

## Alternative Measures of Unemployment 2020 Annual Average

By Bailey Holland

Virginia Employment Commission, Division of Economic Information & Analytics

**\*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>.

### Executive Summary

The 2020 annual average for alternative measures of labor underutilization show the impact of the ongoing COVID-19 pandemic. All six measures moderately increased from the previous four quarter average and drastically increased from the 2019 annual average. Despite rising unemployment and underemployment, the current job seeker discouragement rate of 0.2 percent remains unchanged from pre-COVID-19 averages. All of Virginia's measures of labor underutilization are below the national 2020 annual average.

### Labor Underutilization in Virginia

The most recent four quarter average for the alternative measures of labor underutilization ends with the fourth quarter of 2020, thereby providing an annual average. The impact of COVID-19 on Virginia's labor supply and demand is evidenced in **Table 1**, as every measure increased from the previous average. Increases ranged from 0.5 percentage points in U-1 and U-2 to 1.4 percentage points in U-6. Looking at over-the-year changes, all measures are again significantly increased with increases of 1.4 percentage points in U-1 to 5.2 percentage points in U-6.

As U-6 represents the broadest definition of labor underutilization, its continued increase is an indication that there remains a considerable group of workers seeking full-time employment. As the Glossary of Terms shows below, U-6 contains not only the traditionally unemployed, but those who are not working full-time despite having the desire and ability to do so. With all measures of unemployment increasing, it is evident that the number of job losers, long-term unemployed, and traditionally unemployed are increasing as well.

Nationally, Virginia has fared better than many states, with every measure below the current national average. It is one of 22 states to have all measures at or below the national average; one of ten states east of the Mississippi<sup>1</sup>; one of seven states in the southeast region of the United States<sup>2</sup>; and has three neighboring states<sup>3</sup> (Kentucky, Maryland, and Tennessee) that

---

<sup>1</sup> There are 26 states east of the Mississippi River.

<sup>2</sup> 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.

<sup>3</sup> Four states and the District of Columbia neighbor Virginia.

meets this designation. As suggested by the traditional unemployment rate, Virginia's economy appears to be weathering the effects of the pandemic better than many states in the region.

Finally, underemployment has risen, and job-seeker discouragement has remained stable from the previous four quarters and the previous year. Virginia's underemployment rate is 0.4 percentage points higher than the previous four quarter average and 0.7 percentage points higher than 2019's average. The 2020 average marks the first increase in the annual reading of underemployment since 2015. The current job-seeker discouragement rate of 0.2 percent is equal to the previous four quarter average as well as last year's average. Both the underemployment and job-seeker discouragement are slightly below the national averages.

## Appendix

**Table 1: Alternative Measures of Labor Underutilization**

Measurement	Virginia's current 4 quarter average (2020 Average)	Virginia's previous 4 quarter average (2019:IV – 2020:III)	National Data (2020 Average)	Virginia's 4 quarter average from previous year (2019 Average)
<b>U-1</b>	2.4	1.9	2.8	1.0
<b>U-2</b>	4.4	3.9	6.1	1.4
<b>U-3*</b>	6.3	5.6	8.1	2.8
<b>U-4</b>	6.5	5.8	8.4	3.0
<b>U-5</b>	7.2	6.4	9.2	3.7
<b>U-6</b>	11.4	10.0	13.6	6.2

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

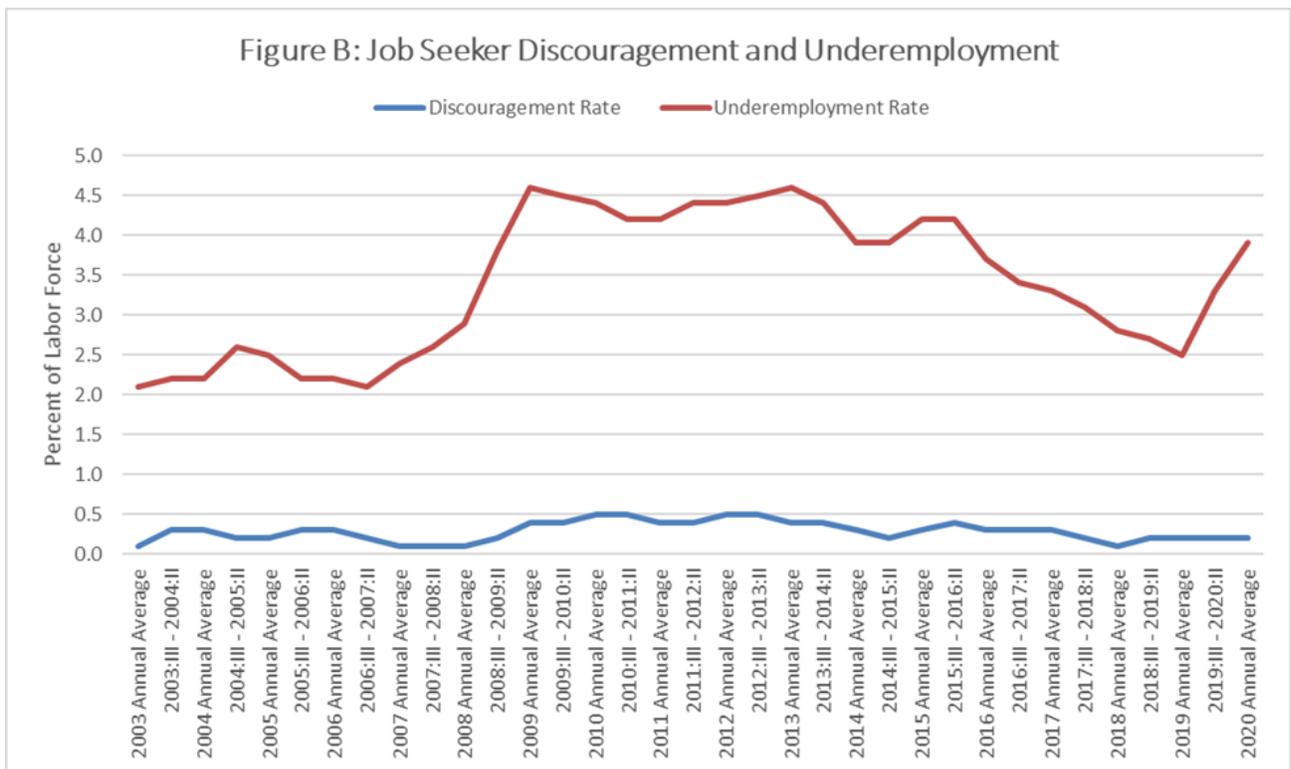
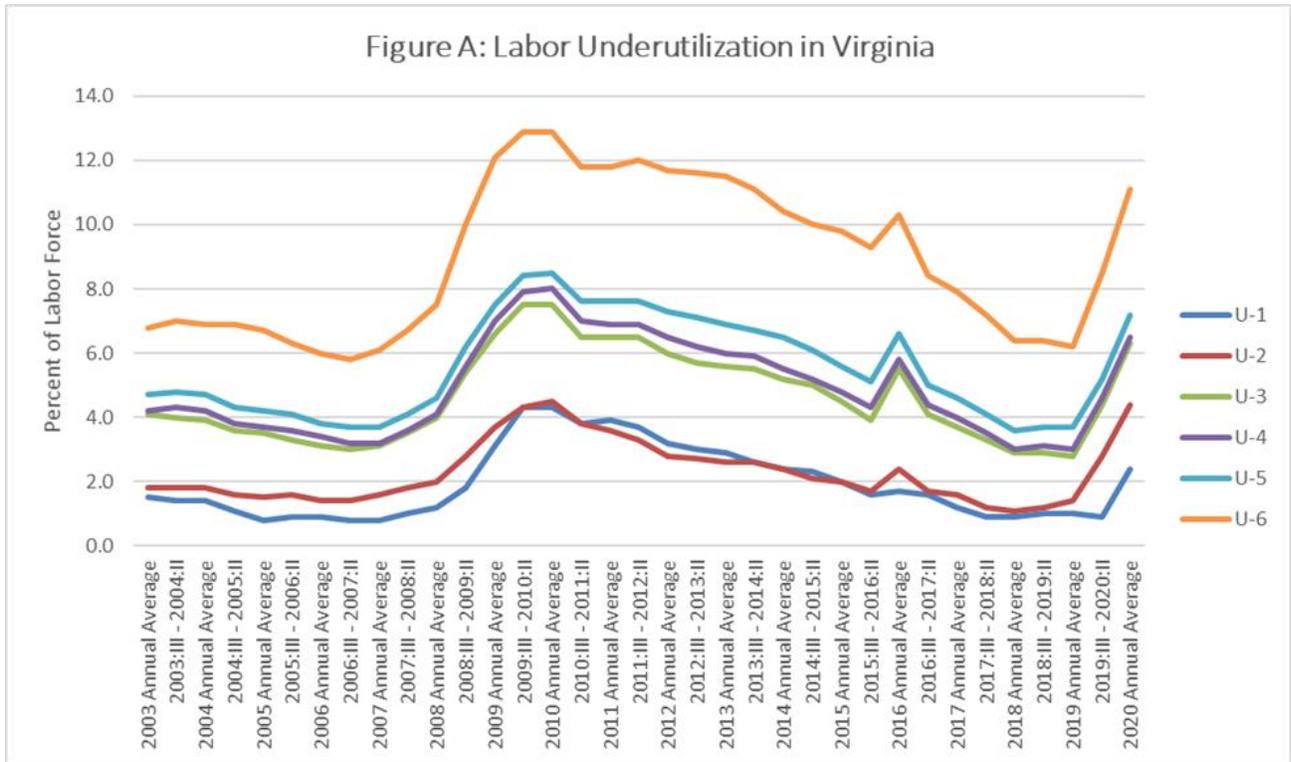
Note: Quarters reflect calendar year and not Virginia's fiscal year. National Data is seasonally adjusted.

**Table 2: Underemployment and Job Seeker Discouragement**

Measurement	Virginia's current 4 quarter average (2020 Average)	Virginia's previous 4 quarter average (2019:IV – 2020:III)	National Data (2020 Average)	Virginia's 4 quarter average from previous year (2019 Average)
<b>Underemployment</b>	3.2	3.6	3.4	2.5
<b>Job Seeker Discouragement</b>	0.2	0.2	0.3	0.2

Timothy O. Kestner  
Director

Post Office Box 1358  
703 East Main Street  
Richmond, Virginia 23218-1358



## 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