

Fed Challenge Brief:

Labor Market Data

Overview

Data related to employment and unemployment are important and often-cited. However, the technical definitions of labor market terms often differ substantially from the everyday meanings of the same words. (e.g., A person who has no job but is not seeking work is not technically defined as unemployed.)

Types of Unemployment

Frictional - due to lags in matching workers with jobs

Search Unemployment – a worker is between jobs

Wait Unemployment – a worker is waiting to start a job

Structural – a worker's skills do not match the skills required in available jobs.

Cyclical – a worker is laid off in the contractionary phase of the business cycle.

Seasonal – a worker is only needed during certain times of the year.

"Full Employment" – the lowest rate of unemployment possible/desirable in the economy. It includes frictional and some structural unemployment.

Problems with Labor Market Data

Discouraged Workers: Since a person has to be actively seeking work in order to be defined as unemployed, the CPS does not account for the presence of discouraged workers. Therefore, the unemployment rate is almost always understated, a fact that is especially true in periods of deep recession, when the number of discouraged workers rises greatly.

Underemployment: The employment report fails to measure underemployment, thus understating labor market problems.

Statistical Problems: Problems of statistical significance, non-responses and errors of sampling can contaminate any voluntary statistical exercise. Such problems call into question the results produced by BLS.

Interpretation: Often, unemployment is viewed as negative in an economy. However, some level of unemployment is necessary for a thriving economy, and not all unemployment is bad. Search and wait unemployment are essential features of any labor market, as the reallocation of labor is not achieved instantaneously.

Definitions

Labor Force: all persons who are at least 16 years of age and able to work;. This includes all persons who are employed or unemployed

Employed: a person is employed if he or she:

1. completed any work as a paid employee;
2. worked in his or her own business on his or her own farm;
3. worked 15 hours or more (unpaid) in a family- owned enterprise;
4. did not work due to health, weather, vacation or other obligations

Unemployed: a person is unemployed if he or she:

1. took action to contact potential employers in hope of finding work
2. was waiting to be called back or rehired by former employers

Labor Force Participation Rate: the percentage of the total civilian population that is in the labor force.

Unemployment Rate: the percentage of the labor force that is unemployed at a given time.

Underemployed: workers are underemployed if they are overqualified for a job in which they are currently working

Discouraged workers: are not working and not actively seeking work, but would take a job if offered. These workers are not unemployed because they have given up actively seeking work. They have given up because they don't believe there are any jobs

Additional Resources

[Bureau of Labor Statistics: The Employment Situation](http://www.bls.gov/ces/#data)
<http://www.bls.gov/ces/#data> – the source for current monthly reports on the status of employment in the United States

[Current Population Survey: Design and Methodology](http://www.census.gov/prod/2000pubs/tp63.pdf)
<http://www.census.gov/prod/2000pubs/tp63.pdf> – thorough detail on how BLS collects its data through the CPS

[How the Government Measures Unemployment](http://www.bls.gov/cps/cps_hgtm.htm)
http://www.bls.gov/cps/cps_hgtm.htm – overview of BLS's role in collecting data and presenting reports on the employment situation

[Revision of Seasonally Adjusted Labor Force Series](http://www.bls.gov/cps/cpsrs.pdf)
<http://www.bls.gov/cps/cpsrs.pdf> – covers the comprehensive revision that took place to the CPS in 1994