

Measures of Labor Underutilization from the Current Population Survey

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Unemployment

- Key indicator of labor market performance
- Objective definition
 - ▶ not working
 - ▶ available for work
 - ▶ have actively searched for work

Occasional Criticism of the Official Unemployment Concept

- Too broadly defined
- Too narrowly defined
 - ▶ Job search requirement too stringent
 - ▶ Should capture the underemployed
 - ▶ Should be a measure of hardship
- Quality of jobs not captured

U.S. Unemployment Rate

- Data collected in Current Population Survey (CPS) – monthly survey of approximately 60,000 households
- Unemployed as a percent of the civilian labor force
- CPS methods and concepts can be found at: http://www.bls.gov/cps/cps_htgm.htm

Background on Alternative Concepts

- In 1976, under the direction of Commissioner Julius Shiskin, BLS developed a range of unemployment indicators (U-1 through U-7)
- Motivation: no single measure can satisfy all analytical or ideological interests
- Rates oriented from lowest to highest, implicitly associated with larger groups of people experiencing economic hardship

Background on Alternative Concepts

- 1994 Major redesign of the Current Population Survey (CPS) affected inputs in several of the U-1—U-7 measures

<http://www.bls.gov/opub/mlr/1993/09/contents.htm>

- Publication discontinued in late 1993
- In October 1995 BLS introduced U-1— U-6
- Regular publication of the new set of indicators began in February 1996

Alternative Definitions of Unemployment

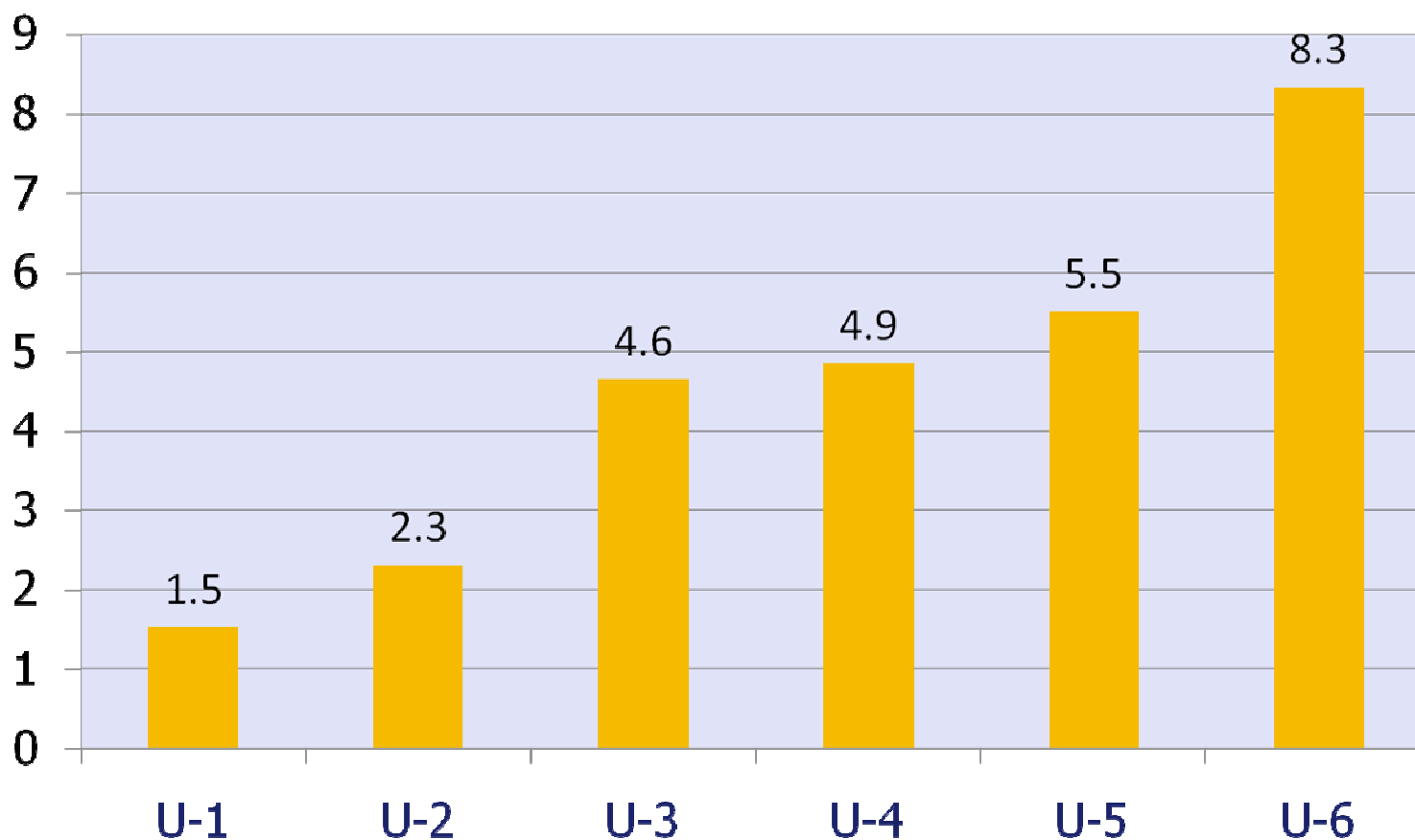
- U-1 (**most restrictive**): only persons unemployed for at least 15 weeks
- U-2: only persons unemployed as a result of job loss
- U-3 (**official measure**): persons not employed, actively seeking work, and available to work

Alternative Definitions of Unemployment

- U-4: unemployed plus discouraged workers - those who have given up the search for work because they feel no jobs are available
- U-5: unemployed plus all marginally attached workers - those who have given up the search for work for any reason
- U-6 (broadest measure): unemployed, marginally attached plus persons employed part time for economic reasons

Alternative measures of labor underutilization: U1-U6

(2007 annual average; in percent)

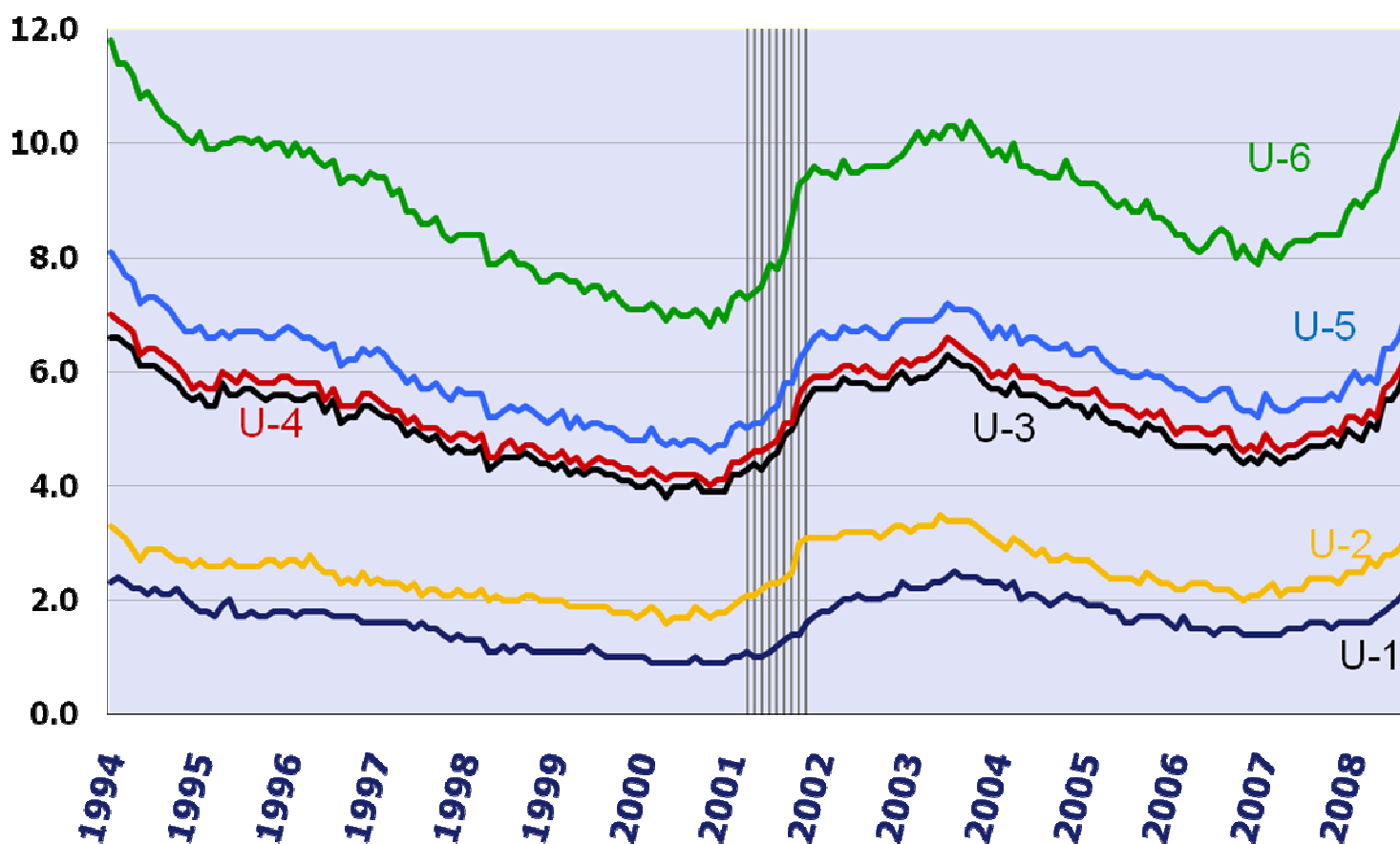


Cyclical Analysis

- U-1— U-6 have followed a nearly identical track since 1994
- In terms of cyclical analysis there appears to be little advantage to any one of the alternative measures

Alternative Measures of Labor Underutilization: U1-U6

(seasonally adjusted 1994-2008; in percent)



Source: Bureau of Labor Statistics, Current Population Survey

Note: Data are monthly, shaded area denotes recession.

International Comparisons

- BLS does not prepared international comparisons on the U-1 to U-6 basis
- Discouraged workers are not defined for most countries according to the current U.S. definition
- One exception is Japan, where a researcher was able to prepare comparable estimates of U-4 to U-6.

Conclusion

- Alternative measures of unemployment can meet different needs
- Cyclical trends among alternatives are very similar
- The official unemployment rate still is viewed by many to be the most objective, best overall cyclical indicator of labor underutilization.

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<http://www.bls.gov/news.release/empsit.t12.htm>

<http://www.bls.gov/opub/ils/pdf/opbils67.pdf>

http://www.bls.gov/cps/cps_htgm.htm

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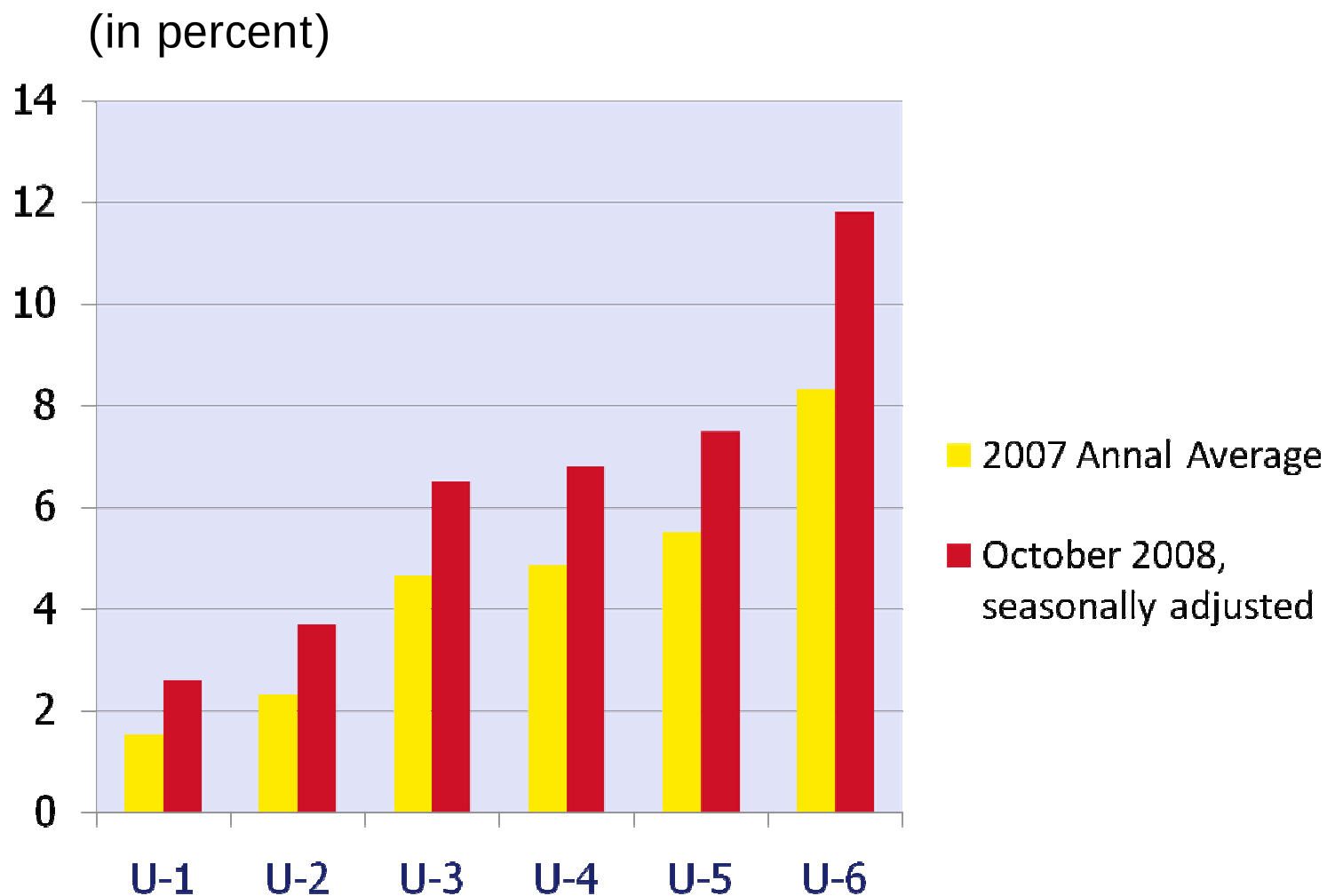


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Alternative measures of labor underutilization: U1-U6



Source: U.S. Bureau of Labor Statistics, Current Population Survey

LABOR FORCE AND UNEMPLOYMENT CONCEPT DIFFERENCES

	U.S. Current Population Survey	International Labor Office Guidelines
Labor Force	Civilians only	Total (incl. military personnel)
Unpaid Family Workers in Labor Force	Excludes those working fewer than 15 hours per week	Includes all unpaid family workers
Unemployment Status of		
Persons on layoff	All with a recall date, or who expect to be recalled within 6 months	Only those with a weak attachment to their job (and with no recall date)
Persons waiting to begin a new job	Must be searching for work	Do not have to be searching for work