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Measures of Labor Underutilization

Maine Department of Labor

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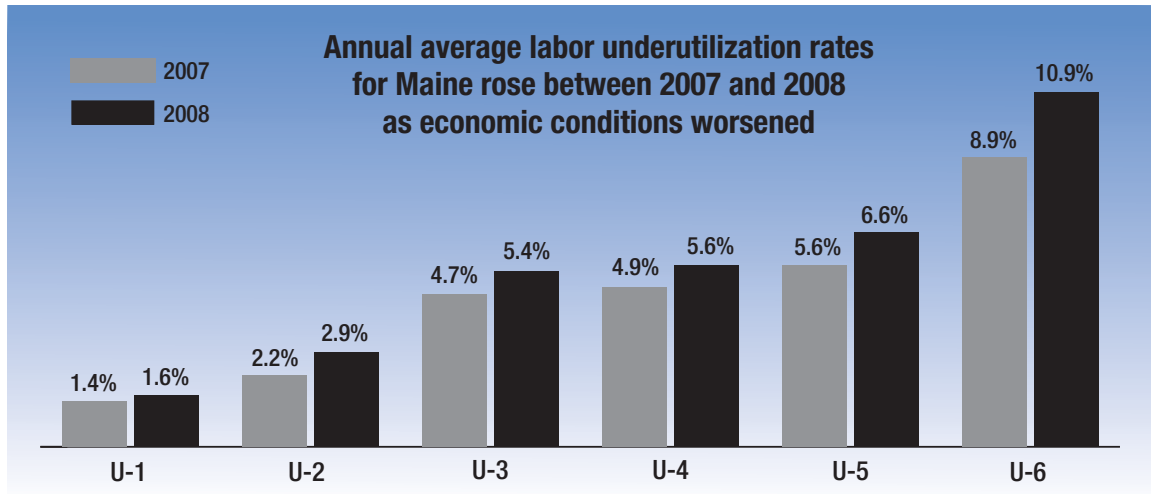
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Measures of Labor Underutilization

The unemployment rate has long been looked at as a key indicator of labor market performance. The definition of unemployed, which has remained essentially unchanged since the inception of the unemployment rate in 1940, is a person who is without work, is available for work, and has actively searched for work. While the official unemployment rate remains the primary measure of changes in labor underutilization, the Bureau of Labor Statistics (BLS) currently publishes monthly alternative measures of labor underutilization (defined in table below) for the U.S. The BLS also publishes these rates annually for the states.



Alternative measures of labor underutilization can be developed quarterly for Maine from unpublished Current Population Survey data. **The unpublished data are less precise statistically and better used as an indication of trend rather than an absolute value.**

The rapid deterioration of the Maine labor market starting in the fourth quarter of 2008 is indicated by the current degree of labor underutilization. As seen in the following table, all of the measures increased substantially in tandem with the official not-seasonally-adjusted unemployment rate. The most inclusive measure, U-6, rose from 11.6 percent for the first quarter of 2008 to 15.6 percent for the first quarter of 2009.

Measures of Labor Underutilization for Maine		First Quarter 2008	First Quarter 2009
U-1	Persons unemployed 15 weeks or longer, as a percent of the civilian labor force	1.4%	3.7%
U-2	Job losers and persons who completed temporary jobs, as a percent of the civilian labor force	3.4%	5.5%
U-3	Total unemployed persons, as a percent of the civilian labor force (the unemployment rate)	5.4%	8.8%
U-4	Total unemployed persons plus discouraged workers, as a percent of the civilian labor force plus discouraged workers	5.8%	9.2%
U-5	Total unemployed persons, plus discouraged workers, plus all other "marginally attached" workers, as a percent of the civilian labor force plus all "marginally attached" workers	7.0%	10.4%
U-6	Total unemployed persons, plus all "marginally attached" workers, plus all persons employed part time for economic reasons, as a percent of the civilian labor force plus all "marginally attached" workers	11.6%	15.6%

Note: Discouraged workers are those who want a job but have given up the search for work because they believe no job is available for them. Other marginally attached workers are those who want a job and are available for work now, and have looked for a job in the past year - but not in the past month - for a wide range of reasons that extend beyond discouragement over job prospects.

Source: U-1, U-2, U-3, U-4, U-5, U-6 derived from unpublished Current Population Survey data.