

The Insured Unemployment Rate

What it says about Alaska's seasonal workforce

The standard monthly unemployment rate receives a lot of media attention, but there is another little-talked-about rate that measures only those who file for unemployment insurance benefits. This weekly rate — the insured unemployment rate or IUR — is a more frequent gauge of current unemployment, specifically for the industries most affected by the seasonal swings that tend to drive it.

The standard unemployment rate is a survey-based estimate of the entire unemployed population, whether or not they apply for benefits. The IUR, although more limited in scope, measures the population covered under the UI system who file claims for benefits.

IUR is the claims barometer

In Alaska, 98 percent of all wage and salary workers are covered under the unemployment insurance system.¹ The Alaska Department of Labor and Workforce Development divides covered employment by an average of the 13 most recent weeks of benefit claims to get the IUR.

Alaska has a notoriously seasonal economy, so the IUR tends to fluctuate by more than a few percentage points throughout any given year. (See Exhibit 1.) Because the rate is a 13-week moving average, there's a lag between the seasonal increase in claims and the change in the rate.

Although overall unemployment is lowest in the summer when fishing and tourism are in full swing, the IUR doesn't hit its lowest yearly level until late September or early October. When seasonal employment ends in the fall and benefit claims increase, the IUR begins to climb through the last months of the year and hits its high point around the beginning of March.

For example, the high in 2011 was 7.08 percent

The insured unemployment rate, or IUR, is the "other" unemployment rate. It measures only the unemployed workers who actually apply for benefits.

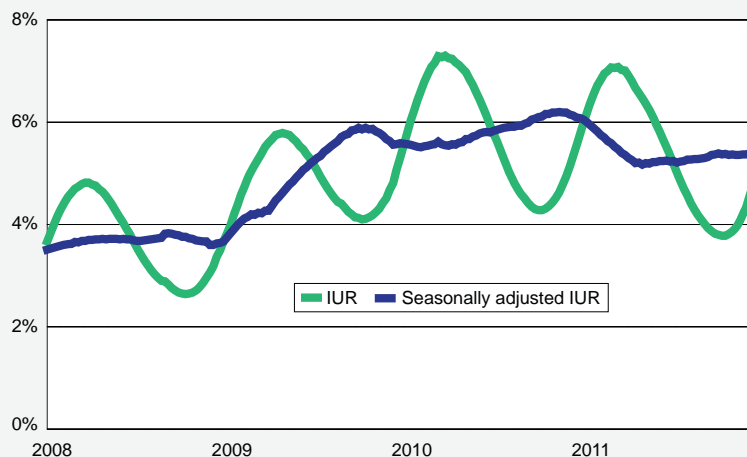
in March and the low was 3.78 percent in October. The resulting fluctuation in the rate for 2011 was 3.30 percentage points, which is well within the normal annual range. The average yearly fluctuation since 1981 has been 3.45 percentage points.

Seasonal adjustment of the IUR

One drawback of the IUR is that the seasonal swing in claims has the tendency to obscure underlying changes in the demand for benefits. To better understand these trends, the department developed a seasonally adjusted IUR in 2009, which smoothes out the seasonal fluctuation to make underlying trends more visible.

Seasonal Adjustment Shows Trends

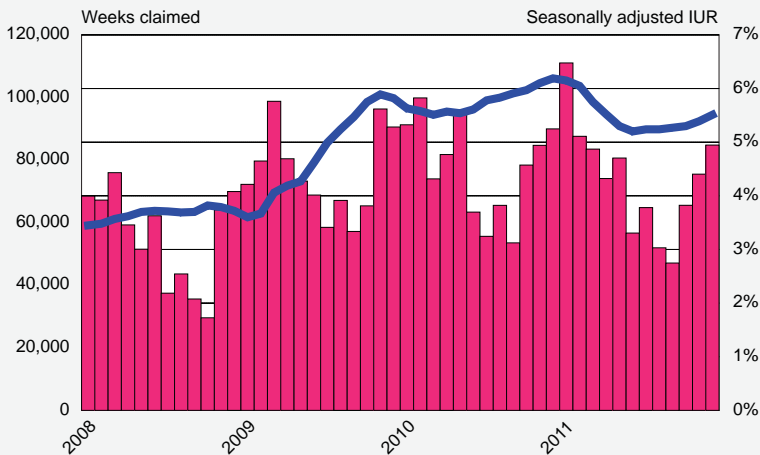
Alaska IUR, 2008 to week 50 of 2011



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

2 Adjusted IUR and Weeks Claimed

Alaska, January 2008 to December 2011



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

This seasonally adjusted rate remained below 4 percent between 2006 and late 2008. Throughout 2008, modest increases in claims and payments across all industries elevated the adjusted IUR only slightly, from 3.5 percent in January to around 3.6 percent by the year's end.

However, in early 2009, the aftershocks from the U.S. recession began to affect Alaska. The state witnessed its first real spike in claims in March when the rate leaped from 3.6 percent to 4.0 percent, largely led by the heavily seasonal construction industry as well as trade, food and lodging, mining, manufacturing, public administration, transportation, and health care.

Although the U.S. recession officially ended in June of 2009, this jump showed its effects had only begun to take hold in Alaska, with more increases to come. Claims continued to climb as the year went on, and the adjusted rate reached 5.89 percent. (See Exhibit 2.)

Claims in Alaska after recession

The recession's after-effects continued to echo in Alaska throughout 2010 and into 2011. A brief recovery in early 2010 lowered the rate, but claims spiked again in March 2010 beyond the expected seasonal level. That summer, claims fell seasonally to the still-elevated levels of the previous year, and then resurged through the end

of the year, reaching a seasonally adjusted recession-related high of 6.2 percent.

In 2011, industry composition changed notably as roughly a third of the difference in payments from pre-recession levels came from industries other than the traditional filers. This was an indication that the downturn affected industries across the board and not just those with regular seasonal layoffs.

Starting in early 2011, the rate fell significantly to around 5.20 percent by week 15 — early April — but then remained flat and rose slightly in the second half of the year.

Most of the recent uptick was due to a resurgence in manufacturing claims, mostly from seafood processing. While claims from other industries began fluctuating closer to their normal levels, seafood processing claims topped their expected seasonal level and continued to climb in late 2011.

Despite recent improvements in most industries, the underlying rate is still more than a percentage point higher than its pre-recession levels, and benefit payments are still running about 20 percent higher than 2007.

Overall, this shows that while Alaska has recovered some lost ground, the national recession still affects Alaska's labor market. While the recession hasn't affected total employment in Alaska the way it has in other states, it has had a significant influence on tourism-related spending and future expectations. Unemployment claims show this has dampened short-term demand for nonessential goods and services, which has affected industries that depend on seasonal and discretionary spending.

Notes

¹Workers who are considered self-employed aren't covered under the unemployment insurance system. These workers include most commercial fishermen, other agricultural workers, and private household workers.