

MEASURING UNDEREMPLOYMENT in IDAHO

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May 2007



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PREMISE

Underemployment offers a source of labor for new and expanding businesses to continue economic growth in all 44 Idaho counties.

Definition of Underemployed

Workers looking for full-time work but employed in part-time or temporary jobs, and workers who are employed in jobs with wages below their training level or without benefits.

Background of Underemployed

The underemployed are already working but are underpaid, lack benefits or are disgruntled for whatever reason. As a result, they represent a pool of labor in addition to the unemployed that economic developers and existing businesses can tap.

This becomes a critical factor in periods of extremely low unemployment by providing economic development professionals with a reserve of workers to be considered by new or expanding businesses. Some potential new businesses or business expansions are thwarted by the companies simply looking at the unemployment rate and assuming they will not be able to find an adequate work force.

The monthly labor force report provides data only on whether people are working and nothing about the quality of their jobs or whether they are full-time or part time. Being able to estimate by county the number of underemployed – and therefore likely interested in other, better jobs – is a tremendous asset in continuing Idaho's economic expansion and employment growth.

Previous underemployment research provided little data or a viable definition of underemployment at the state or local level.

To this end, this underemployment model was developed. But in addition to recruiting new business and encouraging others to expand, the model offers a measure of the quality of past employment growth.

This tool uses data that is already in production, creating a consistent and automated cost-effective approach.

CASE STUDIES

Ada County

In 2003, the underemployment rate in Ada County, the state's largest business and labor center, was 15.9 percent. By 2005, it had declined to 10.8 percent, indicating the economy was creating better jobs.

On further examination, the data showed fewer part-time or temporary jobs being listed with the local Labor Department office. The ratio between part-time and full-time jobs listed with the local office is used to determine the ratio of part-time and full-time workers in the county. In Ada County, 66 percent of the jobs were full-time in 2003 and 74 percent were full-time in 2005

But one additional statistic needs to be assessed to evaluate the decrease in underemployment.

That factor is the percentage of job seekers with associate degrees or higher, who are currently employed but still looking for another job. To determine that percentage, the number of workers with degrees and still looking for work is divided by the number of full-time workers in the county. In 2003, 3.4 percent of the workers had associate or higher degrees and were looking for other jobs. In 2005, that number had increased to 3.7 percent. Now while the actual number of these people is expected to increase as the labor force increases, their percentage of the full-time labor force should not.

What this could indicate is that while job creation was robust, the quality of the jobs may not have been as good as hoped for.

Kootenai County

Another situation regarding the quality of job creation occurred in Kootenai County.

In 2003 the underemployment rate in the model was 10.2 percent, and it remained unchanged in 2005.

What occurred in Kootenai County was that in 2005 the number of workers with associate degrees or higher who were looking for new jobs rose to 4.9 percent from 4.4 percent in 2003.

Over the same period, the unemployment rate declined from 6.3 percent to 4.2 percent. Nearly 7,000 more people were working in 2005 than in 2003.

Again, this suggests the robust job creation experienced in Kootenai County may have fallen short of quality expectations and illustrates the shortcomings of using total employment to assess the quality of those jobs.

Because underemployment has been conceptualized and measured in so many ways, precise figures on the extent of underemployment have not been readily available until now. The Idaho Department of Labor's 24 local offices provide a picture of what the job market and applicant pool is like, enabling the evaluation of part-time and temporary workers, the conditions and number of jobs, wage information and applicant education characteristics.

The state of Idaho has a database that facilitates research on this underemployment issue. Job information from employers and applicants are entered in the database every day from consultants in the 24 local offices. This is the most accurate data available on the composition of Idaho's state and local labor markets.

ASSUMPTIONS AND METHODOLOGY

In calculating underemployment, several assumptions are required.

Total county employment by residence as calculated by the U.S. Bureau of Labor Statistics is the starting point. The total labor force figure was not used because it includes those who are unemployed, and this model attempts to measure only underemployment.

It is assumed that the job orders and applicant data received by the 24 local offices are representative of the mix of the local economy's part-time and full-time jobs and the qualifications of the local work force in each of Idaho's 44 counties.

Job orders that were part-time, temporary or full-time lasting for less than 150 days were presumed to be filled by workers taking these jobs involuntarily because they felt nothing else was available, thus making them underemployed.

The model assumes that people working part-time jobs for over 150 days are doing so voluntarily because they knew going in that it was a long-term part-time job.

Currently employed people who have associate degrees or higher and have filed job applications are assumed to be looking for work because they want a new or better job in terms of wages or benefits or a job in their field of training, thus making them underemployed.

Using total county employment as a basis, the job orders received by the local offices were split into full-time and part-time jobs over 150 days and part-time and full-time temporary jobs lasting less than 150 days.

People working part-time jobs or full-time temporary jobs lasting less than 150 days are assumed to want permanent good-paying full-time jobs or jobs in their areas of training and therefore are deemed underemployed.

Next are the current employment status and educational level of the job seekers themselves.

Any employed job seekers with an associate degree or higher is considered underemployed under the broad definition of underemployed adopted by the model.

People with education or training, who have jobs but are looking for new ones are underemployed whether based on pay, working conditions, benefits or the challenge of the current job. Although this definition is broad, this pool of workers is an available labor force for new and existing businesses.

The number of people with jobs and education who are still looking for work and the number involuntarily working part-time or temporary full-time jobs under 150 days are a county's underemployed. That total divided by the total number of people working in the county provides the underemployment rate.

CAVEATS AND MISCELLANEOUS INFORMATION

Holiday and Seasonal Workers: This model does not try to measure these workers because they are not considered underemployed since this is all they wish to work. The model attempts to measure the underemployment rate of the workers who are in the labor force all year, not just for a few months at a time.

In a few counties that are a long distance from a local Labor Department office, the data and model do not work as well. Those counties are Bear Lake, Oneida, Franklin, Camas Caribou, Butte and Clark.

Because underemployment is subjective, no wage data was used to avoid the likelihood that an extremely high rate of people would claim underemployment if wages were the only variable used. Even without specific wage data, however, it is believed the model captures the effect of lower wages in the components of involuntary part-time workers and educated employed job seekers looking for work since wages are likely to be a factor in both situations.

In addition, the number of employed job seekers with education who are looking for work is underestimated. Only those who have come through a Labor Department local office are counted, and clearly other employed workers with degrees are looking for better jobs but not through the Labor Department system.

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