

Labor Supply and Demand in Virginia: A Dynamic Approach to Understanding the Labor Force Third 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 third quarter of 2018. As depicted in **Table 1**, measures U-3 through U-6 decreased from the previous averages while U-1 slightly increased and U-2 was unchanged. Both U-3 and U-5 had a decrease of 0.2 percentage point, U-2 decreased by 0.3 percentage point, while U-6 dropped by a significant 0.5 percentage point. Looking at over-the-year changes, all measures are once again down with U-6 showing the largest change of a 1.6 percentage point decrease from the same point last year.

Looking at the different measures of labor underutilization, it is obvious that U-6 is the measure with the biggest decline since the last period. Logically, this is because U-6 is the broadest measure, and thus has a greater probability of movement. Recall that in addition to the traditionally unemployed, U-6 includes part-time workers with the desire and ability to work full-time. One of the concerns with looking at the traditional measure of U-3 alone is that it gives no information as to whether the individuals gaining jobs are working part-time or full time. However, the large declines in U-6 suggest that individuals returning to work are most likely finding full-time employment.

Virginia continued to out-perform the nation across all six measures, with the largest difference seen in U-6 being 1.1 percentage point below the national rate of 7.8 percent. Only 21 other states were at or below the national rate in every measure. Compared to neighboring states, Virginia has the lowest underutilization rates in every measure except U-1 where it trails Tennessee by 0.1 percentage point. Additionally, the only neighboring state that had all measures below the national rate was Tennessee.

Finally, we turn to **Table 2** to examine measures of both job-seeker discouragement and underemployment. From the last quarter, Job-seeker discouragement fell by 0.1 percentage point, while underemployment dropped by 0.3 percentage point. Virginia was marginally below the national readings, with job-seeker discouragement at 0.1 percent compared to the national rate of 0.2 percent, and underemployment at 2.8 percent compared to 2.9 percent. Over-the-year, both

measures have decreased substantially, with job-seeker discouragement down 0.2 percentage point and underemployment down 0.7 percentage point.

Appendix

Table 1: Alternative Measures of Labor Underutilization

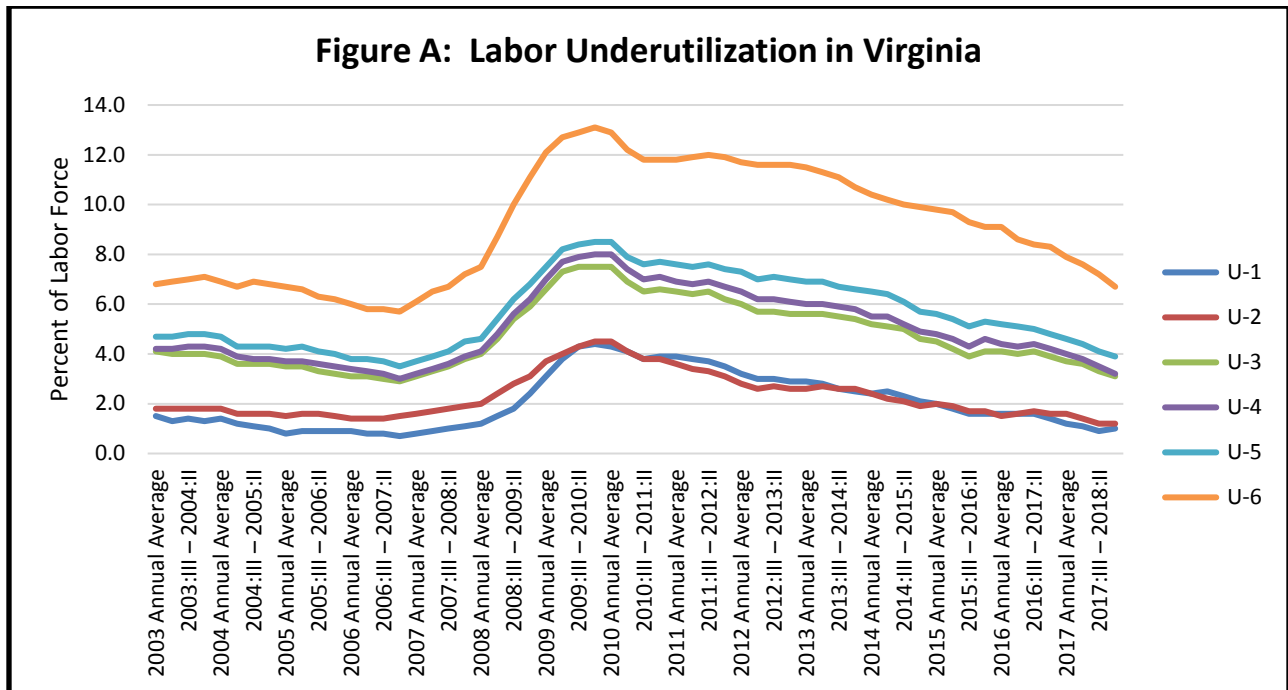
Measurement	Virginia's current 4 quarter average (2017:IV – 2018:III)	Virginia's previous 4 quarter average (2017:III – 2018:II)	National Data (2017:IV – 2018:III)	Virginia's 4 quarter average from previous year (2016:IV – 2017:III)
U-1	1.0	0.9	1.5	1.4
U-2	1.2	1.2	1.9	1.6
U-3*	3.1	3.3	4.0	3.9
U-4	3.2	3.5	4.2	4.2
U-5	3.9	4.1	4.9	4.8
U-6	6.7	7.2	7.8	8.3

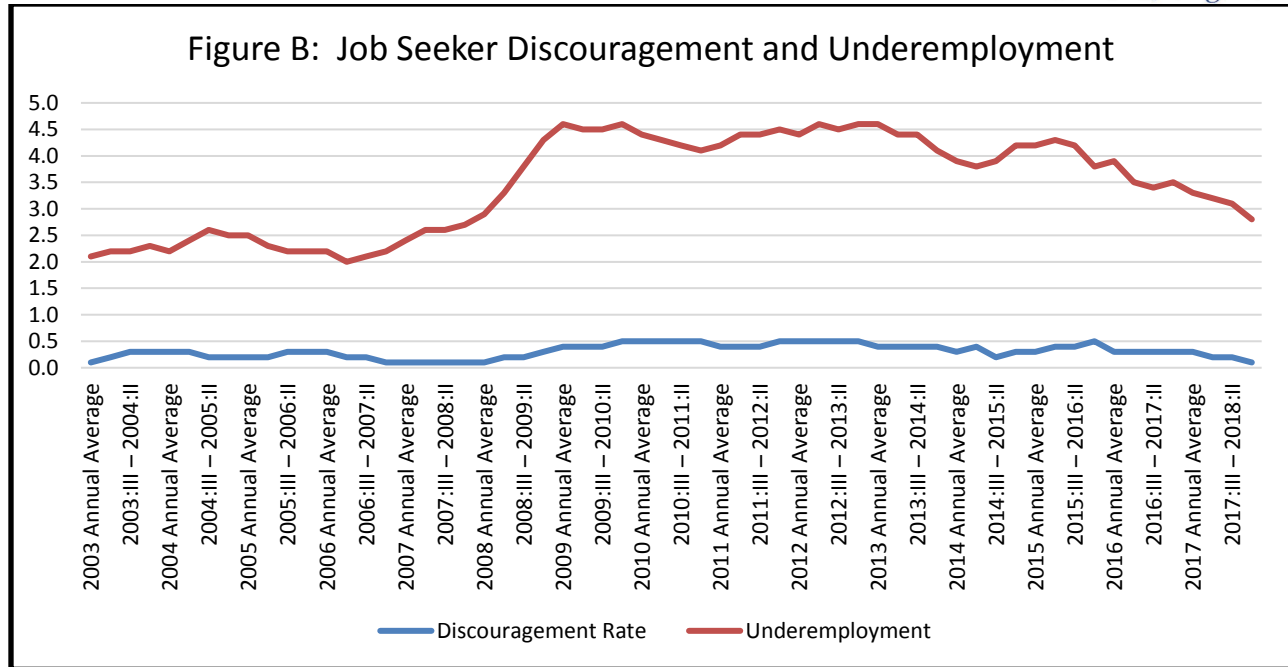
* Measurement utilized as the "official" unemployment rate, defined as the total number of unemployed reported as a percentage of the civilian labor force

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:IV – 2018:III)	Virginia's previous 4 quarter average (2017:III – 2018:II)	National Data (2017:IV – 2018:III)	Virginia's 4 quarter average from previous year (2016:IV – 2017:III)
Underemployment	2.8	3.1	2.9	3.5
Job Seeker Discouragement	0.1	0.2	0.2	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