

An In-Depth Look at New Hampshire's Alternative Measures of Labor Underutilization

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The U.S. Census Bureau's Current Population Survey (CPS) profiles people who are employed or unemployed, and those who are working part-time hours but want to work full-time. The CPS also provides information such as the number of weeks that the jobless were unemployed, reasons for unemployment, and reasons for not participating in the labor force. Based on these CPS data, six alternative measures of labor underutilization for states are regularly published by the U.S. Bureau of Labor Statistics.¹ These measures were developed to help describe the unemployment and underemployment status of workers.

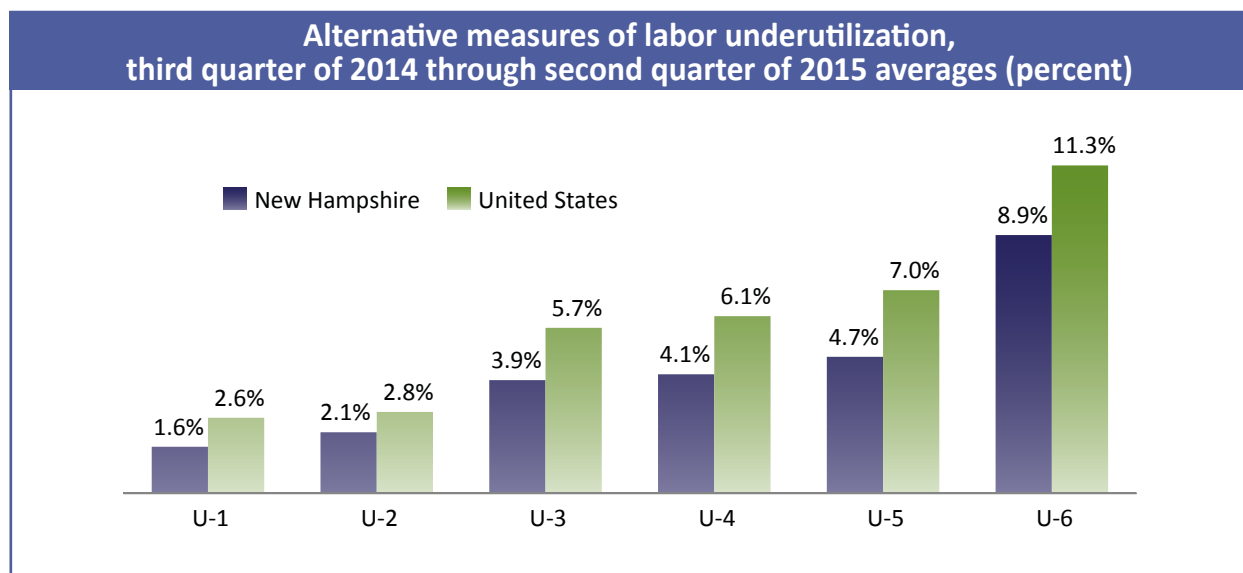
The six alternative measures of labor underutilization are released on a quarterly basis in the form of four-quarter moving averages.² These measures are designated as U-1 through U-6. The U-3 measure uses the same standard for unemployment as the official unemployment rate. Measures U-1 and U-2 are more restrictive than the U-3, while measures U-4 through U-6 are more inclusive. Recently released measures for the period July 2014 through June 2015 indicated New Hampshire averages ranging from a U-1 measure of 1.6 percent to a U-6 measure of 8.9 percent.³

Although the U.S. Bureau of Labor Statistics does not calculate these alternative measures for states based on demographic subgroups, unofficial estimates can be produced for subgroups by analyzing unpublished Current Population Survey microdata. All of the estimates below are for the twelve-month period July 2014 through June 2015. The results provide some insight on the demographic groups in New Hampshire that may be facing greater challenges with unemployment or underemployment. However, care should be taken when using both statewide estimates and

¹ The Current Population Survey is the source of information on work status of individuals 16 years of age and older. It is a household survey conducted by the U.S. Census Bureau that gathers data on labor force status and the number of hours of work, as well as many other demographic and labor force characteristics. As a household survey, the data represent residents of a specific area. This monthly household survey is conducted for a specific survey reference week, usually the week including the 12th of each month. The Current Population Survey is jointly sponsored by the Census Bureau and the Bureau of Labor Statistics.

² The measures of labor underutilization are based on twelve months of survey data to ensure statistical reliability.

³ Bureau of Labor Statistics. Accessed July 24, 2015. www.bls.gov/lau/stalt.htm.



Source: Bureau of Labor Statistics. Accessed July 24, 2015. www.bls.gov/lau/stalt.htm

these subgroup estimates, as small sample sizes are insufficient to meet statistical reliability standards.⁴

U-1: A Measure of Long Periods of Unemployment

The U-1 measure indicates the percentage of the labor force that has been unemployed for fifteen weeks or longer. The New Hampshire U-1 measure for the period July 2014 through June 2015 was 1.6 percent, or about 12,000 residents. Younger workers, those *ages 16 to 24*, were more likely to be unemployed for fifteen weeks or longer than other age groups. An estimated 2.8 percent of the younger workers' labor force was unemployed for fifteen weeks or longer, while other age groups experienced U-1 measures similar to the statewide average. The likelihood of being unemployed for long periods was also greater for those with lower levels of education. Persons with *less than a high school diploma or equivalency* experienced

a U-1 measure of 3.7 percent, which was more than twice the statewide average. Conversely, only 0.6 percent of those with a *graduate degree or greater* were unemployed for fifteen weeks or longer.

U-2: A Measure of Job Losses

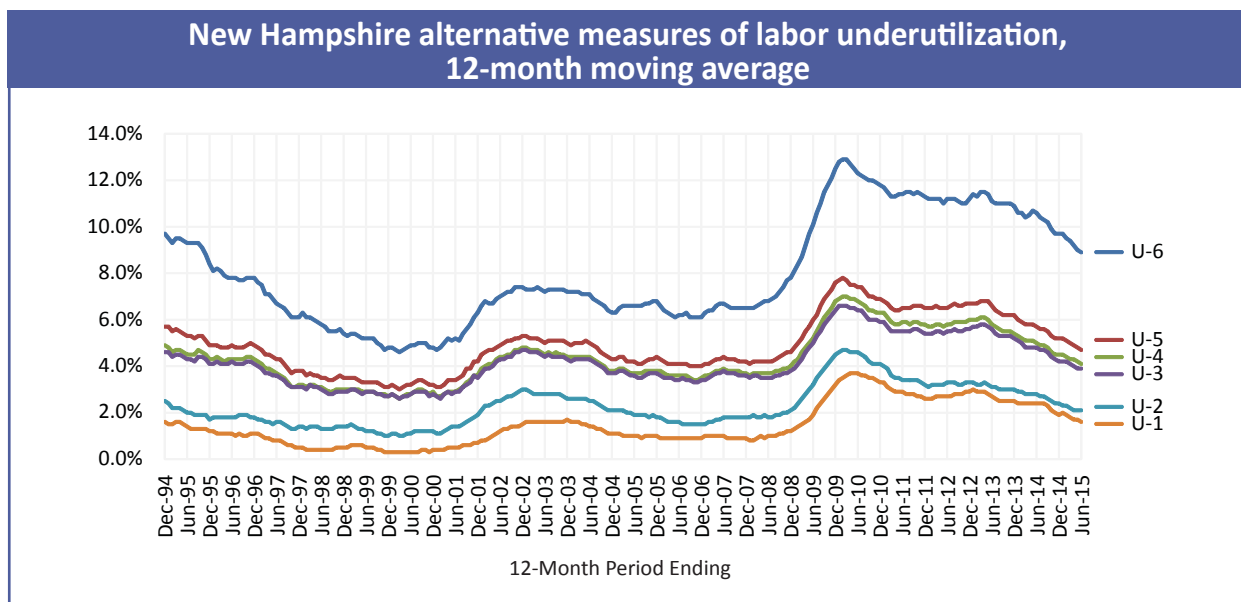
The U-2 is a measure of job losers and those who completed temporary jobs. This measure excludes persons who have quit their jobs and persons who are entering or re-entering the labor force, all of whom are included in the official unemployment rate. The U-2 measure was 2.1 percent for New Hampshire during the period. This represents an average of 15,700 persons who either lost their jobs or had their temporary jobs come to an end. The U-2 measures were relatively consistent across age groups, gender and educational attainment levels; although persons with *bachelor's degrees or graduate degrees or greater* had lower rates of 1.3 percent and 0.5 percent, respectively.

U-3: A Measure of Unemployment

The unemployment rate in New Hampshire for the period was 3.9 percent, based on the U-3 measure.⁵ This represents approximately 28,800 New Hampshire residents that met the official definition of unemployed in an average week. These persons did not have jobs, but wanted and were available for jobs, and had actively searched for work. Younger workers and those with *less than a high school diploma or equivalency* experienced rates significantly higher than the statewide average. Persons *ages 16 to 24* experienced an unemployment rate of 8.6 percent, more than twice the statewide average. Younger workers often have school responsibilities which may restrict work availability and make them less attractive to employers than more flexible workers. Persons with *less than a high school diploma or equivalency* had an unemployment

4. Bureau of Labor Statistics. Accessed July 24, 2015. www.bls.gov/lau/stalt.htm.

5. The U.S. Bureau of Labor Statistics refers to the U-3 measure as the official unemployment rate; however this is only applicable at the national level. Current Population Survey sample sizes are too small at the state level to produce reliable monthly estimates. State estimates of the official unemployment rate are model-based and incorporate CPS data as well as data from other sources to improve estimate reliability.



Source: US Census Bureau, unpublished Current Population Survey data (12-month Average).

rate of 10.0 percent. This group includes those that may have dropped out of school, those currently attending high school or working towards an equivalency diploma, and those immigrants who were not required to attend high school in their native countries.

U-4: A Measure of Unemployment and Discouragement

The U-4 measure adds discouraged workers to those who meet the official definition of unemployment. Discouraged persons are those who have either worked or looked for work during the past twelve months, but have not looked in the last month because they believe there are no jobs available to them. This belief may be because they have tried to find work but were unsuccessful; because they

feel that there are no jobs available; because they feel that they don't have the necessary skills or education; or they are too young or too old for the jobs available. There were approximately 2,100 discouraged workers in New Hampshire for the period July 2014 through June 2015, resulting in a U-4 of 4.1 percent, which is only slightly higher than the U-3 measure of 3.9 percent. Older workers, those *age 55 and over*, and workers with *less than a high school diploma or equivalency* had larger percentages of discouraged persons than other groups. While many unemployed persons may be dejected, disheartened, or depressed by an unsuccessful job search, as long as they have actively searched for work in the last month they are not considered "Discouraged."

U-5: A Measure of Unemployment and Marginal Attachment to the Labor Force

The U-5 measure is similar to the U-4, but also considers "conditionally interested" persons. Much like discouraged persons, these individuals have either worked or looked for work during the past twelve months, but they have not looked in the last month because of a temporary situation, such as illness or transportation problems, that prevented them from looking for work. These persons were not participating in the labor force, but were considered conditionally interested because they would have searched for work in the last month had it not been for their temporary condition. The U-5 in New Hampshire stood at 4.7 percent for the period, reflecting

New Hampshire Alternative Measures of Labor Underutilization by Demographic Subgroup July 2014 through June 2015 Average						
	U-1	U-2	U-3	U-4	U-5	U-6
All Residents	1.6%	2.1%	3.9%	4.1%	4.7%	8.9%
Age Groups						
Age 16 to 24	2.8%	2.6%	8.6%	8.9%	10.2%	18.4%
Age 25 to 54	1.4%	1.9%	3.1%	3.2%	3.5%	6.9%
Age 55 and over	1.5%	2.4%	3.2%	3.7%	4.5%	8.2%
Gender						
Male	1.8%	2.2%	3.8%	4.1%	4.8%	8.6%
Female	1.5%	2.0%	4.0%	4.1%	4.6%	9.1%
Educational Attainment						
Less Than High School Graduate	3.7%	2.6%	10.0%	11.0%	13.2%	19.4%
High School Graduate or Equivalency	2.1%	2.9%	4.6%	4.8%	5.3%	10.6%
Some College, but No Degree	1.9%	2.8%	4.9%	5.2%	5.8%	11.3%
Associates' Degree	1.1%	2.4%	3.4%	3.7%	4.1%	8.4%
Bachelor's Degree	1.1%	1.3%	2.2%	2.4%	2.7%	4.9%
Graduate or Professional Degree	0.6%	0.5%	1.8%	1.9%	2.5%	5.0%

Source: US Census Bureau, unpublished Current Population Survey data (12-month Average).

an additional 4,400 residents who were conditionally interested. As was the case with unemployment, conditionally interested persons were most common among younger workers and those with less than a high school diploma or equivalency. Discouraged persons and those who were conditionally interested are collectively referred to as “marginally attached to the labor force.”

U-6: A Measure of Underemployment

When people talk about the “real unemployment rate” or the “underemployment rate,” they generally mean the U-6 measure. It is the broadest measure of labor underutilization, and includes the unemployed, those marginally attached to the labor force, and those who worked part-time but wanted

full-time work. This part-time work is classified as part-time for economic reasons and is often referred to as involuntary part-time employment. Those who worked part-time for economic reasons worked less than 35 hours during the survey week due to business conditions or because they could not find a full-time job. The U-6 measure for New Hampshire was 8.9 percent for the period July 2014 through June 2015, compared to 11.3 percent for the United States. Involuntary part-time workers — the difference between the U-5 and U-6 measures — represent the largest group of additional persons in the alternative measures, and have recently numbered more than the total number of unemployed. There were approximately 31,100 New Hampshire residents working part-time but wanting full-time

employment. As was the case with many of the alternative measures of labor underutilization, involuntary part-time work was more common among younger workers and persons with lower levels of educational attainment. Those *ages 16 to 24* had a U-6 measure of 18.4 percent, while 19.4 percent of those with *less than a high school diploma or equivalency* were underemployed.

The monthly unemployment rate provides a measure of employment and unemployment that is comparable over time and across geographic areas. Yet that one figure does not acknowledge that, for many people, there is more to the story. The alternative measures of labor underutilization enhance details of employment and unemployment situations.