The total civilian labor force includes the total of employment and unemployment.

U-4: Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers.

In 2007, 3.7 percent of New Hampshire's labor force was unemployed plus those who were discouraged. This measure declined to 2.9 percent in 2017. Discouraged workers belong to a subset of workers who are marginally attached to the labor force, (but are not in the labor force) and have given a job-market related reason for not currently looking for a job. For example, discouraged workers did not recently look for work because they believed there were no jobs for them or that there were none for which they would qualify. Measure U-4 adds discouraged workers to the civilian labor force to create a larger workforce base. The U-4 measure reached 6.8 percent in 2009.

U-5: Total unemployed, plus discouraged workers, plus all other marginally attached workers, as a percent of the civilian labor force plus all marginally attached workers.

Marginally attached workers are currently neither working nor looking for work but indicate they want and are available for a job. Marginally attached workers have also looked for work sometime in the recent past. By not looking for work in the recent past, there is no indication of an attachment to the workforce. In 2007 in New Hampshire, 4.2 percent of workers were in this measure, compared to 3.5 percent by 2017. Both marginal workers and discouraged workers are

added to the labor force to create a larger potential workforce base. The U-5 measure reached 7.6 percent at the height of the recession in 2009.

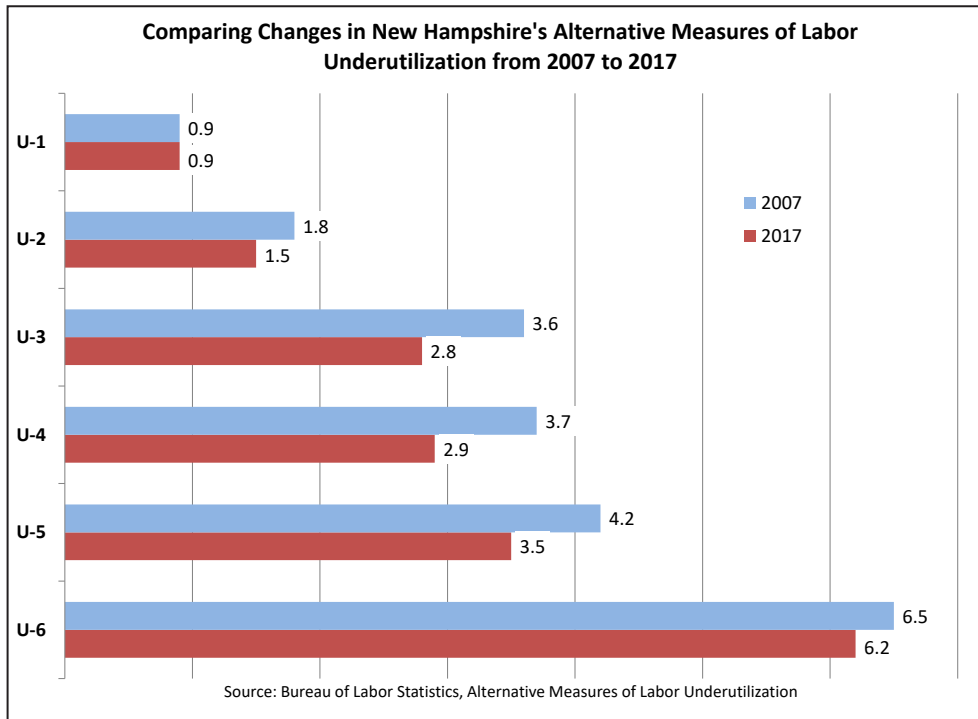
U-6: Total unemployed, plus all marginally attached workers, plus total employed part-time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers.

This measure has the most comprehensive workforce base, using the base from measure U-5 and adding the number of persons employed part-time for economic reasons to the number of persons unemployed or otherwise underutilized. Persons employed part-time for economic reasons are those who want and are available for full-time work but have had to settle for a part-time schedule. For example, an employer

may have cut hours of workers due to economic or weather related events, or part-time employment was the only employment available. There were 6.5 percent of individuals in this all-inclusive measure in 2007 compared to 6.2 percent in 2017. The U-6 measure topped out at 12.5 percent in 2009, representing approximately 91,300 residents.

The most recent pre-recession peak in the economy was in December 2007, after which the economic decline began. The various measures of labor underutilization tend to move together. By any of the measures, except U-1, the New Hampshire economy experienced lower rates of unemployment and underemployment in 2017 than in 2007.

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	Number of Residents	
	2007	2017
U-1 Measure	6,600	6,800
U-2 Measure	13,500	10,900
U-3 Measure	26,900	20,400
U-4 Measure	27,800	21,400
U-5 Measure	31,400	26,000
U-6 Measure	48,700	46,000

Source: Current Population Survey