It would be safe to say that no single economic statistic is misunderstood or misused more than the measure of the numbers of persons who are "unemployed". Because this measure has been adopted as one of the most vital indicators of general economic health in the State and the nation, it is essential that it be used correctly for this purpose. In order to accomplish this goal, a detailed but brief explanation is necessary of the difficulties of measuring unemployment and common pitfalls to avoid when seeing or using the statistics. Although this discussion will primarily pertain to unemployment measures in Alaska, most of the problems discussed will pertain to unemployment anywhere.

To enter a discussion of "unemployment", the term itself must be accurately defined. This would seem to be simple, but is actually extremely complicated, for the definition of an "unemployed person" is one of the thorniest problems associated with measuring it. Suffice it to say that there is widespread disagreement among experts as to **who** should be considered unemployed. Certainly those persons who quit or are laid off from steady jobs can be termed unemployed, as can people out of work because of a labor dispute, but what about a fisherman who fishes six months of the year and does no work in the other six because of season closure, etc. If this is the fisherman's usual pattern of activity, and if he does not seek other work in those six months, is he actually unemployed?In the strict sense, yes, because he is not working, but in a practical sense, no, because he is usually not actively seeking work. Or what about a housewife who takes a part-time job during the Christmas season to help pay the family bills?Should she be considered unemployed when she quits that job, even though she is not interested in working any more?It should be readily apparent that there is no definition of unemployment that will satisfy everyone or include just those people who are actually seeking work and would otherwise be working.

Apart from the problems of accurately defining unemployment, there are several kinds of unemployment measured, each different from the other, which are used interchangeably by the layman. The measure of **insured unemployment** is used quite frequently by State and federal agencies, and many of their publications and news releases concentrate on this measure of unemployment. By definition, it is the number of persons out of work who are actually filing continued claims for unemployment benefits. It **does not** include persons who are unemployed but failed to qualify for unemployment benefits, (for a myriad of reasons) and hence is a rather conservative measure of unemployment. It is however, one of the most accurate measures, because the numbers of unemployed can be tabulated from manpower centers or claims data. On the other side of the fence is the more liberal measure of **total unemployment**, which theoretically includes not only those persons receiving unemployment benefits, but also, among others, those who failed to qualify or did not file for these benefits, but are nevertheless out of work. The measure of **total unemployment** should give a more accurate picture of unemployment in a given economy, but because it cannot be measured strictly and must be estimated in part, it is subject to more errors than the previously described method, and for this reason is less thought of by some experts.

Further clouding the issue is the measure of **seasonally adjusted unemployment**, which as the label indicates, is "seasonally adjusted" by statistical procedure to eliminate drastic trends in the numbers or rate of unemployment caused by seasonal factors, such as winter shut downs of logging operations, or the summer influx of youth into the labor market. Unemployment statistics are seasonally adjusted to give a more stable picture of unemployment or to show less of the seasonal, and more of the economic influences on an economy, and are used by most states and by the federal government. Seasonal adjustment tends to understate unemployment when seasonal factors would cause it to go up, and overstates unemployment when seasonal factors send unemployment down. Seasonal adjustment tries to even out the highs and lows in order to present a more accurate year-round picture of unemployment. Almost all of the unemployment statistics published by the federal government about the nation's economy and by the various states are **seasonally adjusted** figures. The unemployment figures published by the State of Alaska are **not** seasonally adjusted however, adding to the difficulty of

comparing our unemployment with the nation's, or another state's. The measure of unemployment is supposed to be a critical indicator of the general trend of the economy, and to seasonally adjust unemployment for Alaska would eliminate the traditional seasonal swings of that measure, which is desirable in a more or less-year-round economy, but not where economic activity is reduced so drastically in the off-season. It is essential to the understanding of the economy in Alaska to be able to measure the high and low seasons and to compare them to past seasons. Therefore, unemployment figures commonly used in Alaska are not seasonally adjusted.

The next step in this discussion is to see how these different measures of unemployment compare with each other. To do this the table below is presented showing the various measures of unemployment discussed above calculated for Alaska during the months of January, and July, 1972.

ALASKA UNEMPLOYMENT

Measure	January		July	
	Number	Rate	Number	Rate
Total Unemployment	12,700	11.2%	10,600	7.6%
Seasonally adjusted	11,400	9.2%	11,870	9.5%
Insured Unemployment	7,365	13.0%	3,578	6.1%
Seasonally adjusted	4,718	8.3%	6,614	11.2%

Thus we can come up with four different estimates of the numbers of unemployed and four different rates of unemployment, each of which is perfectly valid in its own right. Each is also useful for indicating certain conditions about the economy. But because of the vast differences in the estimates for a given month, unemployment figures must be defined carefully when used. Careless misuse of statistics could reveal that the unemployment rate for January is only 8.3 percent (insured unemployment rate, seasonally adjusted) while in July it is 9.5 percent (total unemployment, seasonally adjusted) which would indicate more unemployment in July than January, exactly opposite of the actual situation. In short, the various unemployment rates are not comparable to one another. Presented with the availability of four different sets of unemployment figures the question arises as to which has the most meaning and validity? The answer is that each measure is most valuable for a different purpose, but beyond that several generalizations can be made. Nationwide, seasonally adjusted figures are preferred over unadjusted, and are almost universally used. The advantages of the adjusted series have been outlined earlier, but from a layman's point of view, it actually offers little advantage over the unadjusted figures. Some (experts even have difficulty justifying their preference for seasonally adjusted data). When comparing unemployment rates for a given economy, adjusted or unadjusted figures are well suited for noting over-time changes.

While there is little to choose between adjusted or unadjusted data, there are important differences in the suitability of **insured** versus **total** unemployment figures. It can be reasonably argued that insured unemployment is the most useful indicator of economic health because it measures people actually displaced from their jobs, but there are also valid arguments that it is slower to indicate changes in the economy. Total employment estimates are more than (although they include it) a count of persons actually receiving benefits. For this reason, it might be argued that the total unemployment measure is a more accurate account of persons actually looking for work, however from an economic viewpoint, many people looking for work (students out of school, part time workers, etc.) were not displaced from jobs because of any existing conditions, and hence total unemployment may not be the best indicator of economic health.

Which then, is the best unemployment rate to use? Actually both the insured and total unemployment rates are useful as economic indicators if they are used as comparisons to the **same historical rates.** Because there is little to choose from between the insured and total unemployment figures, the Alaska Department of Labor uses the total figure most often, and leaves it unadjusted to give a true picture of the

seasonal variations in the economy. Because it is unadjusted, the commonly quoted rate of unemployment in Alaska **is not comparable** with the national average of most other state's unemployment, because they are generally seasonally adjusted. The seasonally adjusted rate is calculated however, and is found in the **Economic Indicators** table within this publication. This table also includes the insured unemployment count for those who wish to compare this figure with the total unemployment estimates used elsewhere in this publication. When comparing unemployment in Alaska with other figures, the users should be certain that they are comparing the same measures for there are no less than five different sets of unemployment measures computed for any state by various state and federal agencies.

CALCULATING TOTAL UNEMPLOYMENT IN ALASKA

As a second part of the discussion of unemployment in Alaska, a review of the method of calculating the rate of **total unemployment** would be useful, because understanding the method will give the reader a better picture of why the unemployment rate behaves as it does. There are undoubtedly a number of people who believe these data are arrived at semi-mysteriously, or most certainly inaccurately, as if pulled out of a hat each month, but there is a bit more to estimating total unemployment than that. Although it is estimated according to longstanding and well accepted methodology, total unemployment is well grounded in empirical data, the most important of which is the actual count of insured unemployed. To this figure is added an actual count of former federal government employees unemployed (plus an estimate of those unemployed but not receiving benefits), estimates of State and local government unemployed (based on reported employment) and estimates of persons who have not claimed unemployment benefits, were disqualified for these benefits or had exhausted their quota of benefits, but are still out of work. Also added are estimates of the number of youths entering the job market unable to find work immediately, (based on youth population ratios provided by the Bureau of the Census) self employed persons out of work and other people in industries not covered by unemployment insurance. Thus a "total" number of unemployed is arrived at. Generally about 65% of the "total" number are actual counts, with the remaining 35% first generation estimates from tabulated data. The total number of unemployed is divided by an estimate of the total civilian work force, (total employment plus total unemployment) which is again heavily grounded in empirical data. The result of this division is the "rate" of total unemployment, expressed as a percentage. Approximately six months after the original estimates are made, counts of average employment in the State are available, and the rate of unemployment is calculated again using this empirical data. This method of calculating unemployment was developed by the U. S. Department of Labor for use in every state, and is a highly sophisticated and reliable method. Short of a direct sample of all unemployed persons, it is one of the most reliable methods of determining unemployment estimates. Users of the data should feel confident that the figures produced by this method are the best available, but as they are estimates, they are always to be treated as approximations, although very close ones as shown from previous experience.

The Department of Labor encourages more understanding of the unemployment statistics it calculates and urges all who desire further information about the process to feel free to ask for it.

ALASKA'S ECONOMY IN AUGUST

Total Employment — Unemployment: The estimated numbers of persons employed during August declined typically as approximately 4,800 fewer persons were employed than in July. Decreases in activity in the construction and seafood processing industry were central to the drop, although losses were widely scattered throughout industries. The economy has expanded employment by about 4,800 positions during the past 12 months, a 4.1 percent increase in employment. This increase is due primarily to population growth which has prompted expansion of supportive industries, and government sponsored employment programs which have increased government payrolls considerably. Unemployment estimates fell slightly during August reflecting the traditional seasonal departure from the work force of students returning to school and out-of-state job seekers leaving the State. The decrease in unemployment in August was however, much less than expected, and as a result this months estimates indicate approximately 1,100 more persons out of work than last year at this time. The rate of