

Labor Supply and Demand in Virginia: A Dynamic Approach to Understanding the Labor Force First Quarter 2018

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***Note:** Unless otherwise noticed, all figures and tables are produced from data provided by the Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics program. Data on the Alternative Measures of Labor Underutilization can be obtained at the following website: <https://www.bls.gov/lau/stalt.htm>. Previous versions of this report can be found under the title “Alternative Measures of Labor Underutilization.”

Current Supply and Demand in Virginia

The most recent four quarter average for the alternative measures of labor underutilization ends with the first quarter of 2018. As evidenced in **Table 1**, every measure decreased from the previous average. While U-1 and U-3 had modest decreases of 0.1 percentage point, the decline in other measures was slightly more substantial with U-6 dropping by 0.3 percentage point. Looking at over-the-year changes, all measures are again markedly down with U-6 again having the greatest transformation with a 1.0 percentage point decline from the same point last year.

As U-6 represents the broadest definition of labor underutilization, its continued strong decline is a powerful indicator that the demand for workers is working towards parity with the excess supply left over from the last recession. Remember that U-6 contains not only traditionally unemployed, but those who are not working full-time, but desire and have the ability to. With all measures declining, it is safe to say that the number of job losers, long-term unemployed, and traditionally unemployed are decreasing. One concern is that these individuals are returning to work but at fewer hours than before. However, the large declines in U-6 suggest that this group is, in all likelihood, finding full-time employment once again.

Nationally, Virginia has once again out-performed the country with every measure below the current national average. It is one of 25 states (including Washington DC) to have all measures at or below the national average; one of nine states east of the Mississippi¹; one of four states in the southeast region of the United States²; and has only one neighboring state³ (Tennessee) that meets this designation. As suggested by the traditional unemployment rate, Virginia regionally has one of the best labor utilizing economies, which is impressive for a state so heavily reliant on government funding, particularly in a time when funding remains an uncertain and politically volatile topic.

¹ There are 26 states east of the Mississippi River.

² The 12 states used for comparison are in the Southeast region as designated by the Bureau of Economic Analysis; Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia.

³ Four states and the District of Columbia neighbor Virginia.

Finally, underemployment and job-seeker discouragement have fallen slightly both over-the-quarter and over-the-year. Job seeker discouragement is generally very slow moving, and the current decline of 0.1 percentage point is the first movement in over a year. The current rate of 0.2 is slightly below the national average of 0.3. Underemployment is also down 0.1 percentage point from last quarter, and 0.3 percentage point from this point last year. The current data marks a two year downward trend for underemployment, the longest trend since the last recession. Virginia's decline brings it down to the national average which is unchanged from the previous quarter.

Appendix

Table 1: Alternative Measures of Labor Underutilization

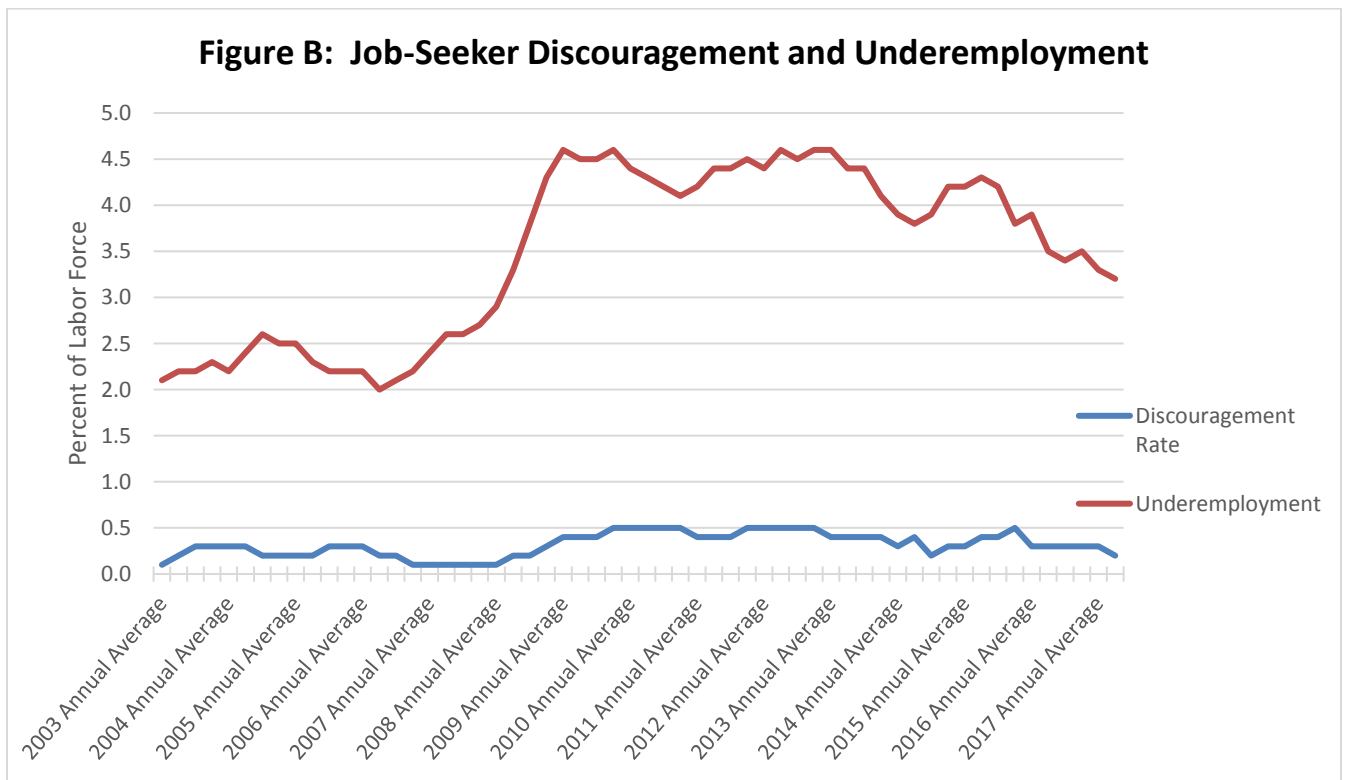
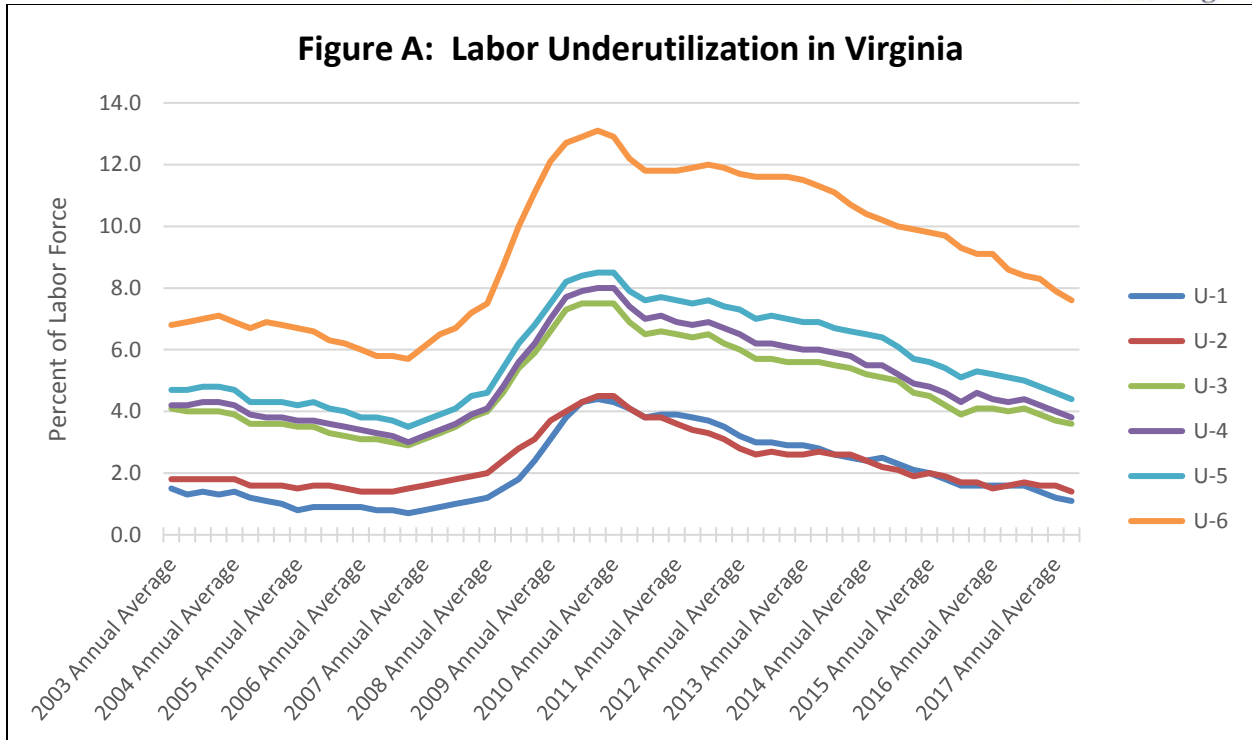
Measurement	Virginia's current 4 quarter average (2017: II – 2018: I)	Virginia's previous 4 quarter average (2017 Average)	National Data (2017: II – 2018: I)	Virginia's 4 quarter average from previous year (2016:II – 2017: I)
U-1	1.1	1.2	1.6	1.6
U-2	1.4	1.6	2.1	1.6
U-3*	3.6	3.7	4.2	4.0
U-4	3.8	4.0	4.5	4.3
U-5	4.4	4.6	5.1	5.1
U-6	7.6	7.9	8.3	8.6

* Measurement utilized as the "official" unemployment rate, defined as the total number of unemployed reported as a percentage of the civilian labor force

Note: Quarters reflect calendar year and not Virginia's fiscal year. National Data is seasonally adjusted.

Table 2: Underemployment and Job Seeker Discouragement

Measurement	Virginia's current 4 quarter average (2017: II – 2018: I)	Virginia's previous 4 quarter average (2017 Average)	National Data (2017: II – 2018: I)	Virginia's 4 quarter average from previous year (2016:II – 2017: I)
Underemployment	3.2	3.3	3.2	3.5
Job Seeker Discouragement	0.2	0.3	0.3	0.3



Glossary of Terms

Civilian Labor Force: All persons classified as employed or unemployed. Civilian meaning not living in institutions such as correctional facilities, long-term care hospitals, and nursing homes, and not on active duty in the Armed Forces

Discouraged Workers: Persons not in the labor force who want and are available for a job and who have looked for work sometime in the past 12 months (or since the end of their last job if they held one within the past 12 months), but who are not currently looking because they believe there are no jobs available or there are none for which they would qualify

Employed: Persons 16 years and older in the civilian non-institutional population who, during the reference week, (a) did any work at all (at least 1 hour) as paid employees; worked in their own business, profession, or on their own farm, or worked 15 hours or more as unpaid workers in an enterprise operated by a member of the family; and (b) all those who were not working but who had jobs or businesses from which they were temporarily absent because of vacation, illness, bad weather, childcare problems, maternity/paternity leave, labor-management dispute, job training, or other family or personal reasons, whether or not they were paid for the time off or were seeking other jobs. Each employed person is counted only once, even if they hold more than one job.

Involuntary Part-Time Workers: Persons who are available and want to work full-time, but accept part-time work for economic reasons.

Job Losers: Unemployed persons who involuntarily lost their last job or who had completed a temporary job. This includes persons who were on temporary layoff expecting to return to work, as well as persons not on temporary layoff. Those not on temporary layoff include permanent job losers and persons whose temporary jobs had ended.

Job-seeker Discouragement: A measurement of would-be job-seeker discouragement, calculated as the difference between alternative measures U-4 and U-3. While the actual figure is somewhat artificial and difficult to interpret on its own, the overall trend gives an idea of perceptions about the labor market.

Marginally Attached Workers: Persons not in the labor force who want and are available for work, and who have looked for a job sometime in the prior 12 months (or since the end of their last job if they held one within the past 12 months), but were not counted as unemployed because they had not searched for work in the 4 weeks preceding the survey. Discouraged workers are a subset of the marginally attached.

Marginally Attached Workers Plus Civilian Labor Force: Measure of the "Full" labor force, often used when calculating alternative measures of underutilization in order to include discouraged workers

Underemployment: A measurement of the underemployment rate, calculated as the difference between alternative measures U-6 and U-5. This essentially looks at the widest possible definition of unemployment and the labor force, and separates out those that, while employed, feel that they are not in a position which suits their needs and abilities.

Unemployed: Persons aged 16 years and older who had no employment during the reference week, were available for work, except for temporary illness, and had made specific efforts to find employment sometime during the 4-week period ending the reference week. Persons who were waiting to be recalled to a job from which they had been laid off need not have been looking for work to be classified as unemployed.

U-1: Persons unemployed 15 weeks or longer, as a percent of the civilian labor force

U-2: Job losers and persons who completed temporary jobs, as a percent of the civilian labor force

U-3: Total unemployed, as a percent of the civilian labor force (this is the definition used for the official unemployment rate)

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

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

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

U-1 Diff.: Difference between alternative measure U-1 and official unemployment measure U-3

U-2 Diff.: Difference between alternative measure U-2 and official unemployment measure U-3

U-4 Diff.: Difference between alternative measure U-4 and official unemployment measure U-3

U-5 Diff.: Difference between alternative measure U-5 and official unemployment measure U-3

U-6 Diff.: Difference between alternative measure U-6 and official unemployment measure U-3