

# Measures of Labor Underutilization

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**I**n the November 2009 issue of the *Digest* we began publishing for Connecticut, in addition to the official unemployment rate, the most comprehensive measure of labor underutilization. Referred to as the “U-6” by the U.S. Bureau of Labor Statistics (BLS) which sets the definition of the labor force, employment and unemployment and the methodologies for measuring these, it is just one of six measures of unemployment for the nation and the states. These are:

- U-1: Persons unemployed 15 weeks or longer, as a percent of the civilian labor force;
- U-2: Job losers and persons who completed temporary jobs, as a percent of the civilian labor force;
- U-3: Total unemployed, as a percent of the civilian labor force (this is the definition used for the official unemployment rate);
- U-4: Total unemployed plus discouraged workers (persons who are available for work and have looked for work in the recent past, but are not currently looking for work because they believe that there are no jobs available for them), as a percent of the civilian labor

force plus discouraged workers;

- U-5: Total unemployed, plus discouraged workers, plus all other marginally attached workers (persons who did not seek work in the past four weeks for such reasons as school or family responsibilities, ill health, and transportation problems), as a percent of the civilian labor force plus all marginally attached workers; and
- U-6: Total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons (those who would prefer to work full time but can only find part-time work), as a percent of the civilian labor force plus all marginally attached workers.

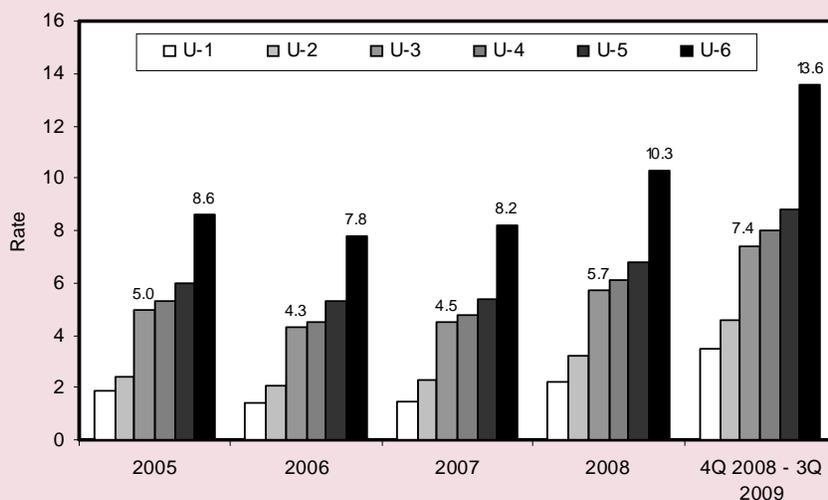
Drawn from the Current Population Survey (CPS), BLS first published the six measures of labor underutilization for the nation in 1996 and regularly releases them in their monthly report, the *Employment Situation*. BLS only recently began publishing the six measures for the states with 2005 annual averages. For the states, BLS calculates these data quarterly on a moving annual average basis. Basing estimates on a full year of

observations serves to lessen the variability that would be seen in monthly results from the survey, and also allows for change-over-time comparisons without the need to adjust for seasonal influences that occur at different times of the year.

The chart below shows all of the historical calendar year data that has been published for Connecticut. For 2009, the fourth quarter 2008-to-third quarter 2009 period was used as a proxy because fourth quarter 2009 data was not yet available. Note that the U-3 rates that are shown are derived directly from the CPS. As a result, the U-3 measures may differ from the official state unemployment rates for the latest 4-quarter period because the official rates are estimates developed from statistical models that use the CPS results as well as data from other sources.

The official measure of unemployment is the U-3. The broadest measure of labor underutilization is the U-6. The chart shows that as Connecticut moved between periods of low unemployment to high unemployment, the difference between the U-3 and U-6 rates increased from 3.5 percentage points in 2006 to 6.2 percentage points in 2009. However, the U-6 as a ratio of the U-3 for those same periods – 1.81 in 2006 and 1.84 in 2009 – indicates that the U-6 did not change substantially relative to the U-3 despite an unfavorable economic climate. In other words, as of the latest data available the number of marginally attached workers plus those employed part-time for economic reasons increased in number but did not increase as a *share* of all workers unemployed and underemployed, as one might expect. ■

Measures of Labor Underutilization in Connecticut



Rates of Labor Underutilization - CT

	2005	2006	2007	2008	4Q 2008 - 3Q 2009
U-1	1.9	1.4	1.5	2.2	3.5
U-2	2.4	2.1	2.3	3.2	4.6
U-3	5.0	4.3	4.5	5.7	7.4
U-4	5.3	4.5	4.8	6.1	8.0
U-5	6.0	5.3	5.4	6.8	8.8
U-6	8.6	7.8	8.2	10.3	13.6
U-6/U-3	1.72	1.81	1.82	1.81	1.84