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The Insured Unemployment Rate

Why it's often the highest in the United States

Alaska is often an outlier among states economically, and one way we differ from the rest of the nation is the pattern of our insured unemployment rate, or IUR, which is typically the highest in the United States.

In February, *Trends* profiled the IUR and how it differs from the commonly reported unemployment rate — the IUR measures only those who actually file for unemployment insurance benefits.

While the standard total unemployment rate attempts to capture all of those without jobs who are looking for work, the IUR is as much a reflection of relative participation in the unemployment insurance program as it is an unemployment or economic indicator.

The IUR and the standard total unemployment rate are calculated using vastly different methods, and as with any single measure, interpretation requires caution. While year-over-year changes in the Alaska IUR can indicate relative softening of the state's labor market, comparing the current level to that of the U.S. as a whole or to other states is not of much use in gauging Alaska's relative economic health.

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

Seasonality plays a role

The disparity between participation in Alaska's UI system and others is due mainly to seasonal employment qualifiers for collecting benefits.

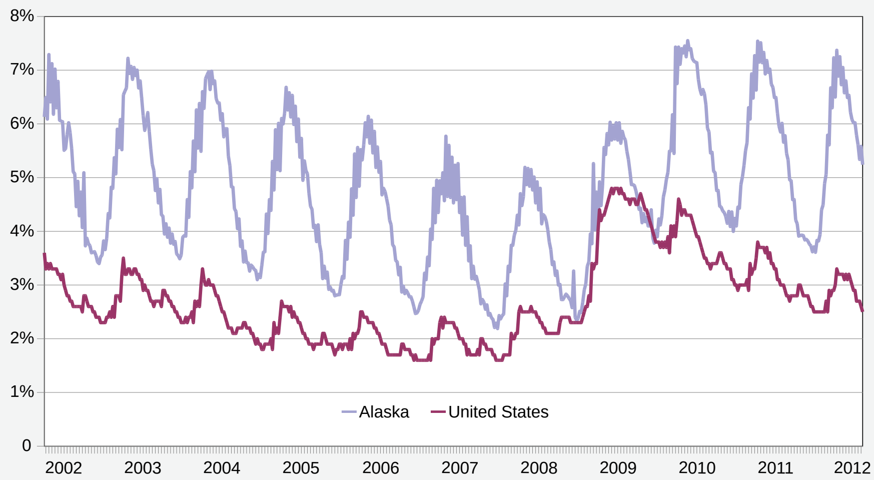
Outside Alaska, only 16 states allow seasonal workers to collect benefits — the caveat is they only qualify for benefits during their industries' normal operating period. Alaska has no such requirement and as a result, workers in Alaska routinely collect UI when their season of employment ends and they are laid off.

Instead of turning seasonal workers away, Alaska adjusts the duration of benefits based on the degree of seasonality in the applicant's occupation. This additional participation drives up the corresponding rate significantly on a seasonal basis, as seen in Exhibit 1.

More to the picture

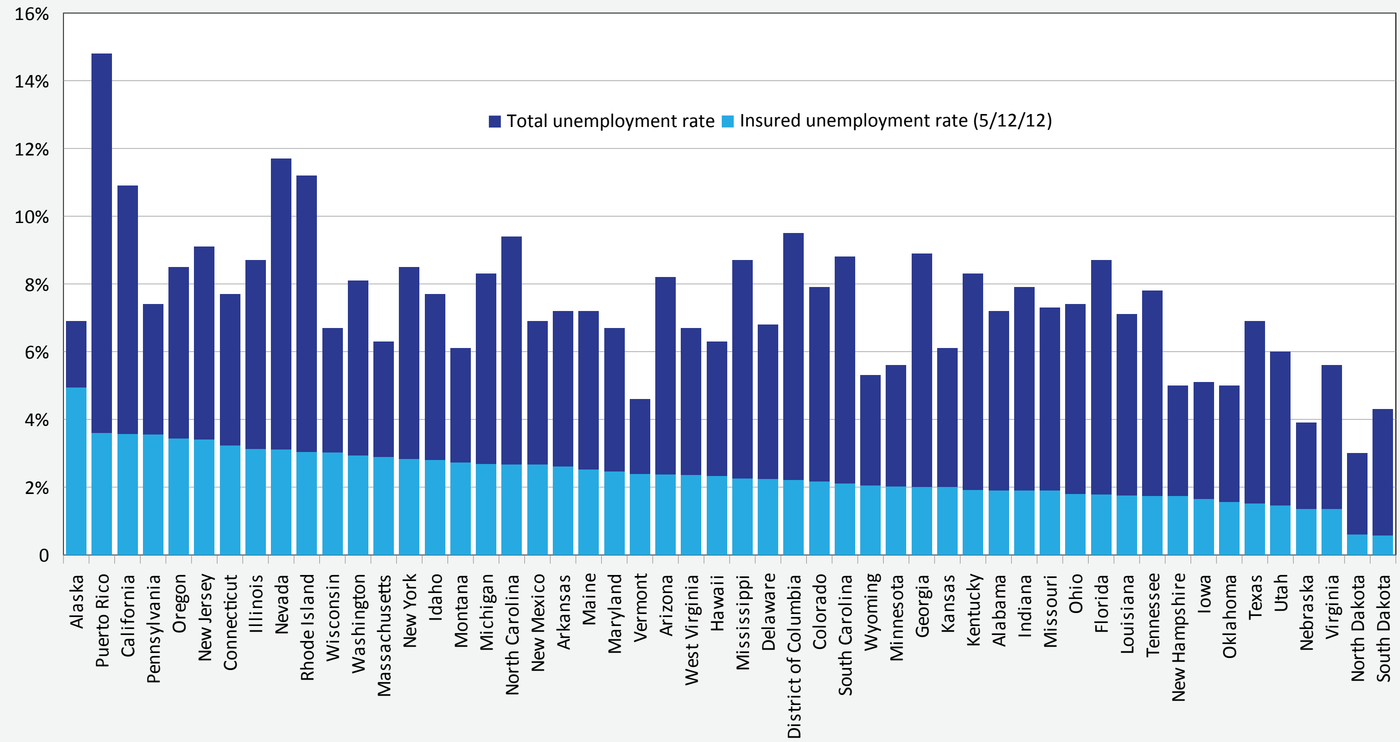
While the Alaska IUR is both the highest in the nation and elevated

1 The IUR: Alaska vs. United States
2002 to 2012, week ending April 18



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and U.S. Department of Labor

Insured Unemployment Rate Vs. Total Unemployment Rate 2
By state, May 2012



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and the U.S. Department of Labor

from pre-recession levels, it is neither on the rise nor alarmingly high. In addition to seasonal flux, Exhibit 1 also shows that Alaska consistently has a higher overall rate, even during periods of healthy economic growth.

For example, before claims began to reflect the most recent recession, the national IUR was running between 1.6 and 2.6 percent seasonally, while the comparative Alaska IUR fluctuated between 2.3 and 5.2 percent.

The single-week IUR rate reported by the U.S. Department of Labor in Exhibit 1 is highly volatile, moving by as much as a half a percentage point from one week to the next. This differs from the 13-week moving average Alaska uses to determine extended benefits.

However, Alaska's single-week rate is down to 4.9 percent from a high of 7.3 percent reflecting the second week of the year, and is lower than the same week in either of the past two years.

Differences among states

Exhibit 2 shows why the IUR alone isn't the best indicator of a state's economic health. The IUR and total unemployment rate vary by state, and the difference between the two can be significant. A state can have a high IUR and lower total unemployment, like Alaska, or high total unemployment with a low IUR, such as Florida.