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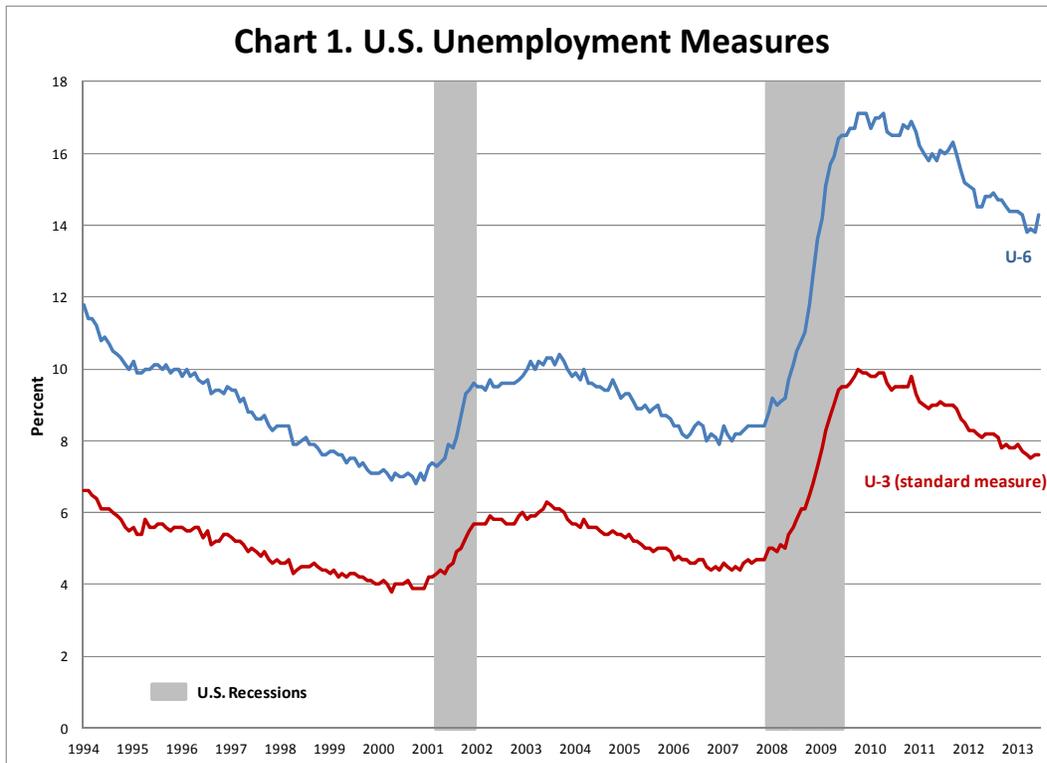
Measuring U.S. and Nevada Unemployment

Stephen P. A. Brown

Earlier this month, we learned the U.S. unemployment rate was a seasonally adjusted 7.6 percent in June. This June figure is the official unemployment rate and is sometimes known as the “U-3” rate. The U-3 unemployment rate is measured as the number of unemployed as a percent of the civilian labor force. To be considered part of the civilian labor force, one must either be working or actively seeking a job.

In contrast, the “U-6” rate, a much broader measure of U.S. unemployment, was a seasonally adjusted 14.3 percent in June. Sometimes called the “underemployment rate,” the U-6 rate includes several groups of people that the U-3 rate does not. It includes marginally attached workers—people who are no longer actively seeking work but have indicated they want a job and have looked for work during the past 12 months, and people who have given up on looking for work because they do not believe they will find jobs. It also includes people who want full-time work but are forced to accept part-time work for economic reasons. The figure is calculated as a percent of the civilian labor force plus all persons marginally attached to the labor force.

By including marginally attached workers and those who have been forced to take part-time employment, the U-6 measure provides a more complete picture of the extent to which workers have been displaced by economic conditions. The principal drawback with the U-6 measure is that marginally attached workers and people who want full-time work but are forced to accept part-time work aren’t as well measured as those who are actively seeking work. Hence, the resulting estimates can lack precision.



Sources: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis

U.S. Unemployment

As shown in Chart 1, the two measures of unemployment provide similar pictures of U.S. economic activity. Both measures began rising before the last two recessions. During the most recent recession, the standard U-3 measure increased by 5.6 percentage points to reach a high of 10.0 percent. Over the same period, the U-6 measure increased at a slightly slower rate, rising by 8.9 percentage points to reach a high of 17.1 percent.

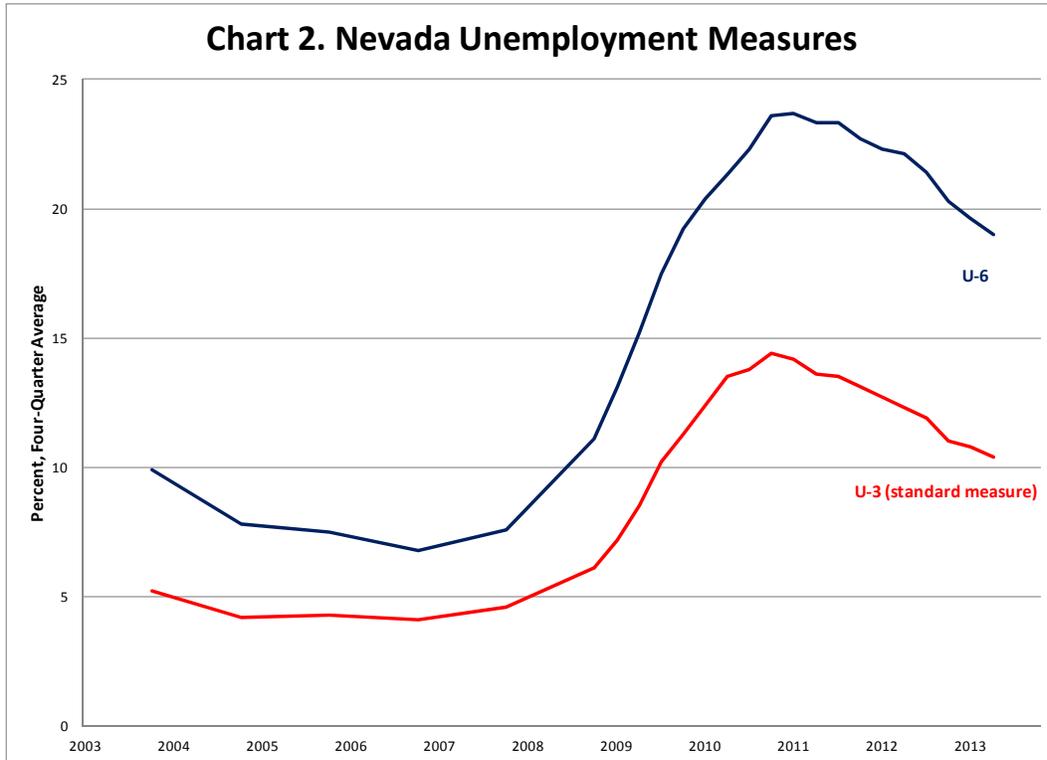
During the recovery, the U-3 measure has declined by 2.4 percentage points to a figure of 7.6 percent. The U-6 measure has declined at a slightly slower rate, falling by 2.8 percentage points to a figure of 14.3 percent.

From the prerecession low, the U-6 measure shows the current U.S. unemployment rate as having increased by a somewhat greater percentage than the standard U-3 measure shows. The different experience with the two rates indicates the current U.S. U-3 unemployment rate is being held down to some degree by an increase in the number of workers who are marginally attached to the work force or who would prefer to work full time. As the economy continues its recovery, further declines in the unemployment rate could be slowed a little as discouraged workers return to the labor force and part-time workers transition to full-time work.

Nevada Unemployment

As shown in Chart 2, the two measures of unemployment provide similar pictures of the Nevada economy. Both measures rose substantially in recent years. From a low of 4.1 in 2006, Nevada's

standard U-3 measure increased by 10.3 percentage points to reach a high of 14.4 percent.¹ From a low of 6.8 percent in 2006, Nevada's U-6 measure increased at a slightly slower rate, rising by 16.9 percentage points to reach a high of 23.7 percent.



Source: U.S. Bureau of Labor Statistics

During the recovery, the U-3 measure has declined by 4.0 percentage points to a figure of 10.4 percent.² The U-6 measure has declined at a slower rate, falling by 4.7 percentage points to a figure of 19.0 percent.

From the prerecession low, the U-6 measure shows the current Nevada unemployment rate as having increased by a somewhat greater percentage than the standard U-3 measure shows. The different experience with the two rates indicates the current Nevada U-3 unemployment rate is being held down to some extent by an increase in the number of workers who are marginally attached to the work force or who would prefer to work full time. That finding suggests the Nevada unemployment rate could prove to be slow to fall, as discouraged workers return to the labor force and part-time workers transition to full-time work.

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¹ As the result of a small sample size, the U.S. Bureau of Labor Statistics provides the state data as four-quarter moving averages.

² Monthly data show Nevada had a seasonally adjusted unemployment rate of 9.6 percent in June.