

New Hampshire Economic Conditions

August 2012

Alternative Measures of Labor Underutilization

In recent years, many people have asked the question: What is the “real” unemployment rate? The alternative measures of labor underutilization may not answer this question, but they do help provide more insight on how many people are not working as much as they would like to be working.

Determining how the natural resource of human labor is used involves more than a simple count of those who are currently working or those who are currently not working. To be counted as unemployed, a person without a job must be willing and available to work, and must be actively looking for work. This

leaves those not meeting all criteria out of the measurement. There are six alternative measures designed to provide more detailed data, not just for those defined as unemployed but also for those who are neither working nor counted as unemployed but may still want to work. It is this latter group that represents the underutilized pool of labor, or labor that is not being used.

The six alternative measures of labor underutilization have been available for states since 2009. These data are released on a quarterly basis in the form of a four-quarter moving average. The six measures of labor underutilization are based on results

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Alternative Measures of Labor Underutilization for New Hampshire

	Four Quarter Averages		
	2009Q3 – 2010Q2 (July 2009 – June 2010)	2010Q3 – 2011Q2 (July 2010 – June 2011)	2011Q3 – 2012Q2 (July 2011 – June 2012)
U-1: Persons unemployed 15 weeks or longer, as a percent of the civilian labor force	3.7%	2.9%	2.7%
U-2: Job losers and persons who completed temporary jobs, as a percent of the civilian labor force	4.6%	3.4%	3.3%
U-3: Total unemployed, as a percent of the civilian labor force (this is the definition used for the official unemployment rate)	6.4%	5.5%	5.5%
U-4: Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers	6.8%	5.9%	5.8%
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	7.4%	6.5%	6.5%
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	12.4%	11.4%	11.2%

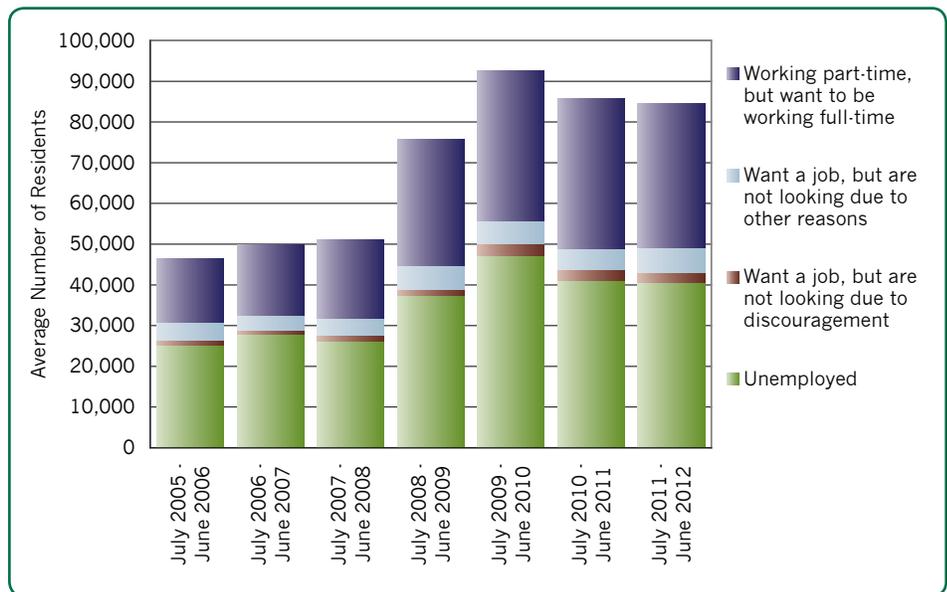
Source: Bureau of Labor Statistics. Accessed July 31, 2012. www.bls.gov/lau/stalt.htm

of the Current Population Survey and are designated as U-1 through U-6. The measure that uses the same criteria as the official unemployment rate is designated as U-3. Measures U-1 and U-2 are more restrictive than the U-3 while measures U-4 through U-6 are more inclusive.

The unemployment rate for New Hampshire, based on the U-3 measure, covering the four-quarter period ending June 2012 was 5.5 percent.¹ This represents approximately 40,500 New Hampshire residents that meet the official definition of unemployed in an average week. By comparison, over the same period, the average weekly number of New Hampshire residents submitting claims for unemployment insurance benefits in all programs was approximately 15,000.² This includes all unemployment compensation programs (regular benefits, Emergency Unemployment Compensation and Extended Benefit programs), as well as claims made in other states by New Hampshire residents. This demonstrates that the number of persons who meet the official definition of unemployment is more than just the number of persons making claims for benefits.

The U-6 is the most commonly quoted figure when discussing the “real” unemployment rate. The broadest measure of labor underutilization, it includes all those who meet the official definition of unemployed, plus those who want a job but have not looked for one in the past month, and those who are working part-time but want full-time

New Hampshire Labor Underutilization by Type



Source: Current Population Survey unpublished data, U.S. Census Bureau

work. Of course, by its very definition the U-6 is not an unemployment rate, because it includes persons who have jobs, though they are not working as many hours as they would like. The U-6 measure for New Hampshire was 11.2 percent for the four-quarter period ending June 2012. By comparison, the U-6 for the United States was 15.3 percent during the same period. Part-time workers who want to work full time — the difference between the U-5 and U-6 measures — represent the largest group of additional persons in the alternative measures, and number nearly as many as the total number of unemployed. In the four-quarter period ending June 2012, there were on average 35,300 New Hampshire residents working part-time but wanting full-time employment. This is only a slight decline from the average of 36,900 for the periods ending June 2010 and June 2011.

The U-6 measure is also frequently referred to as the “underemployment rate.” It does include part-time workers, however, it is not a true measure of underemployment. There is currently no official measure of underemployment, which would require considering each individual’s skills, training and prior work experience compared to the current job held. For example, a home construction contractor who previously flipped houses for income who now works full-time flipping burgers would not be included in any of these measures, but he would probably consider himself underemployed.

The second most commonly discussed alternative measure is the U-4. This measure adds discouraged workers to those who are included in the official measure

¹ Bureau of Labor Statistics. Accessed July 31, 2012. www.bls.gov/lau/stalt.htm.

² UI Data Summary. U.S. Department of Labor, Office of Workforce Security, Division of Fiscal and Actuarial Services. 3rd Quarter CY 2011 through 1st Quarter CY 2012; and New Hampshire UI data reporting form ETA5159 for the months April 2012 through June 2012.

of unemployment. Discouraged workers 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; or 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 2,600 discouraged workers in New Hampshire for the period ending June 2012, resulting in a U-4 of 5.8 percent, which is only slightly higher than the U-3 measure of 5.5 percent. The number of discouraged workers declined from 3,100 for the period ending June 2010, but is essentially unchanged from the 2,700 in the period ending June 2011.

The U-5 measure is the same as the U-4, but adds “conditionally interested” persons. Much like discouraged workers, 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 are not participating in the labor force,

The Numbers Reflected in the Alternative Measures of Labor Underutilization for New Hampshire

	Four Quarter Averages		
	2009Q3 – 2010Q2 (July 2009 – June 2010)	2010Q3 – 2011Q2 (July 2010 – June 2011)	2011Q3 – 2012Q2 (July 2011 – June 2012)
Residents who have been unemployed for 15 weeks or longer* These residents are reflected in the U-1 measure	27,300	21,500	19,800
Residents who are job losers and completers of temporary jobs* These residents are reflected in the U-2 measure	33,700	25,500	24,200
Unemployed New Hampshire residents based on the official (U-3) measure*	47,100	41,100	40,500
Residents who want and are available for a job, have searched for a job in the past year, but not in the past month due to discouragement* These residents are reflected in the U-4 measure	3,100	2,700	2,600
Residents who want and are available for a job, have searched for one in the past year, but not in the past month due to reasons other than discouragement* These residents are reflected in the U-5 measure	5,400	5,000	6,100
Employed New Hampshire residents working part-time for economic reasons * These residents are reflected in the U-6 measure.	36,900	36,900	35,300
Unemployment benefit claimants - New Hampshire residents (all programs) **	31,000	20,500	15,000
Regular UI Programs	21,500	14,000	11,500
Emergency Unemployment Compensation (EUC08)***	8,950	5,900	3,500
Extended Benefits (EB)****	550	600	0

* Based on Current Population Survey (CPS) raw data. The CPS is the only source of data for the various components of the Alternative Measures of Labor Underutilization. The number of residents employed or unemployed, and any rates developed using these numbers may not match those of the Local Area Unemployment Statistics (LAUS) program, which uses additional data in an econometric modeling process to estimate labor force employment and unemployment statistics.

** Based on Unemployment Insurance (UI) System data. Includes all regular UI programs, Emergency Unemployment Compensation (EUC08), and Extended Benefits (EB) programs.

*** Emergency Unemployment Compensation (EUC08) program began in New Hampshire on July 12, 2008 and is scheduled to end on January 2, 2013.

**** Extended Benefits (EB) program was effective in New Hampshire from August 3, 2009 to August 14, 2010.

but are considered “conditionally interested” because they would be interested in working if their current situation was different. The U-5 in New Hampshire stood at 6.5 percent for the period ending June 2012, reflecting an additional 6,100 residents who are not classified as unemployed, nor are they discouraged. This was an increase from the periods ending June 2010 and June 2011, but it doesn’t reflect a lack of available jobs. Those conditionally interested in working as measured in the U-5 are usually out of the labor force due to a temporary inability to search for work,

preventing them from being classified as either employed or unemployed.

The U-1 and U-2 are more restrictive and specialized measures that do not build upon one another. The U-1 indicates the percentage of the labor force that has been unemployed for fifteen weeks or longer, regardless of whether they are job losers or job leavers. The New Hampshire U-1 measure for the four-quarter period ending June 2012 was 2.7 percent or about 19,800 residents. This is a decline from the previous two years, 27,300 in the period ending June 2010 and 21,500 in the period ending

June 2011. The U-2 is a measure of job losers and those who completed temporary jobs, regardless of how long they have been unemployed. This 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 3.3 percent for New Hampshire in the period ending June 2012. This represents 24,200 job losers, which is also a decline from the periods ending June 2010 and June 2011.

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