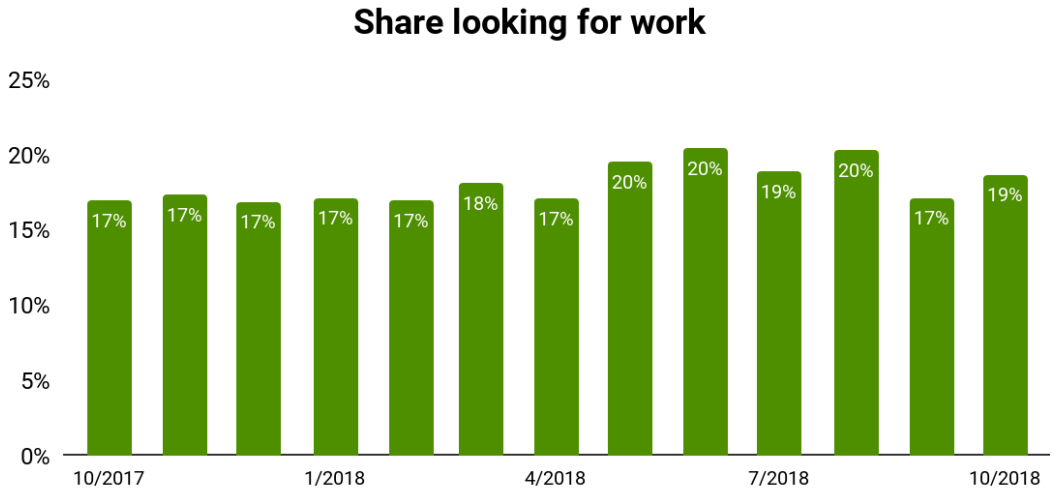
Room for US labor market growth?
Yes, with a broad, real-time "out-of-work" signal

October 30, 2018

by Danielle Goldfarb, Head, Global Research

RIWI's broad signal reveals a consistent almost 1 in 5 US-based respondents who want to work do not have a job. October's real-time share is higher than in September.

The official US unemployment rate is at a low not seen for decades. Is the US labor market really this tight? RIWI's real-time and broad-based signal of out-of-work Americans shows there is much more room to grow. This is consistent with other measures of labor market slack such as slow wage growth. The October 2018 real-time signal (data from October 1-29, 2018) shows room in the labor market, increased from September.



Source: RIWI data, 70,647 US respondents 18+, Up to October 29, 2018

RIWI's measure should be viewed as a signal. What the signal shows is that there is unmistakable labor market slack. (The higher percentage in the summer period is due to students entering the workforce during this period, and so does not indicate a change in signal.) The current real-time signal should be compared to the previous month's signal. It is not directly comparable to the official unemployment rate as it is based on an entirely different method and includes a broader range of potential workers.

Real-time signal rooted in robust, randomized approach

To develop RIWI's real-time labor market slack signal, we captured the working status of at least 4,000 US respondents a month from October 19, 2017 to October 29, 2018. Every day we randomly engaged a new set of unique respondents, with no repeat respondents throughout the period. Overall, we randomly engaged 70,000+ US-based respondents age 18 or older on a continuous basis over the period.

To get our signal, we calculated the ratio of US respondents who are:

$$\frac{\text{not working and looking for work}}{\text{full-time employed + part-time employed + not working and looking for work}}$$

We excluded those reporting they were not employed but not looking such as full-time caregivers or disabled adults. We also excluded those who said they were students or retired. The official unemployment rate only includes those looking for work in the past month, and since we are looking for a signal rather than to replicate official figures, we take a more expansive definition here of those generally looking for work. We therefore likely capture workers who have given up actively looking for work, but still would like to be working ("discouraged" workers),[1] as well as potentially undocumented workers that are unlikely to be counted in official data[2].

To gather these data, we used a proven, randomized, broad-based approach. The approach has been independently and repeatedly verified as capturing a truly random sample of the US Web-using population.

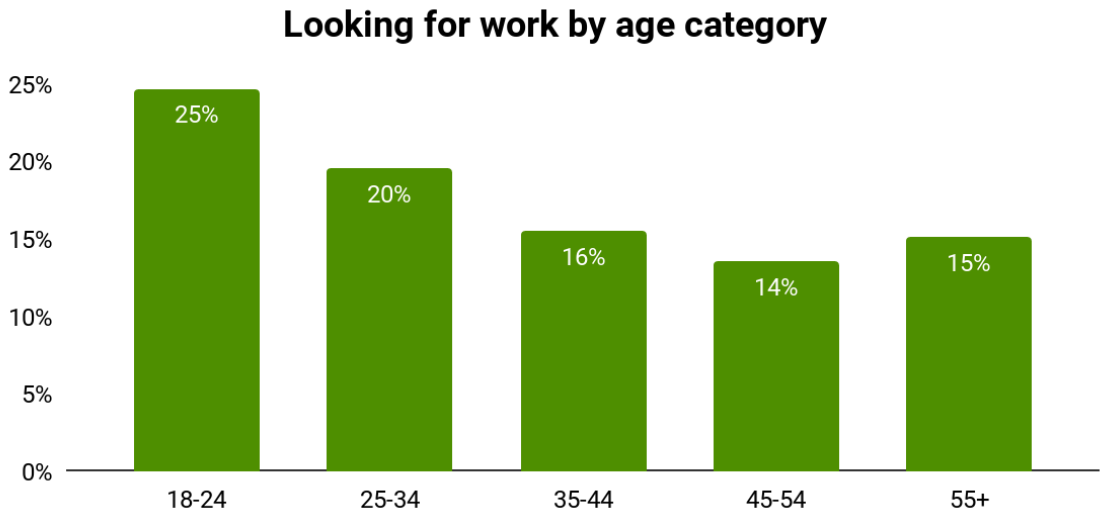
This approach is entirely different from both official survey data and private sector online surveys in that it:

1. Draws from a broad range of potential workers, including disengaged populations who don't typically answer surveys (60% of RIWI's US respondents have not answered a survey in the past month, and 30% have never answered one);
2. Yields representative data across US regions, education levels, urban/rural, and other demographics without pre-defining quotas before sampling;
3. Does not require additional manipulation or weighting after data collection as it is already representative;
4. Draws observations continuously, allowing for a real-time and ongoing signal;
5. Captures a fresh and unique set of observations daily rather than following a select group of respondents over time;
6. Is anonymous and does not collect personally identifiable information, reducing social bias associated with in-person or phone interviews (official US unemployment data is gathered via interviews conducted by government employees);
7. Filters out bots and only uses real respondents; and
8. Anyone with an Internet-enabled device, including mobile phones, can be randomly engaged.

[1] Note that the Bureau of Labor Statistics does have alternative unemployment measures which do capture discouraged workers at https://www.bls.gov/news.release/empsit.t15.htm.
[2] We could potentially capture more undocumented workers in future with an option to respond in Spanish.

Who is looking for work?

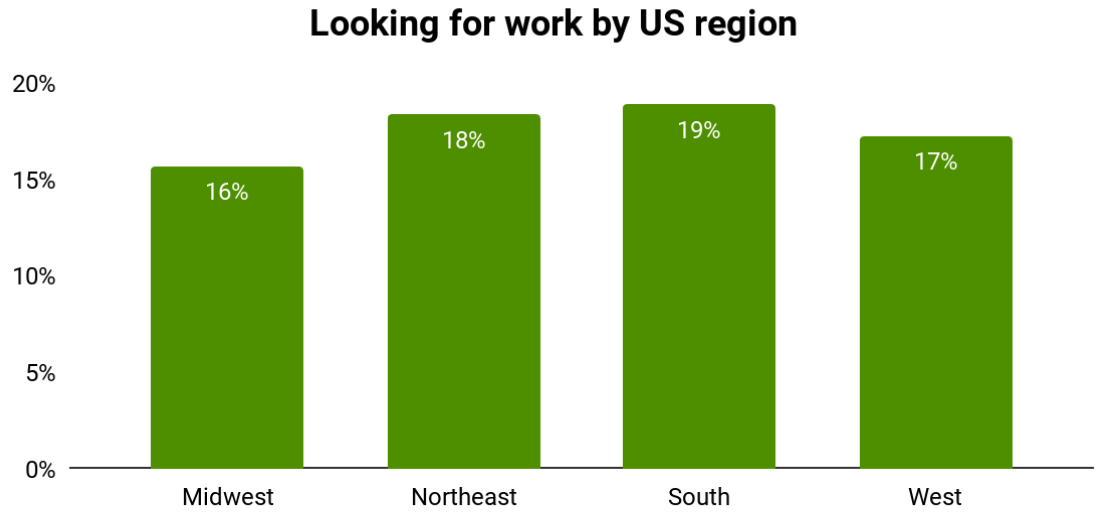
Looking more closely at the September 1-October 29 period, we find that those that are looking for work tend to be younger, less educated, more rural, and equally split between men and women. However, the RIWI signal finds 14% of urbanites, 12% of those with a bachelors' degree and 20% of those aged 25-34 who are looking for work, suggesting that there is room for growth both for skilled and less skilled workers.



RIWI data, September 1-October 29, 2018, 7,621 observations

Trend is broad-based

We also find the signal is mostly replicated across the country.



RIWI data, September 1-October 29, 2018, 9,098 observations

Data are robust

Our confidence in these data as a robust signal on the "non-working but would like to" population is bolstered by:

a) similar results with every fresh group of respondent data;
b) the representativeness of the respondent group relative to census data (all state respondent shares are within half a percent of the latest US census regional shares, except for two states which are within one percent of the latest US census shares);
c) the large sample size distributed throughout the period; and
d) the broad trends replicated throughout the country.

This measure may in fact understate the share of those not working and looking. This is because RIWI technology draws randomly from the 90%+ of US-based respondents who use the Internet. We expect that the remaining less than 10% that do not have Internet access are more likely to be not working. The overall signal from the data remains the same, however, and this gap may even be less than expected (since the Internet penetration data is from 2017) and declining (since Internet penetration rates are increasing).

Can RIWI refine this signal?

RIWI is tracking this signal continuously, with new respondents daily in the US and globally. Going forward, RIWI will be able to provide year-on-year changes in the signal.

The data can also be combined differently and additional or new questions asked. For example, we could ask those who are working part-time or who are students why they are doing so, giving us a signal of real-time underemployment. RIWI could also ask new questions to get a better real-time sense of reasons for joblessness. RIWI could also develop a real-time signal that excluded discouraged workers by asking who has actively looked for work in the past month (as is asked when measuring the official unemployment rate).

RIWI's technology tends to draw more young people relative to their share in the population (in contrast to other methods which have difficulty accessing young populations). This could potentially mean the out of work measure in this piece overstates labor market slack. However, it should not affect the overall signal since it is consistent over time. Moreover, this ability to draw both youth and disengaged youth makes RIWI technology well suited to provide a real-time signal of youth unemployment or underemployment.

RIWI is also developing new real-time measures of global work that account for the rise of online platforms and multiple ways of earning money beyond a traditional primary employment model. Please contact Danielle Goldfarb if you would like to partner with RIWI to shape these new real-time signals and gain access to the detailed and ongoing national and regional data feeds.

Danielle Goldfarb, Head, Global Research, RIWI Corp.
1-888-505-RIWI (7494) | www.riwi.com
daniellegoldfarb@riwi.com

About RIWI Technology: A Highly Accurate Approach to Measuring Global Change

In 2010, a government agency found existing methods to track the public's response to pandemics unreliable, lagging reality, and not globally comparable. RIWI's technology responded with a highly accurate signal, available in real time, that can be compared across countries simultaneously. Since then, RIWI's proprietary technology has continued to track epidemics including Zika and Ebola, and has been extended far beyond to track a broad range of social and economic issues in almost all countries and territories of the world.

RIWI technology is used extensively and under long-term agreements by the US State Department and other G7 government agencies, the World Bank, UN agencies, academics at universities such as Harvard and Oxford, and by global financial institutions. RIWI technology draws randomly from the entire Web-using population in any country. Respondents include not just those that are engaged and regularly share their opinions, but also those who do not regularly take surveys and are disengaged. This creates a randomly recruited, representative set of respondents, a large ongoing number of respondents, and reliable data. In addition, RIWI tracks new respondents daily, allowing an assessment of whether views are stable or changing.

For more on RIWI's award-winning technology and its applications, see: https://riwi.com/about-us/.