

The Working-Age Population and Unemployment

Current Population Survey shows who's working, who isn't, and why

By CAROLINE SCHULTZ

The monthly unemployment rate is a timely and important indicator of the health of Alaska's economy, but it doesn't tell the full story of who's working in Alaska, who's not, and why.

Monthly data from the Current Population Survey, which comes from the U.S. Bureau of Labor Statistics, are one of the inputs for the unemployment rate calculation, but because of the survey's small sample size, monthly CPS data can't stand on their own. We can, however, take a closer look at the status of Alaska's working-age population if we average survey responses across an entire year.

The primary purpose of the CPS is to count the number of employed and unemployed people 16 and older who aren't in the military or institutionalized. It sounds fairly straightforward – just ask people if they're working or not working, right? But the concepts are more complicated, so it can be helpful to establish some definitions.

Which populations are included

The population to examine is the **civilian, noninstitutional population aged 16 or older**, which narrows down Alaska's total population of 737,600. Alaska had about 168,300 children age 15 or younger in 2015, and they're automatically excluded because of regulations that limit their hours and type of work. About 29,000 adults were also excluded. Most were active duty mili-

tary, and the rest were in institutions that prevented them from being able to work, such as prison, long-term care hospitals, or nursing homes.

The remaining 540,300 Alaskans made up the civilian, noninstitutional population, which is the baseline for calculating the employment-to-population ratio and the labor force participation rate.

People in this target population are either **in the labor force** or **not in the labor force**. The labor force is the sum of people who are either **employed** or **unemployed**, which is where things begin to get tricky.

Unemployed vs. employed

The CPS has strict criteria for being defined as unemployed. The first requirement is that a person does not have a job but is available to work and has actively looked for a job in the prior four weeks. Actively looking for work can include, for example, interviewing for a job, contacting an employment agency, submitting resumes or filling out applications, and checking union registers. Passive job searches, such as attending job training or reading the job listings in the newspaper, don't qualify because they don't connect a job seeker with an employer.

Being employed is easier to determine. Anyone qualifies who worked for pay or profit during the survey reference week, whether full time, part time, or temporarily. Some people who did not work during the reference week are also considered employed, such as people who are on vacation, ill, temporarily lacking child care, on parental leave, taking care of other fam-

The six unemployment rates

U-1 (narrowest measure): Those unemployed 15 weeks or longer, as a percentage of the civilian labor force

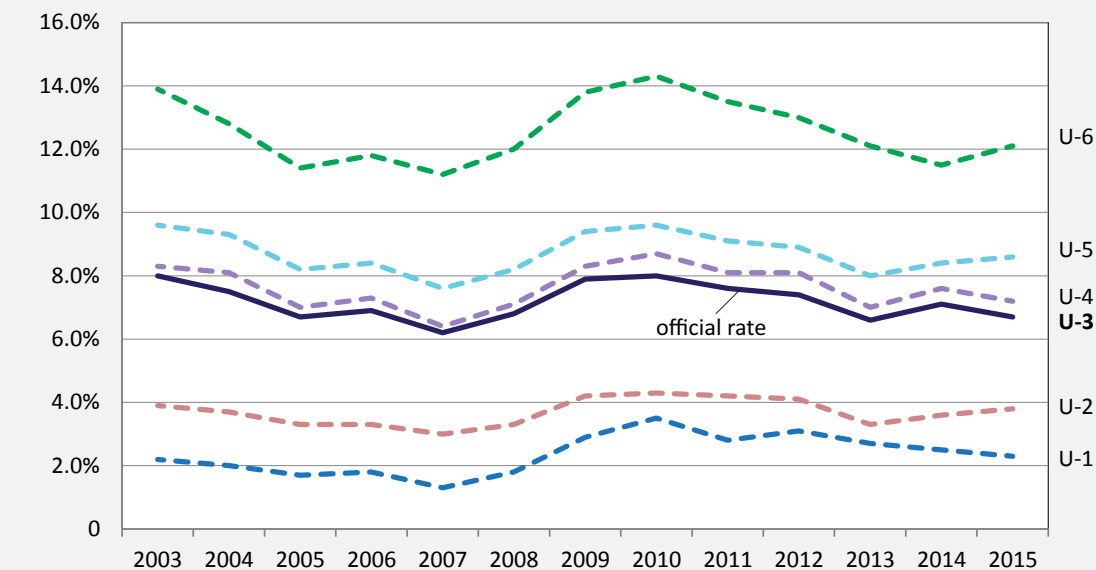
U-2: Only job losers and people who completed temporary jobs or were temporarily laid off, as a percentage of the civilian labor force

U-3 (definition used for reported unemployment rate): Total unemployed, as a percentage of the civilian labor force

U-4: Total unemployed plus discouraged workers, as a percentage of the civilian labor force plus discouraged workers

U-5: Total unemployed plus discouraged workers and all other marginally attached workers, as a percentage of the civilian labor force plus all marginally attached workers

U-6 (broadest measure): Total unemployed plus all marginally attached workers, plus total employed part time for economic reasons, as a percentage of the civilian labor force plus all marginally attached workers



Source: U.S. Bureau of Labor Statistics

ily or personal obligations, involved in a labor dispute, or prevented from working by the weather. Those who worked more than 15 hours a week for no pay but for a family business were also counted as employed.

In vs. out of the labor force

In 2015, 361,900 people were in the labor force, which was composed of 24,400 unemployed and 337,500 employed. That's enough information to calculate the publicized unemployment rate: the number of unemployed people divided by the number in the labor force, which came out to 6.7 percent for 2015.

We can also calculate the employment-to-population ratio and the labor force participation rate, which is the number employed and the total labor force divided by the civilian noninstitutional population, respectively. The employment-to-population ratio was 62.5 percent in 2015, and the labor force participation rate was 70 percent. These rates don't necessarily mean much on their own, but when tracked over time, they can reveal important labor market trends.

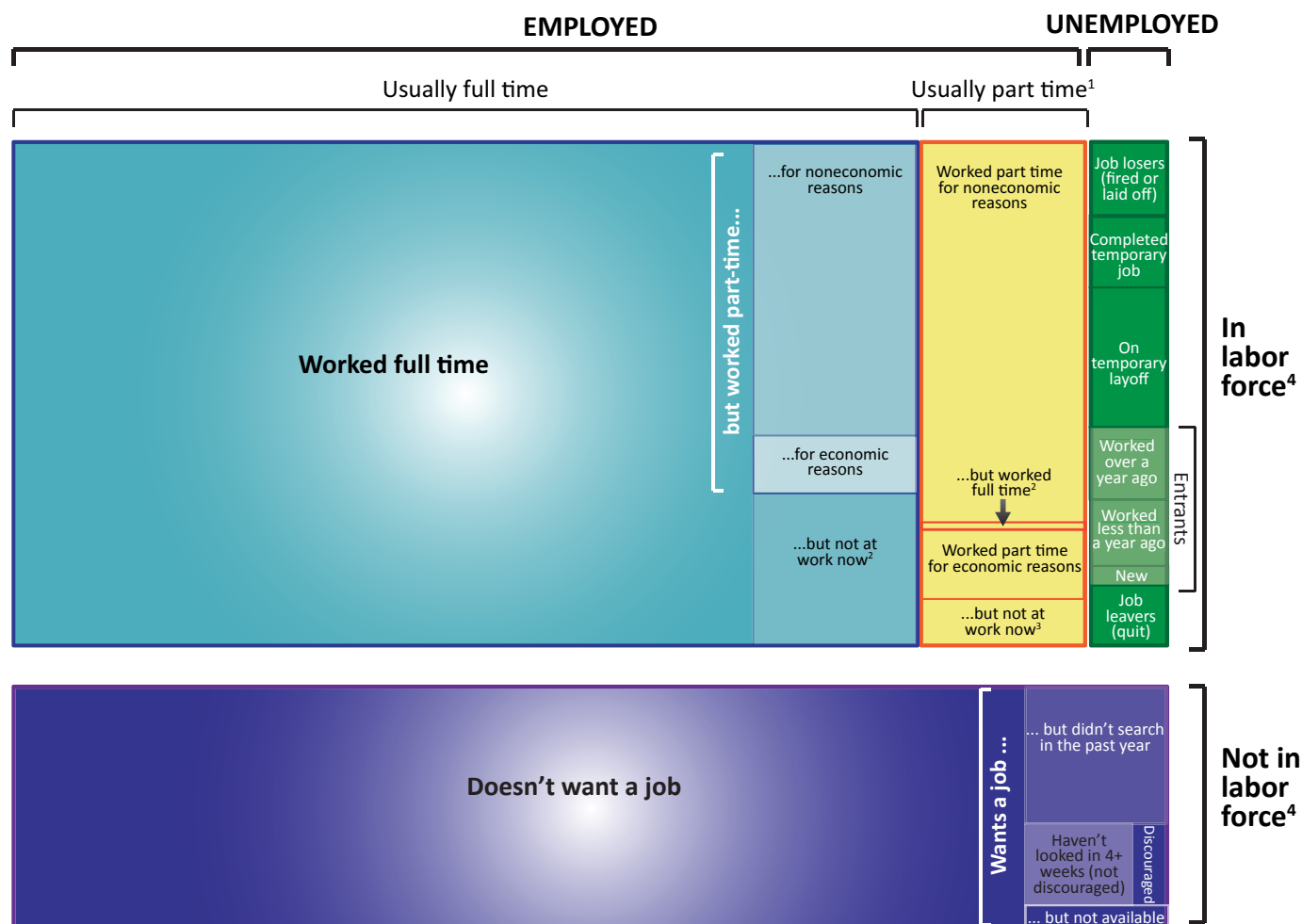
The remainder who aren't working or officially unemployed are not in the labor force, so they don't factor into the publicized unemployment rate. Many are retired or are students. Others stay out of the labor force because of family responsibilities. Whatever the reason, 88 percent of the 178,300 adult, civilian, noninstitutionalized Alaskans who are outside the labor force did not want to work.

The remaining 12 percent of adults not in the labor force wanted a job, but weren't available to work or hadn't searched for work recently enough to qualify as unemployed. Fifty-seven percent of those who wanted to work hadn't actively searched for work in the past year. Forty-three percent had looked for a job in the past year, but not in the most recent four weeks, which would have put them in the unemployed category.

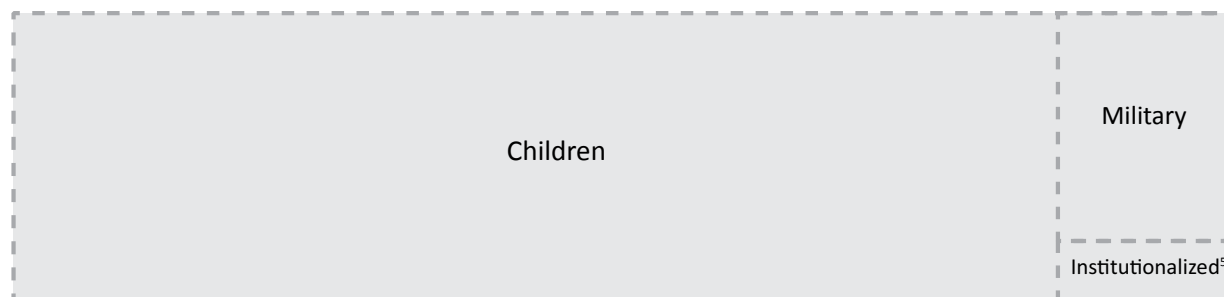
Of the 9,500 who had looked in the past year, 7,300 were available to work and 2,200 were not available to work. Those who were not available to work may have had a family care commitment or a health problem that would have prevented them from starting a job

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Civilian, noninstitutional population



Not in civilian noninstitutional population



Sources: U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey; and Alaska Department of Labor and Workforce Development, Research and Analysis Section

¹ 1 to 34 hours per week

² These typically work full-time but were temporarily required to work more hours than they wanted.

³ At the time of the survey, the person was employed but was on leave or otherwise absent from work.

⁴ "In the labor force" means the person is either working or actively seeking and available for work. For example, in addition to those not looking for work, those out of the labor force include retirees, full-time students, stay-at-home parents, volunteers, and those on disability.

⁵ The institutionalized population is mainly prisoners but includes nursing homes and other inpatient care facilities.

 Represents 3,500 people

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immediately, even if they did want to be working.

‘Marginally attached’ to labor force

The 7,300 people who were available to work immediately but hadn’t searched for a job recently enough to qualify as unemployed are considered **marginally attached to the labor force**. A subset of the marginally attached are **discouraged workers** (although these people aren’t actually working). Discouraged workers are interested in finding a job, but they aren’t looking because they either believe no job is available in their area or line of work, they lack the necessary training or education, or they face discrimination, including age discrimination. In 2015, 1,800 Alaskans were considered discouraged.

A larger subset of the marginally attached had not recently searched for work because of reasons other than discouragement, such as family responsibilities, school, or health issues.

Marginally attached and discouraged workers are included in broader measures of labor underutilization, but not in the standard “official” unemployment rate that’s reported each month, which is the number unemployed as a percentage of the labor force and is known as the U-3. However, the U-3 is just one of six different measures of unemployment and labor underutilization.

The five lesser-known rates

The U-4 is a broader definition of labor underutilization that incorporates discouraged workers, and the U-5 includes all marginally attached workers. In 2015, the U-4 was 7.2 percent and the U-5 was 8.6 percent.

To calculate the broadest measure, the U-6, as well as the narrower U-1 and U-2, we have to dig deeper into the employed and unemployed categories.

Reasons for working part time

To calculate the broadest measure of labor underutilization, the U-6, the CPS tries to determine how many people are **working part time for economic reasons**. The U-6 incorporates not just the unemployed and all marginally attached workers, but also those who are working but putting in fewer hours than they’d like to work, for economic reasons. In that sense, the broad-

How the official unemployment rate was developed

Despite its prevalence, the modern definition of unemployment is a relatively new economic concept. During the Great Depression, there was no official standard for unemployment, but the federal government hired an abundance of out-of-work statisticians to work for New Deal programs. The Works Progress Administration and the U.S. Census Bureau developed the modern concept of unemployed to mean both “willing and able to work” and “actively seeking work.”

The inclusion of the requirement that an unemployed person be seeking work was controversial because it was without basis in traditional economic theory, but it allowed statisticians to easily distinguish between different kinds of nonworkers. It also allowed for the definition of the “civilian labor force” to be determined by a person’s actions – either working or seeking work.

During the late 1930s and early 1940s, the Census Bureau and the WPA developed and refined the survey methods for estimating the size of the labor force, aided by concurrent developments in the field of statistics. With the dissolution of the WPA, the Census Bureau took over the survey, now known as the Current Population Survey, or CPS.

In 1959, the Bureau of Labor Statistics assumed responsibility for content, analysis, and reporting of the CPS, although the Census Bureau still conducts the survey. Since the development of the CPS, there have been numerous reviews of the concept and definition of unemployment, but those studies only resulted in minor refinements to the official measure.

est rate seeks to quantify not just those who are out of work, but those under financial hardship due to underemployment.

For the U-6, workers are first grouped by whether they usually work full or part time. In 2015, 84 percent usually worked full time, and 16 percent usually worked part time. Small portions of both groups were counted as employed but were temporarily absent from their regular jobs because of illness, vacation, bad weather, a labor dispute, or other reasons. There were 20,700 employed Alaskans not at work during any given period, which was 6 percent of usually-full-time workers and 9 percent of usually-part-time workers.

Of the workers who usually worked full time, 35,600 were working part time instead. Most worked fewer hours for noneconomic reasons, which can include school or training, child care problems, or other personal obligations. Another 5,900 of this group worked

part time for economic reasons, which can include slack business conditions or the inability to find full-time work.

The group who usually worked part time included 53,500 people, and 76 percent of them were working part time for noneconomic reasons. Those who were working part time for economic reasons, 7,100 workers, were added to the typically-full-time workers who were working part time for economic reasons to calculate the U-6 rate, which was 12.1 percent in 2015.

Narrower unemployment measures

The U-1 and U-2 include even fewer people than the standard U-3 rate. The U-1 covers only those who have been unemployed for 15 weeks or longer as a percentage of the labor force, which was 2.3 percent in 2015.

The U-2 measures just the percentage of the labor force who are **job losers**, which includes those who were fired or laid off permanently, people who completed temporary jobs, or those on temporary layoff. (Of course, all of these people must be available and actively seeking work, or they'd be outside the labor force.) Job losers made up 56 percent of the unemployed. In 2015, the U-2 rate was 3.8 percent.

The U-2 doesn't include **job leavers**, or people who quit voluntarily — they are included in the U-3. Job leavers made up 13 percent of the unemployed in 2015.

Job leavers and job losers both entered the unemployed designation by first being employed; they can be thought of as moving from the employed box to the unemployed box.

The U-2 also excludes **entrants**, or those who entered the unemployed category from outside the labor force. Just under a third of the unemployed are entrants.

There were 800 *new* entrants, or people who had never worked before, in 2014 and 6,800 re-entrants: people who had worked before but left the labor force because they hadn't been available or looking for a job. About half of re-entrants had worked in the previous year, and the other half last worked more than one year before.

Entrants are of interest because growth in their numbers can cause the unemployment rate to climb, which also might mean that people are entering the labor force because they believe economic conditions have improved.

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