LUDWIG INSTITUTE FOR SHARED ECONOMIC PROSPERITY

Counting More Than Jobs: Rethinking Veteran Unemployment

Methodological Appendix

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Conceptual Background

The conventional definition of the unemployment rate essentially considers anyone who has worked at least one hour for pay in the past week as employed. This is a very low threshold since it doesn't consider wages or hours worked. The BLS provides variations of the unemployment rate aimed to address some shortcomings, but they do not incorporate information about wages into their metrics, which makes it difficult to glean a picture of labor market outcomes across the population.

Instead, LISEP aims to measure how much of the workforce is functionally employed. To be considered functionally employed, a worker must meet two stipulations. First is not being underemployed: they must either work a job that is full-time, usually 35+ hours per week, or work a part-time job for noneconomic reasons (either because of true personal preference or scheduling conflicts, such as medical limitations, childcare problems, or school or training taking up more or their schedule). Workers who want to work full-time but must settle for part-time hours because of economic reasons are considered functionally unemployed. Second, they must earn at least $25,000 annually (in January 2024 dollars). If either of these stipulations is not met, then the worker is considered functionally unemployed. (It should be noted that workers who earn less than $25,000 because they are in a job where they prefer part-time status are still counted as functionally unemployed, even if they prefer that part-time status, as their earnings are not substantial enough to clear poverty wages).

Calculation

The analysis is run directly on the Census-published CPS public use microdata, Basic Monthly and Annual Social and Economic Supplements (ASEC).

For the sake of consistency with the BLS's headline measurement of employment among veterans, the sample only includes those ages 18 and up. In this data source, veterans are defined as civilian adults who have served in the armed forces, but were not serving at the time they were surveyed (Basic Monthly variables: *peafever* = 1 and *prpertyp* = 2; ASEC variables: *peafever* = 1 and *p_stat* = 2). The labor force is defined using the BLS's definition. Annual earnings are estimated by

multiplying the reported weekly earnings by the reported number of weeks worked, assumed conservatively to be 50 weeks for wage earners if no entry is available. Annualized earnings are adjusted for inflation by the CPI-U, pegged to January 2024's value. Questions about earnings and hours worked are available from individuals in the outgoing rotation groups (ORGs), which is the subset of households who are undergoing their fourth or eighth interview (https://cps.ipums.org/cps/outgoing_rotation_notes.shtml).

The primary technical question in this analysis is the choice of survey weight used for aggregating the computation. Although the Basic Monthly CPS has an available weight for computing labor force information for veterans, the basis for the CPS veterans weight is the CPS composited weight, which relies on data from samples in non-outgoing rotation groups (Design and Methodology, p 79-80). Since non-outgoing rotation groups do not record information on earnings, using the veterans weight would be inconsistent. Hence, LISEP works with *pworwgt* to compute earnings and, for consistency, uses the analogous non-veterans-specific weights in the rest of the analysis. This is consistent with how LISEP calculates the TRU as published on the website. Note that because the TRU and TRU OOP are not computed with the veterans weight, they should be interpreted with caution as the weights used are not calibrated for veteran demographics and nonresponse rates. They should be interpreted as approximate estimates rather than as exact measures.

Data

The Excel contains five series for comparison. The first three series are restricted to members of the labor force ages 18 and up. Note that LISEP's headline TRU, referenced elsewhere, includes all workers age 16 and up.

"TRU for Veterans" applies the methodology described to estimate the percentage of the veterans ages 18 and up in the labor force who are functionally unemployed. "TRU for All Workers" estimates the TRU for both veteran and non-veteran civilians. The third series is "BLS Unemployment for Veterans", taken directly from the FRED series LNU04049526.

The remaining two series compute the TRU Out of the Population (TRU OOP), expanding the analysis to all members of the civilian noninstitutional population ages 18 or older, effectively incorporating information about labor force participation with information about functional unemployment. While veterans have a lower TRU than the overall labor force by about 6 percentage points, they see a TRU OOP at about 11 percentage points higher.

Due to data sparsity, all five series are reported at the quarterly level (the average of the three monthly values), although "BLS Unemployment for Veterans" is available at the monthly level through FRED. The series are not seasonally adjusted.