

Policy Basic: Maine’s Unemployment Rate, More than Meets the Eye

Maine’s unemployment rate gets a lot of attention from politicians, the media, and pundits. However, a close examination of the statistics shows that the “official” unemployment rate calculated by the federal government’s Bureau of Labor Statistics (BLS) may mask important, and potentially troubling, trends within Maine’s labor market. In this policy basic, the Maine Center for Economic Policy discusses alternative measures of unemployment that are important to consider when assessing the health of Maine’s economy and the realities that working Mainers face.

The BLS, a division of the U.S. Department of Labor, calculates the official national and state unemployment rates based on a survey of the working-age population, called the Current Population Survey (CPS). The BLS has six different ways to define unemployment, known as the U-1 through U-6 rates. The most commonly-used rate, and the one that’s put out as the “official unemployment rate,” is the U-3 rate, which has a narrow definition of unemployment. The U-4 through U-6 rates are broader in scope and provide more information on people who are not working or are not working as much as they would like to be. For example, Maine tends to have a relatively high percentage of workers working part-time who want full-time work. The U-3 rate treats these workers the same as those who are employed full-time. By contrast, the U-6 rate accounts for these differences and may ultimately provide a more accurate portrayal of Maine’s labor market.

Comparing Different Unemployment Rates for Maine

The table below depicts four different unemployment rates calculated by the BLS for Maine.

Unemployment Rate, Maine	2007	2016*
U-3 (official)	4.7%	4.0%
U-4	4.9%	4.2%
U-5	5.6%	4.9%
U-6	8.9%	9.3%

*The 2016 alternative measures of unemployment are an average of the rates from Q2 2015 through Q1 2016

BLS calculates the official U-3 unemployment rate monthly by dividing the number of unemployed people by the total size of the labor force. BLS calculates the U-4 through U-6 rates quarterly. The U-4 rate includes people who want a job and looked for work at some point in the last year, but not during the four weeks prior to the employment survey. These people are typically referred to as “discouraged workers.” The U-5 rate includes both discouraged workers and people who are not looking for work for other reasons including long-term illness, transportation issues, and family responsibilities. The U-6 rate accounts for people who are working part-time or seasonally, but who want full-time work.

What Does this Mean for Maine?

Comparing the U-3 through U-6 annual unemployment rates for 2007 and 2016 illustrates the value of looking beyond the standard U-3 rate. While Maine’s U-3 rate was lower in 2016 than before the recession, the state’s U-6 rate is actually *higher*. This means that despite an apparently-low official unemployment rate, there are still thousands of Mainers in jobs that don’t offer the hours they need and thousands more who have stopped looking for work due in part to limited job availability. For Maine workers, broader measures of unemployment make it clear that the state’s recovery from the Great Recession is far from complete.

Definitions and Calculations

For its calculations, the BLS divides state populations by their ability to work, their current employment situation, and their commitment to looking for work. The following graphic shows how Maine’s population breaks down into these groups (scale: 1 figure = 10,000 people).

Youth, Institutional and Military Population



Youth, Institutional and Military Population
Everyone under 16, active military personnel and those in prisons, mental health facilities, and care homes. In other words, people who can’t work.

Civilian Labor Force



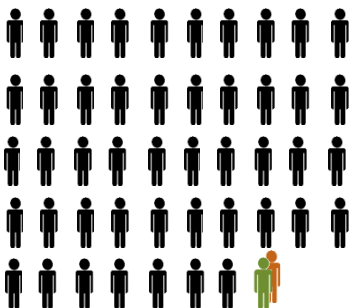
Employed Population
People who worked for at least one hour in the survey period for pay, or who were on sick or vacation leave. Includes unpaid workers in family businesses, but not volunteers for nonprofit organizations.



Unemployed Population
People not working who looked for work over the past four weeks.

BLS calculates the official U-3 unemployment rate by taking the number of unemployed people, and dividing that by the total size of the civilian labor force. However, this treats all employed people the same, even those who are underemployed, and excludes some people on the margins of the workforce. The U-6 rate accounts for these realities by removing involuntary part-time workers from the employed population and including marginally-attached workers among the unemployed population and labor force calculation.

Not in the Labor Force



Involuntary Part-Time Workers
(A subset of the U-3 employed population and U-6 unemployed population). These people are working part-time or seasonally, and would rather work full time.



Discouraged Workers
These people want a job, and looked for work at some point in the last year, but not over the past four weeks.



Marginally-Attached Workers
In addition to discouraged workers, this group includes people who aren’t looking for work for other reasons – e.g. family responsibilities, long-term illness, transportation problems.