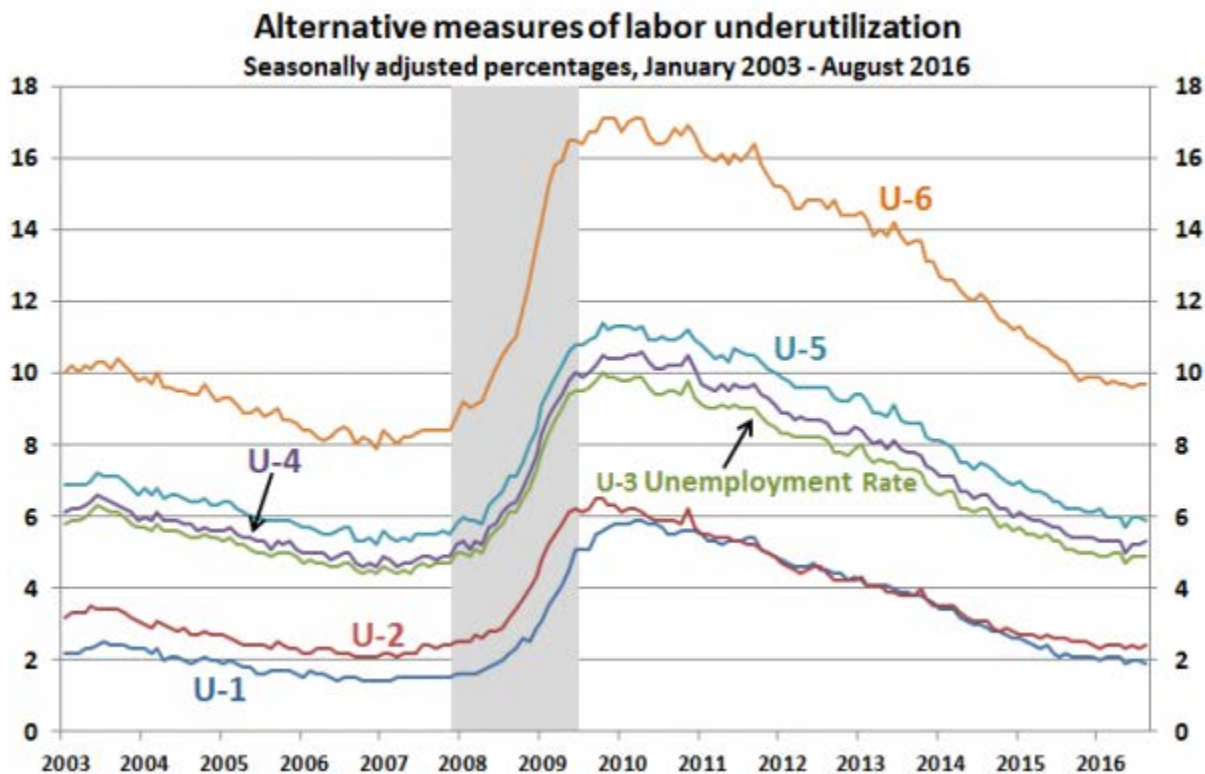


What is the 'Real' Unemployment Rate?

By [Heidi Shierholz](#) on September 6, 2016

At the Department of Labor we regularly get questions about what the “real” unemployment rate is. Another way to state these questions might be “What is the measure that truly captures the state of job opportunities?” The answer, it turns out, is *there isn't just one*. There is no way to capture the state of something as complex as the U.S. labor market with one number. That is why the department’s Bureau of Labor Statistics publishes a huge array of measures, which *together* provide a comprehensive picture of the state of job opportunities.

The “official” unemployment rate is the most well-known. BLS defines a worker as unemployed if they are jobless but actively seeking work. The official unemployment rate is the number of workers who are unemployed divided by the number of workers who are either employed or unemployed. At its peak in the aftermath of the Great Recession, the official unemployment rate reached 10 percent; as of August 2016, it is now down to 4.9.



Note: Shaded area represents recession as determined by the National Bureau of Economic Research. Source: [BLS Current Population Survey](#).

In BLS publications, the official unemployment rate is referred to as the U-3. Though the U-3 gets the most attention, BLS also publishes five [other measures](#) of labor underutilization (U-1, U-2, U-4, U-5, and U-6), each of which measure labor underutilization in a different way. The broadest measure – the U-6 (sometimes referred to in the press as the “underemployment rate”) – includes not just the officially unemployed, but also the “marginally attached” (those who are neither working nor looking for work but who want and are available to work and have looked for work in the past year), and people who are working part-time but want a full-time job. At its peak in the aftermath of the Great Recession, the U-6 was 17.1 percent; it is now down to 9.7 percent.

The U-6 unemployment estimate is based on the Current Population Survey (CPS) while the U-3 unemployment estimate is produced by the Local Area Unemployment Statistics (LAUS) program and is model based. Due to differing methodologies the U-6 cannot be compared directly with the U-3.

The U-6 estimates at the state level are published quarterly and have a higher error rate versus the national U-6 estimates due to a sample size of 1,222 households at the state level versus about 60,000 households for the nation.

BLS also provides measures of the [reason for unemployment](#); the [duration of unemployment](#), [unemployment by industry](#); [unemployment by occupation](#); breakdowns by [gender, age, race, and ethnicity](#); the share of the population that is in the labor force ([the labor force participation rate](#)); the share of the population that is employed ([the employment-population ratio](#)); and [other factors](#).

Why doesn't BLS count everyone who is not working as unemployed? In August, the employment-population ratio was 59.7 percent, meaning 59.7 percent of the civilian population age 16 and over was employed; or, on the flip side, 40.3 percent of the civilian population 16 and over was not employed. The reason economists don't use that number as a snapshot of the state of job opportunities is that it includes many people who are not working for reasons that are entirely unrelated to the strength of the labor market.

For example, it includes all retired people no matter how old they are; all people who make the personal choice to be stay-at-home parents; and all people who are not working because they are full-time students, including high school students, as long as they are at least 16. Because jobless people who want to work are combined with these other groups, this measure provides a murky picture of the state of job opportunities.

In contrast, the official measure of unemployment, by counting only those who are actively seeking work (and therefore want and are available to work), provides a much clearer sense of the availability of jobs. And the official unemployment rate *combined with* the broad array of other measures published by BLS provides a complete picture of the state of U.S. labor market.

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Table A-15. Alternative measures of labor underutilization

HOUSEHOLD DATA

Table A-15. Alternative measures of labor underutilization [Percent]

Measure	Not seasonally adjusted			Seasonally adjusted					
	Aug. 2015	July 2016	Aug. 2016	Aug. 2015	Apr. 2016	May 2016	June 2016	July 2016	Aug. 2016
U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force	2.1	1.9	1.8	2.2	2.1	1.9	2.0	2.0	1.9
U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force	2.5	2.4	2.4	2.6	2.4	2.3	2.4	2.3	2.4
U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)	5.2	5.1	5.0	5.1	5.0	4.7	4.9	4.9	4.9
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers	5.6	5.5	5.3	5.5	5.3	5.0	5.2	5.2	5.3
U-5 Total unemployed, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force	6.3	6.3	6.0	6.2	6.0	5.7	6.0	6.0	5.9
U-6 Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force	10.3	10.1	9.7	10.3	9.7	9.7	9.6	9.7	9.7

NOTE: Persons marginally attached to the labor force are those who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the past 12 months. Discouraged workers, a subset of the marginally attached, have given a job-market related reason for not currently looking for work. Persons employed part time for economic reasons are those who want and are available for full-time work but have had to settle for a part-time schedule. Updated population controls are introduced annually with the release of January data.