

Alternative Measures of Labor Underutilization For Rhode Island

The unemployment rate; which refers to the percentage of individuals in the labor force without a job, who are available for and actively seeking work; is the primary measurement of changes in labor underutilization. Unemployment rates are derived each month from the Current Population Survey (CPS). There are six alternative measures available through the CPS which provide narrower as well as broader definitions of labor underutilization. These alternative measures, which are referred to as U-1 through U-6, are available on a quarterly basis and are based on the most recent four quarters of CPS data.

These state unemployment averages which are derived solely from the CPS data are not strictly comparable to the official state average unemployment rates, which also incorporate establishment employment estimates, unemployment insurance claims data and historic trends. However, these alternative measures can provide insight into the volume of states' discouraged populations and those working part-time for economic reasons.

- The U-3 rate is the rate closest to the standard definition of unemployment - individuals in the labor force without a job, who are available for and actively seeking work - **Rhode Island's annual average unemployment rate for 2018 obtained directly from the CPS survey* was 4.1 percent.**
- **Expanding this definition to include “discouraged workers” (U-4), individuals who want a job, but have given up looking for work because they believe there is no work available for them, would yield an unemployment rate of 4.2 percent**, or one-tenth a percentage point higher (+0.1) than the standard definition. Prior to the recession, inclusion of this group would have yielded an unemployment rate two-tenths higher than the standard definition.
- The inclusion of discouraged workers and those that are “marginally attached” (U-5), individuals who want a job, are currently available for work, but have not looked in the past twelve months for a variety of reasons other than discouragement, yields an unemployment rate of 4.8 percent or seven-tenths of a percentage point higher than the standard definition. Prior to the recession, marginally attached workers represented eight-tenths of a percentage point (0.8) of the labor force.
- **The broadest measure of unemployment (U-6), which includes discouraged workers, marginally attached workers and those working part-time for economic reasons**, yields an unemployment rate of 7.4 percent, 3.3 percentage points higher than the rate calculated using the official definition, with most of the increase (+2.6 percentage points) associated with the involuntary part-time worker. Prior to the recession involuntary part-time workers represented 2.7 percent of the labor force.

*Rhode Island's official state average unemployment rate for this period was 4.1 percent.