

The Labor Market

College Fed Challenge Student Seminar

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Labor Market Indicators

Overview of Major Indicators

- Payroll employment
- Unemployment & labor force
- Initial jobless claims

Other Labor Indicators [not presented]

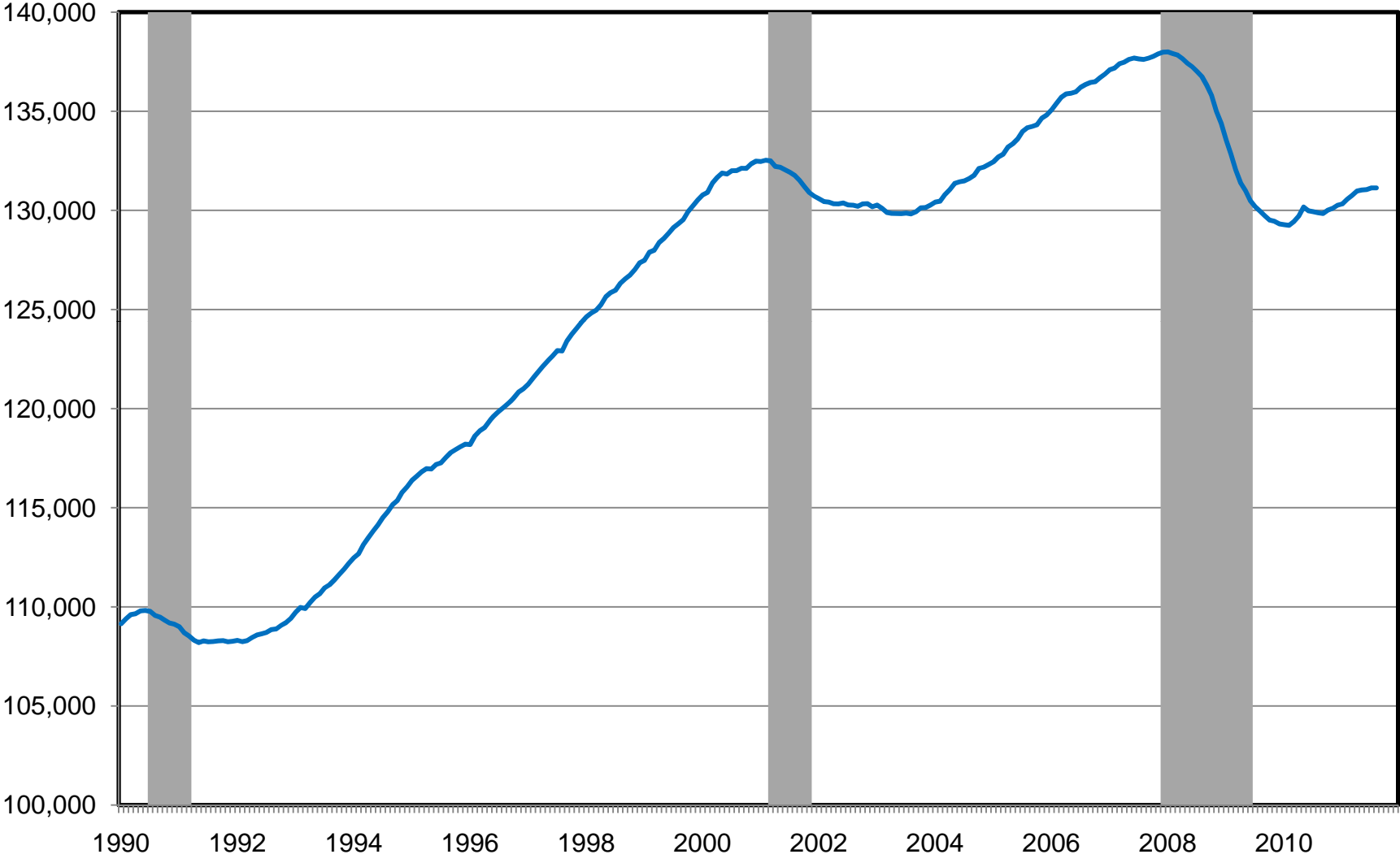
- Quarterly Census of Employment & Wages
- ADP employment estimates
- Job Openings & Labor Turnover Survey (JOLTS)
- Help wanted advertising
- Consumer confidence
- ISM and various other surveys

Labor Market Indicators

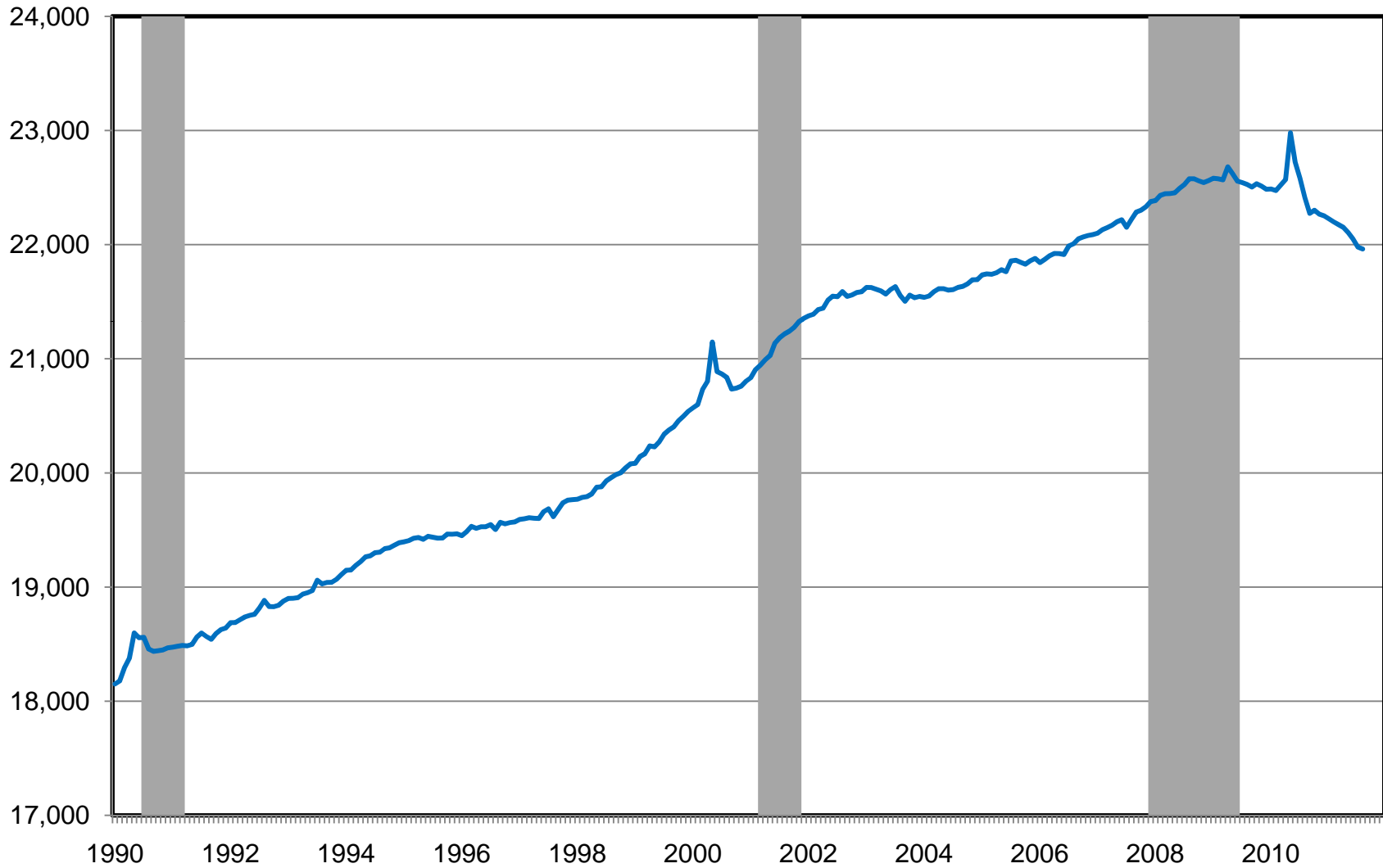
- **Payroll (Survey) Employment**

- Monthly survey of over 100,000 businesses & govt. agencies.
- Estimates the number of people on firms' payrolls.
- Considered a very reliable coincident economic indicator.
- Data are available by detailed industry sector.
- Useful to look at particular sectors: trends in employment services jobs are often used to help predict total employment.
- Annual benchmark revisions based on QCEW (discussed later)

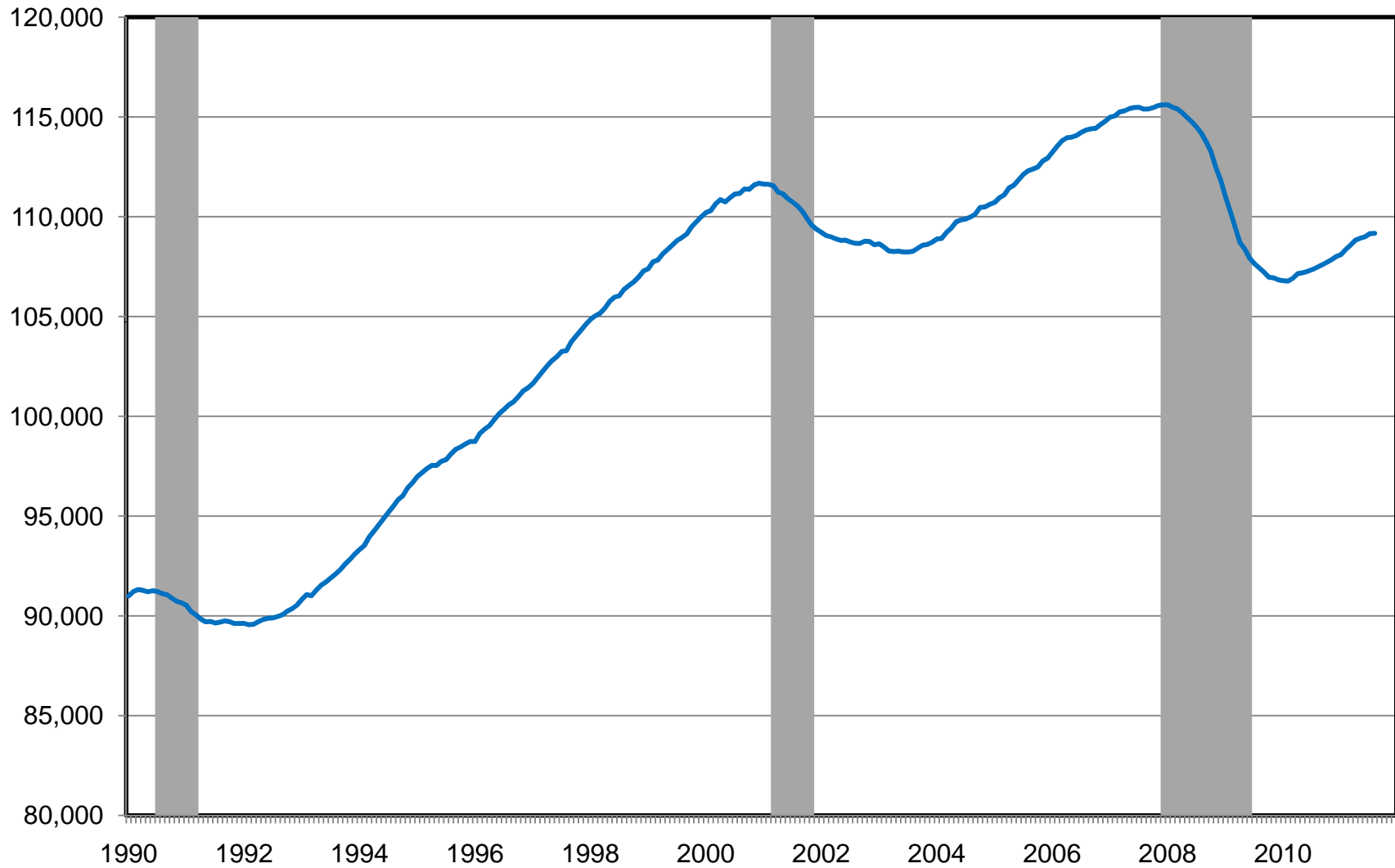
Payroll Employment (Thousands of Jobs)



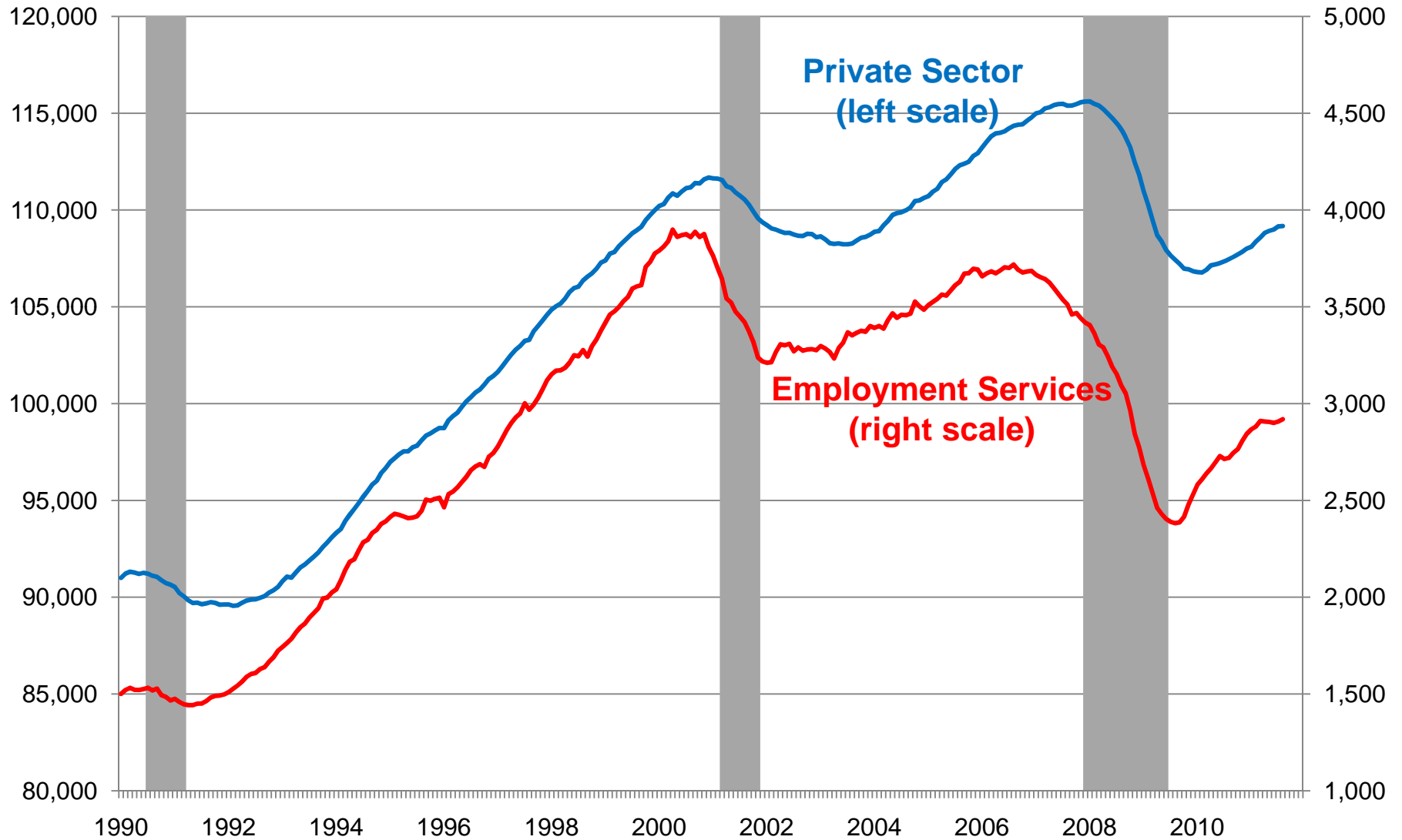
Public Sector Employment (Thousands of Jobs)



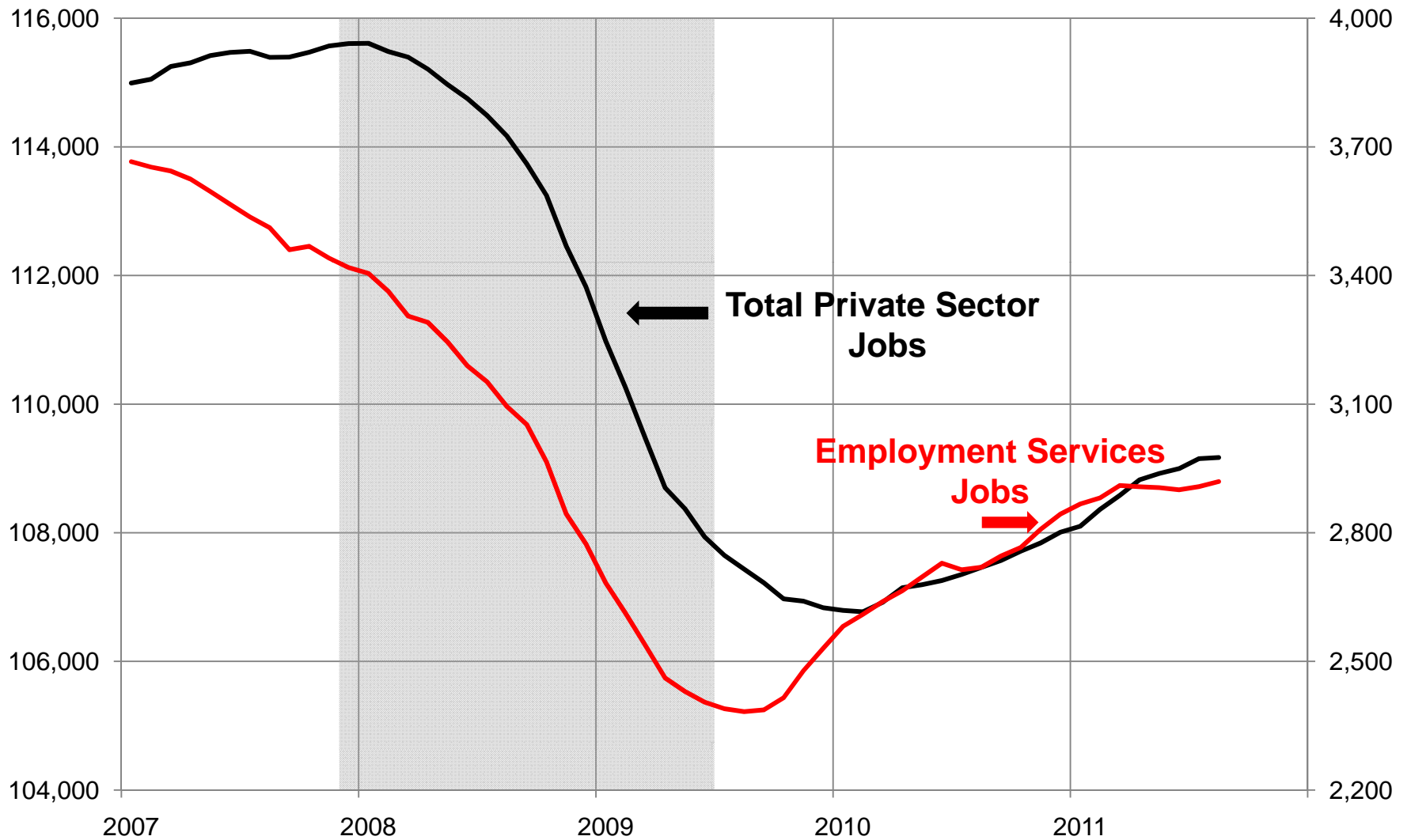
Private Sector Employment (Thousands of Jobs)



Private Sector & Employment Services Jobs (Thousands of Jobs)



Private Sector & Employment Services Jobs (Thousands of Jobs)

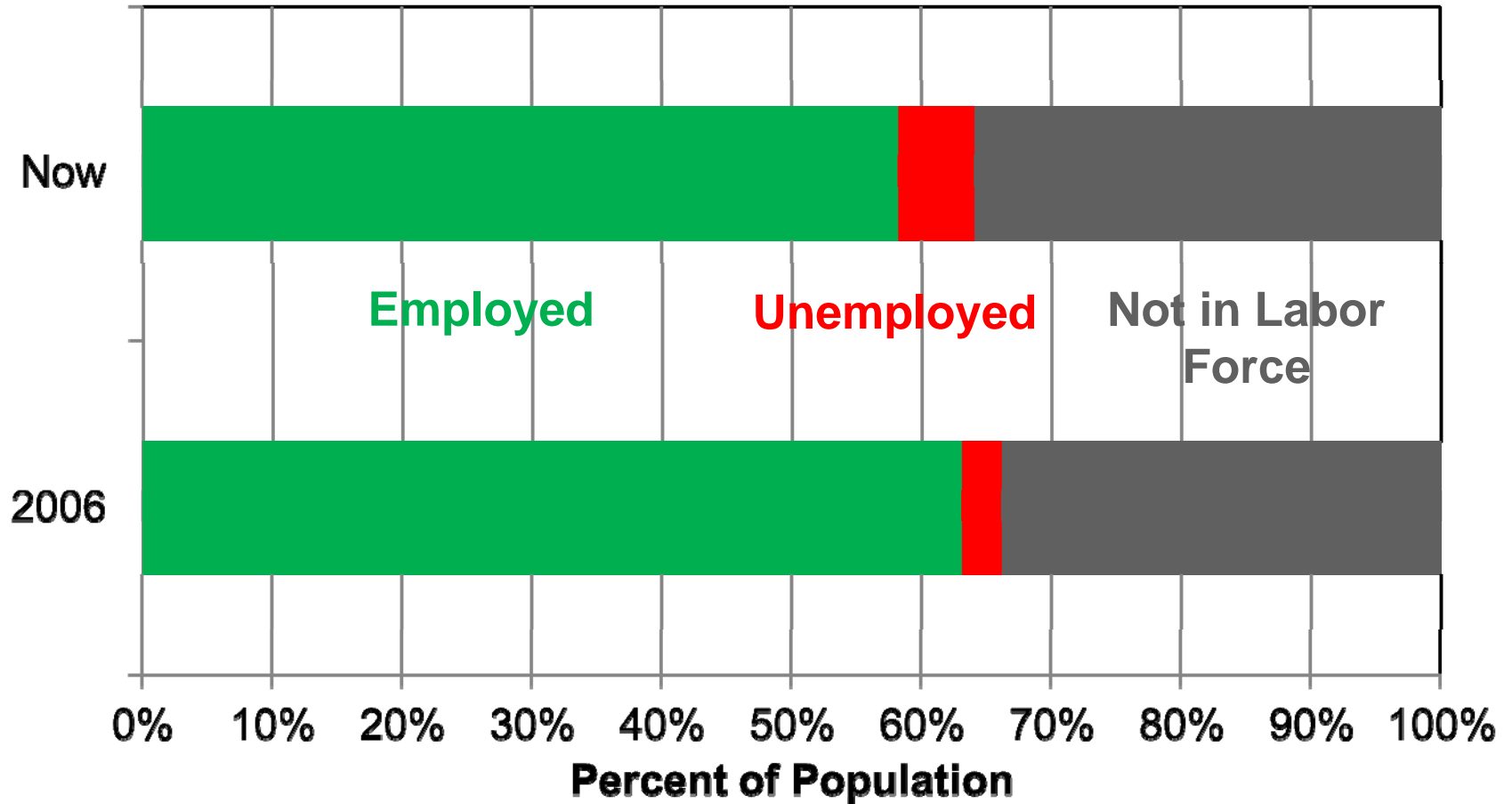


Labor Market Indicators

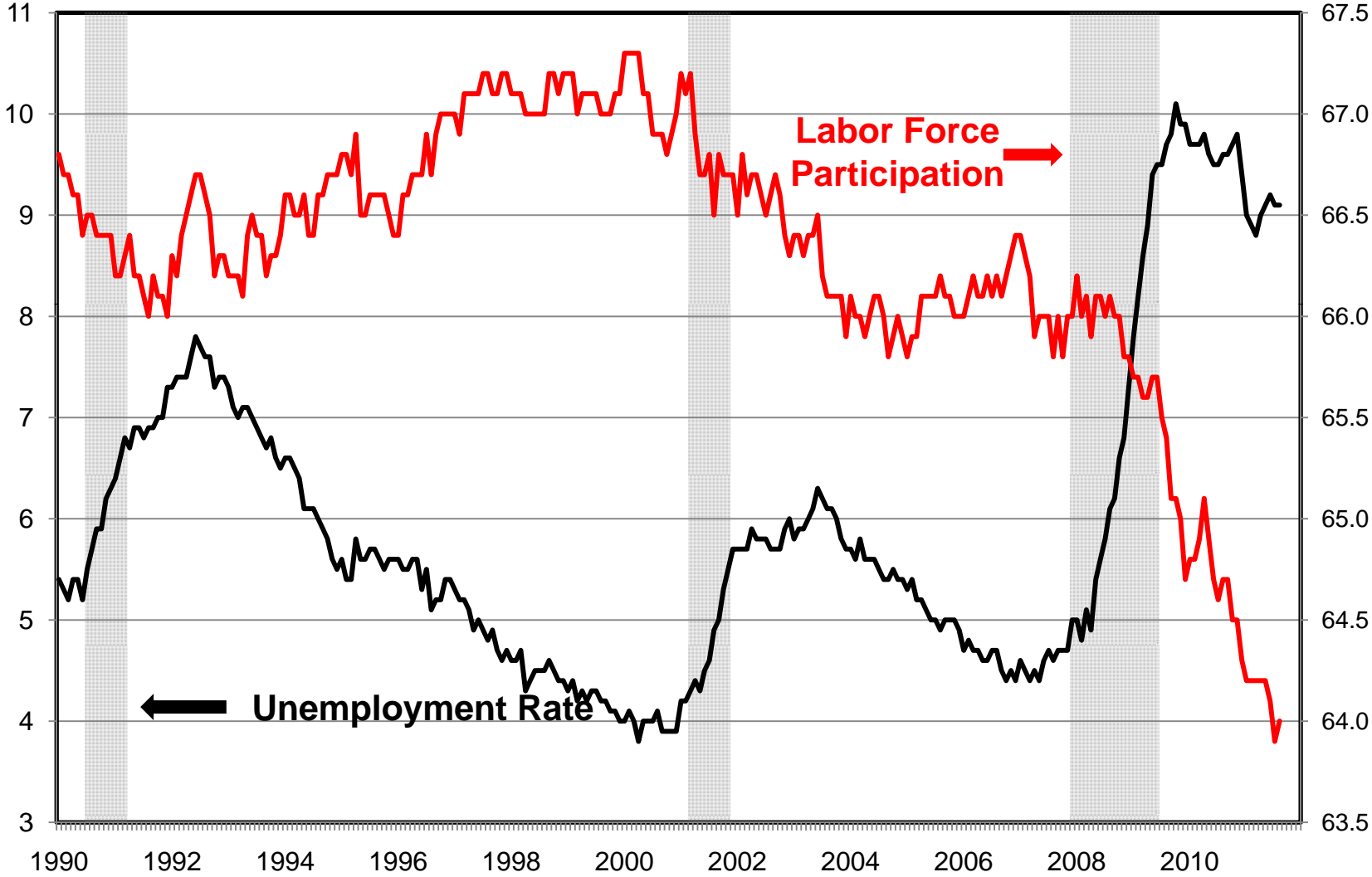
- **Unemployment & Labor Force Measures**

- Monthly survey of households: asks if residents are employed, looking for work (unemployed) or not in the labor force.
- Unemployment rate is $\frac{\#lookingforwork}{(\#employed+\#lookingforwork)}$
- Changes in the unemployment rate may reflect changes in the number of people working OR changes in labor force participation.
- Generally seen to be a coincident indicator going into recessions but a lagging indicator in recoveries.
- Alternative measures of unemployment count people not looking for work because they are discouraged & people working part-time who would prefer to be working full-time.

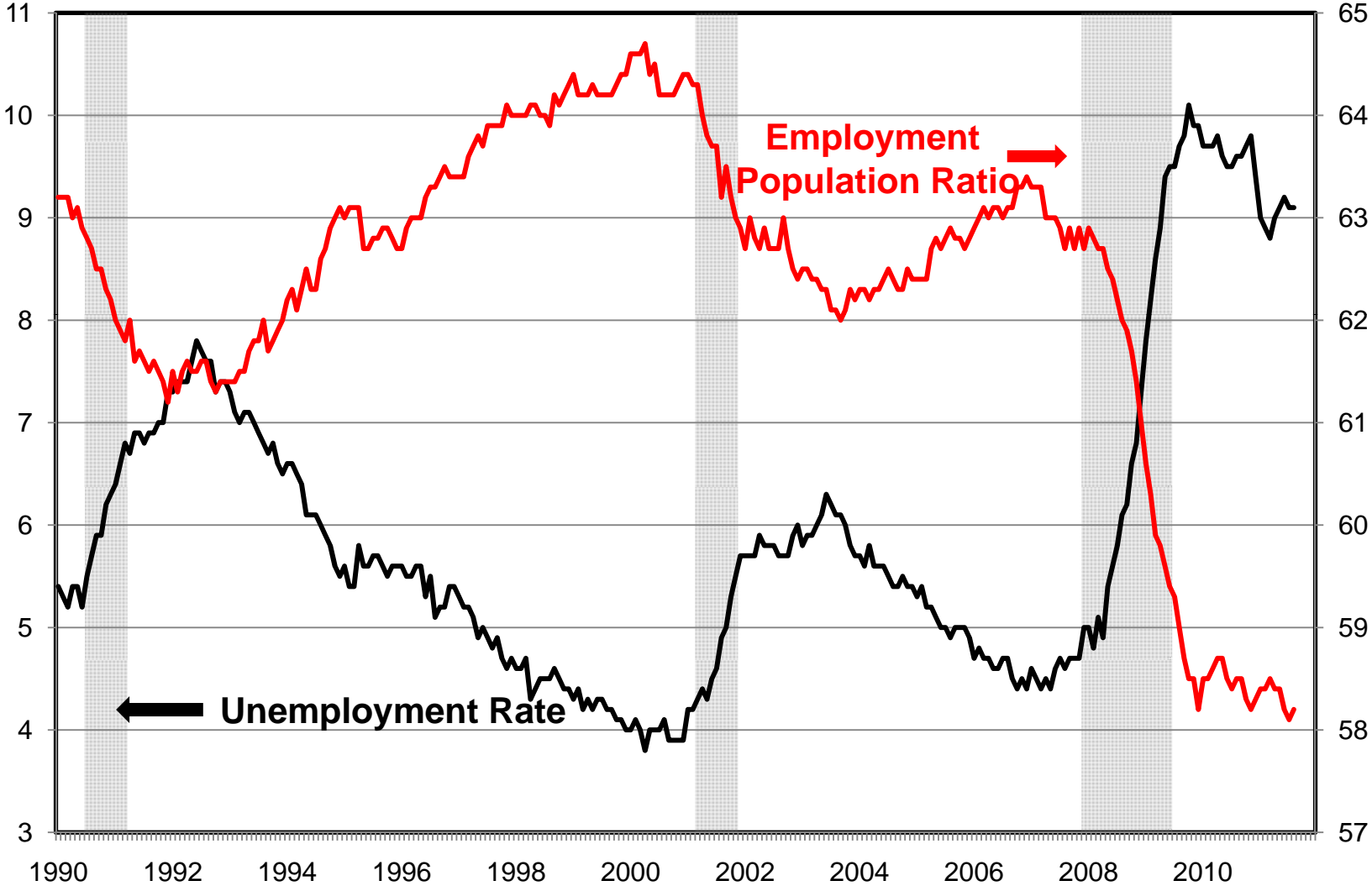
Adult Population By Labor Force Status: 2006 & Now (Aug. 2011)



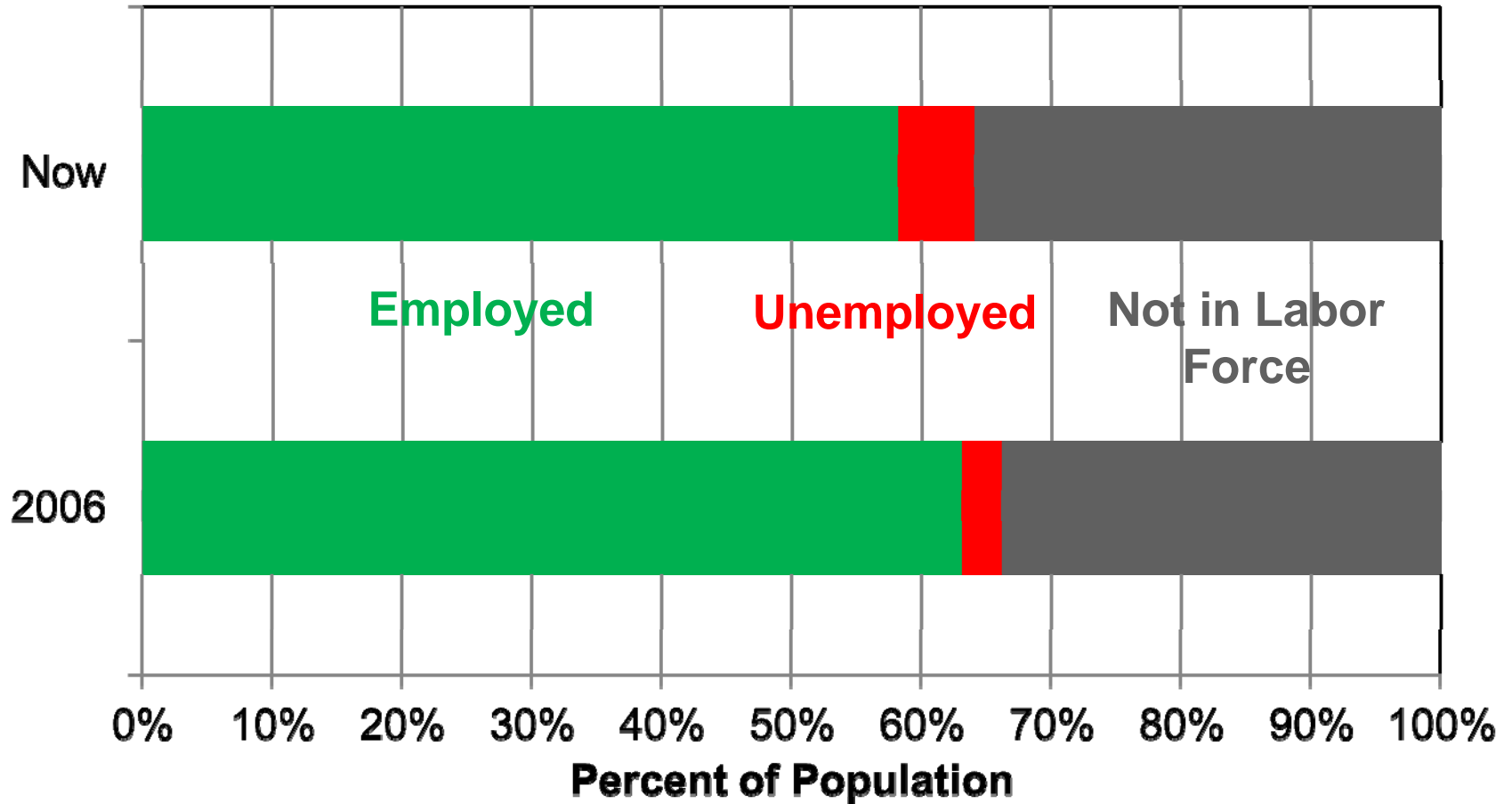
Unemployment Rate vs. Labor Force Participation



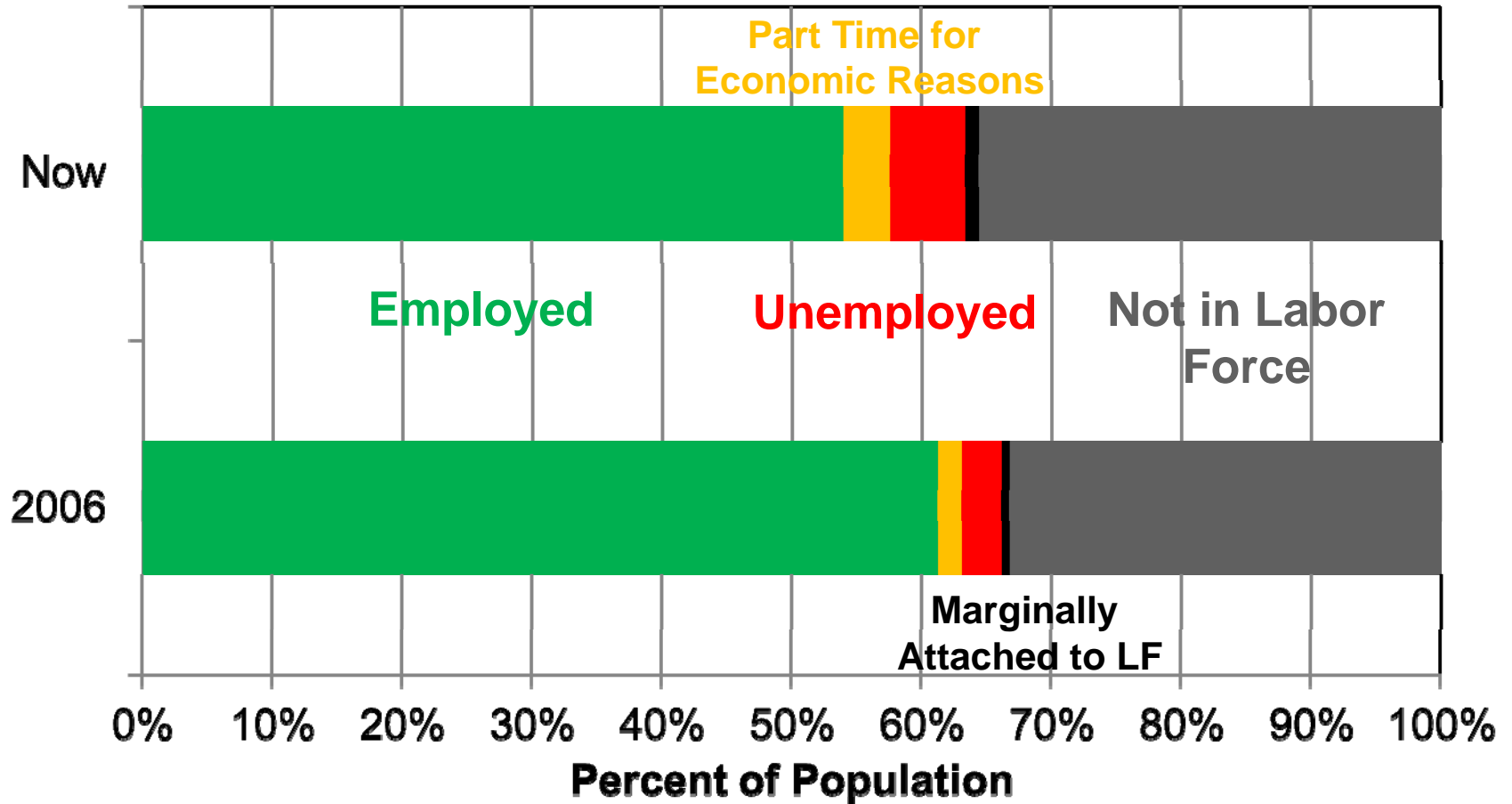
Unemployment Rate vs. Employment/Pop Ratio



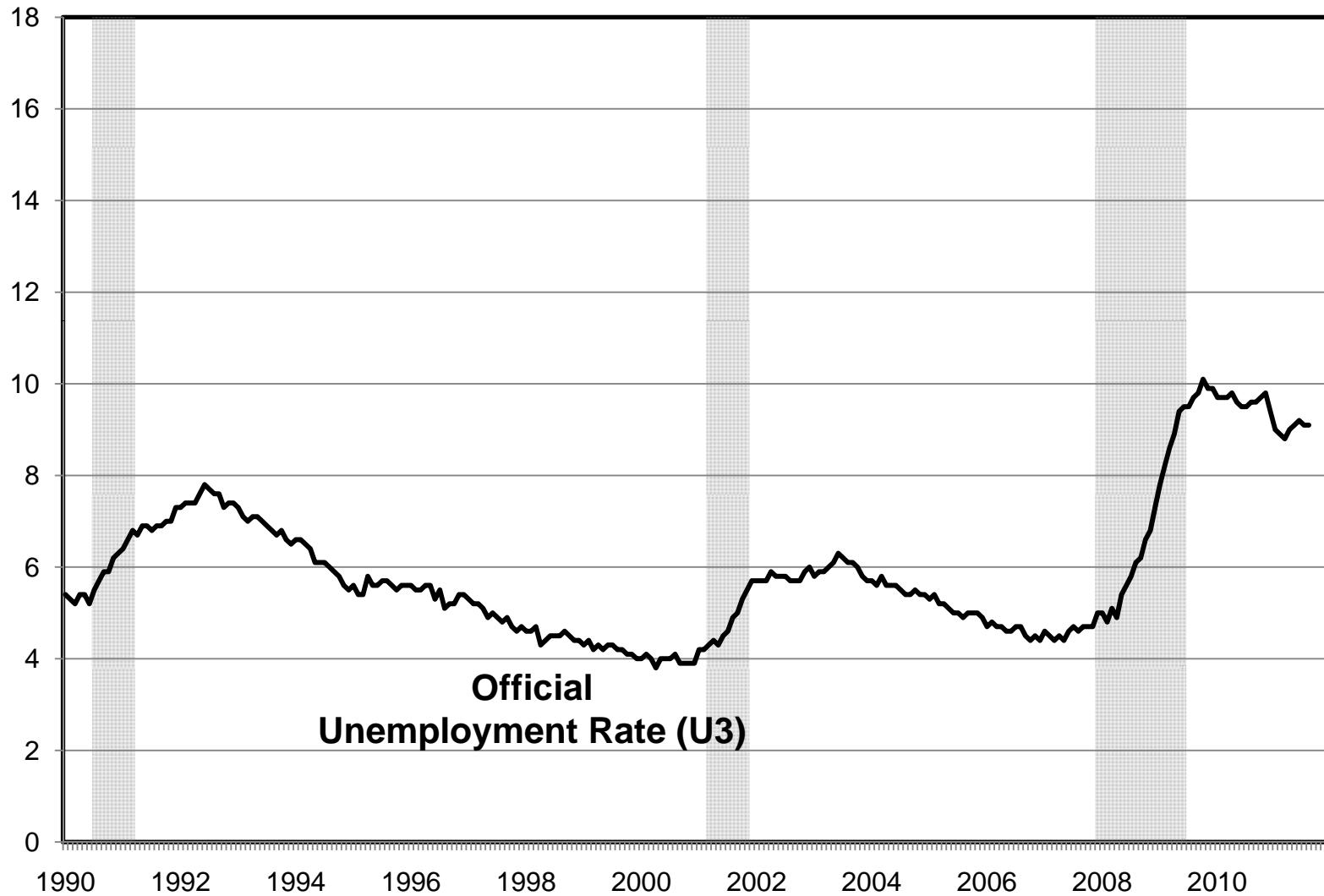
Adult Population By Labor Force Status: 2006 & Now (Aug. 2011)



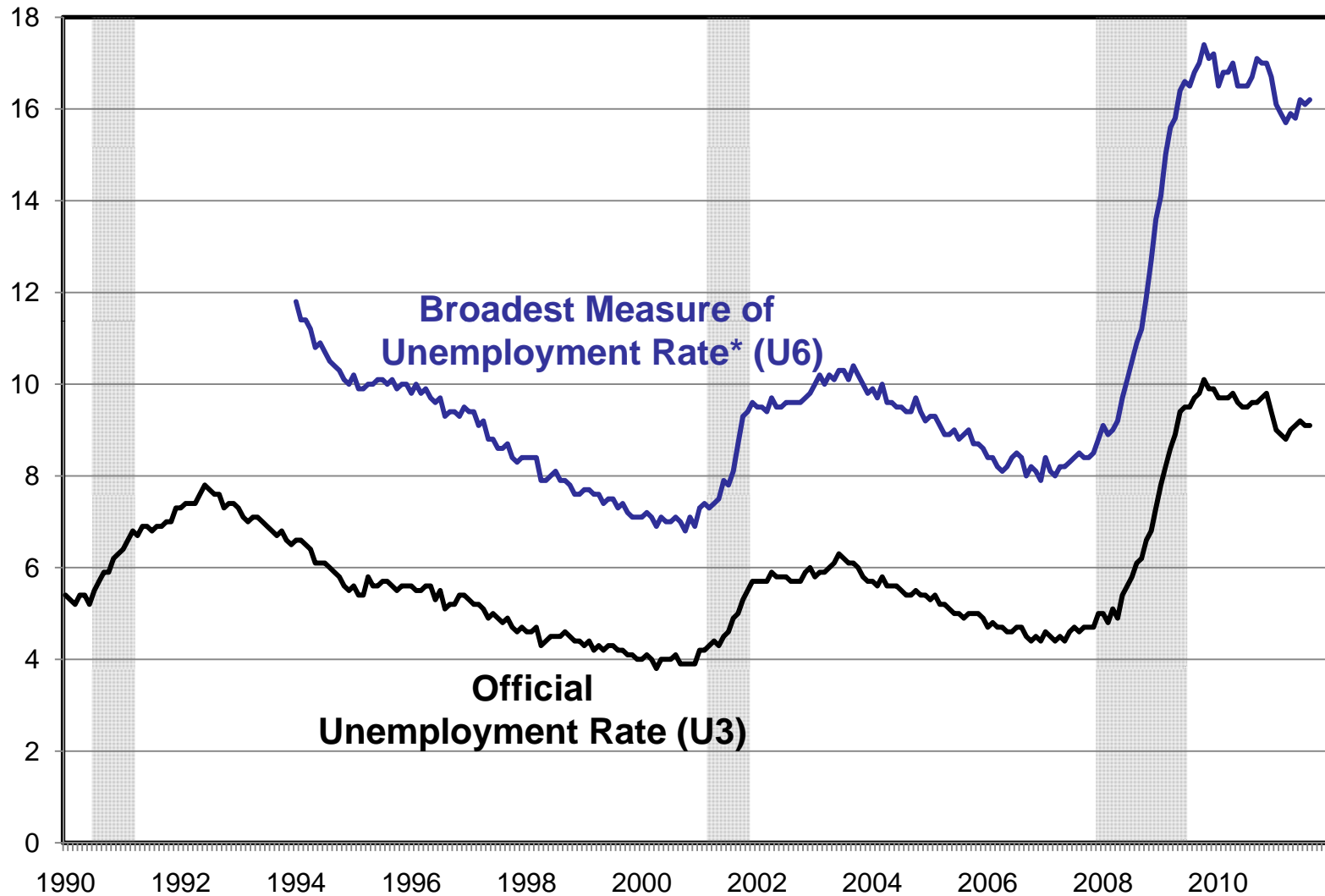
Adult Population By Labor Force Status: 2006 & Now (Aug. 2011)



The “Real” Unemployment Rate?



The “Real” Unemployment Rate?



* Includes (1) people looking for work; (2) "discouraged workers" who have stopped looking because they believe no work is available for them; (3) "marginally attached workers" who are available to work, but have not looked recently; and (4) part time workers who want to work full time, but cannot find full time work.

Employment: Payroll vs Household Surveys

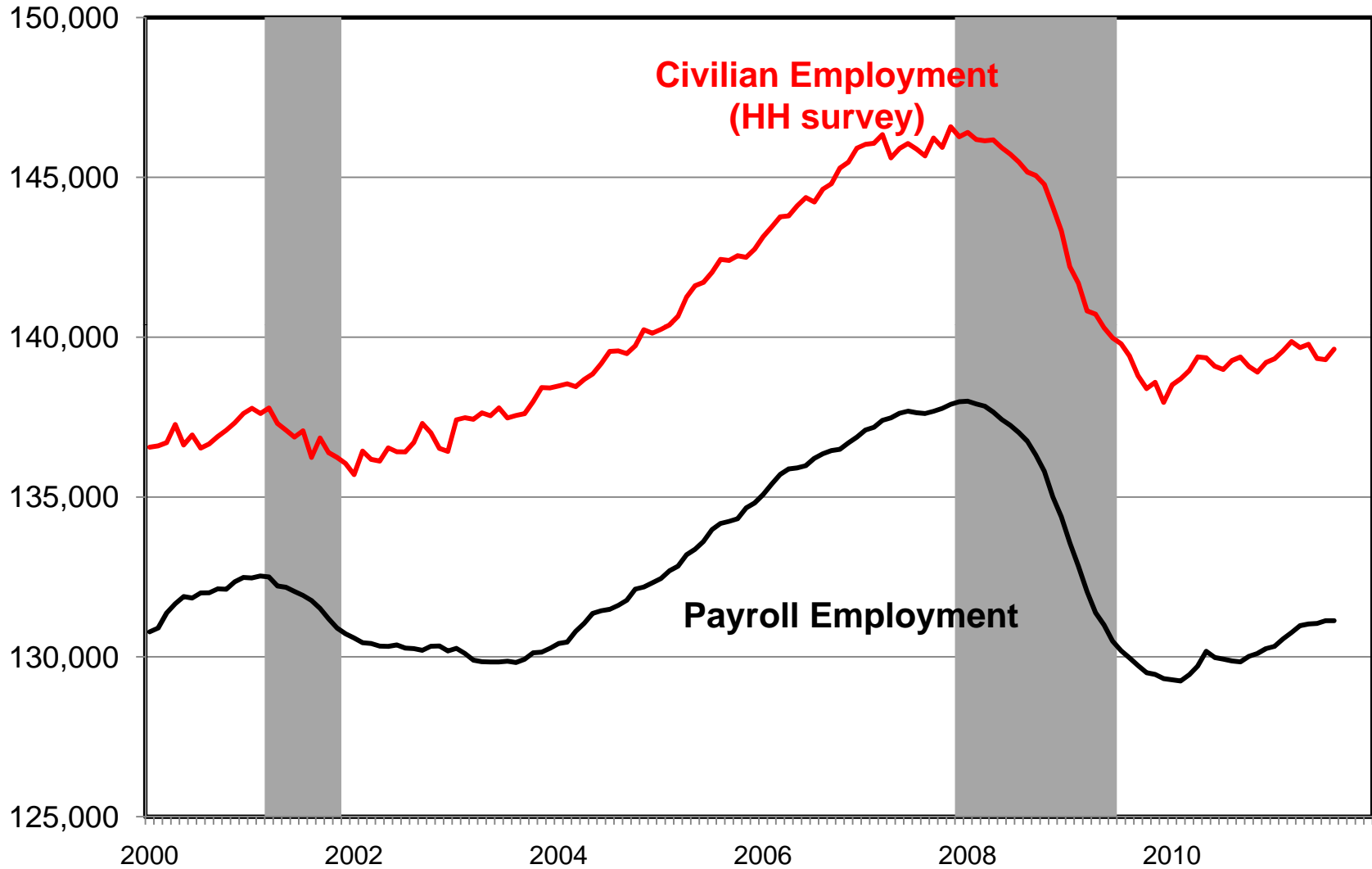
Advantages of Payroll Survey

- Sample covers much larger proportion of jobs: over 100,000 businesses, as opposed to 50,000 households
- Available by detailed industry sector
- Defined by place of work
- Contains data on hours and wages
- **Bottom line: generally seen as a less volatile, more reliable indicator.**

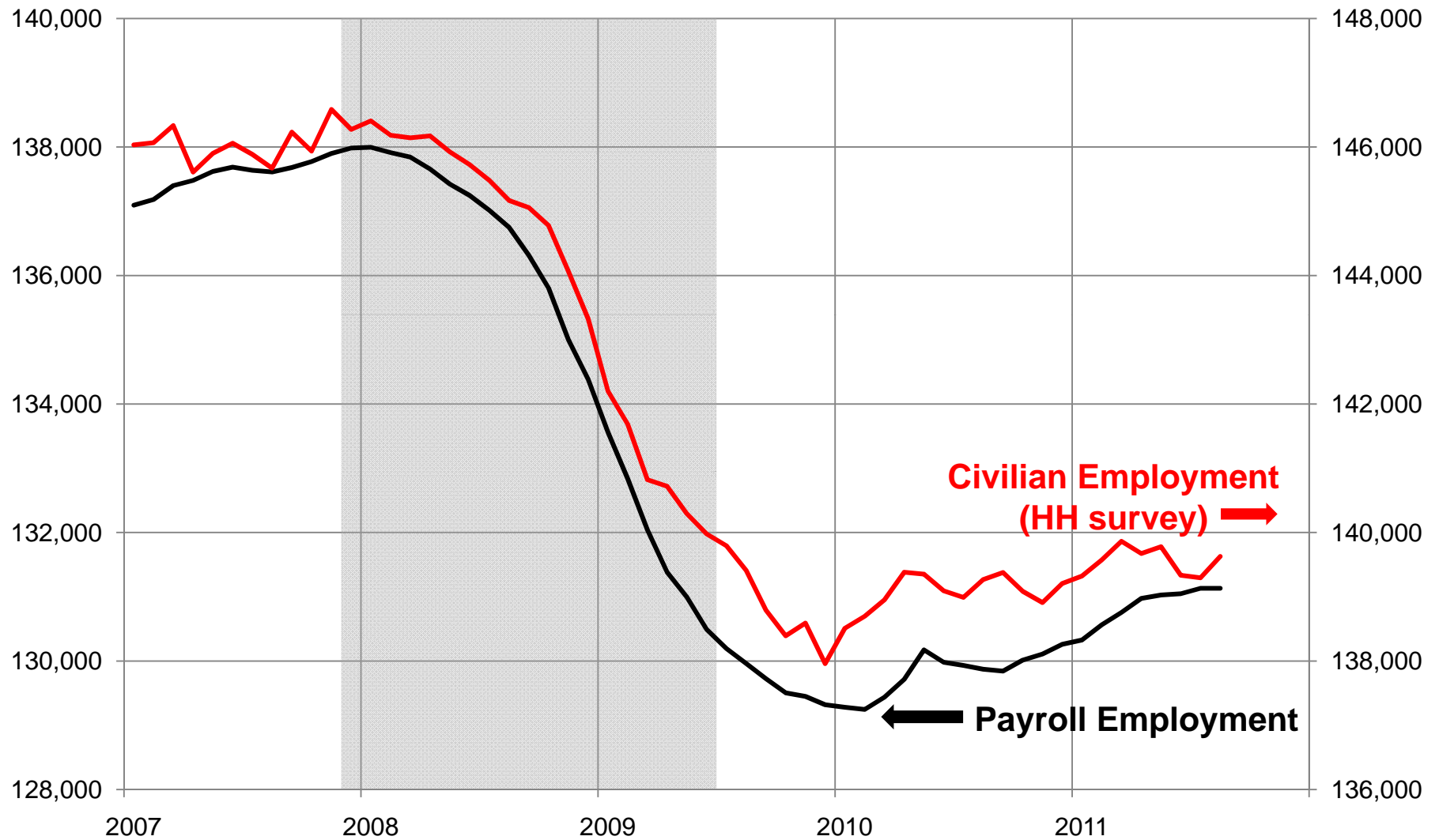
Advantages of Household Survey

- Covers a larger universe: includes self-employed, business owners, ...
- Available by characteristics of person.
- Defined by place of residence
- Less subject to bias at economic turning points [birth-death model].
- Contains useful information about labor force status of those not employed.

Employment: Payroll vs Household Surveys (Thousands of Jobs)



Employment: Payroll vs Household Surveys (Thousands of Jobs)

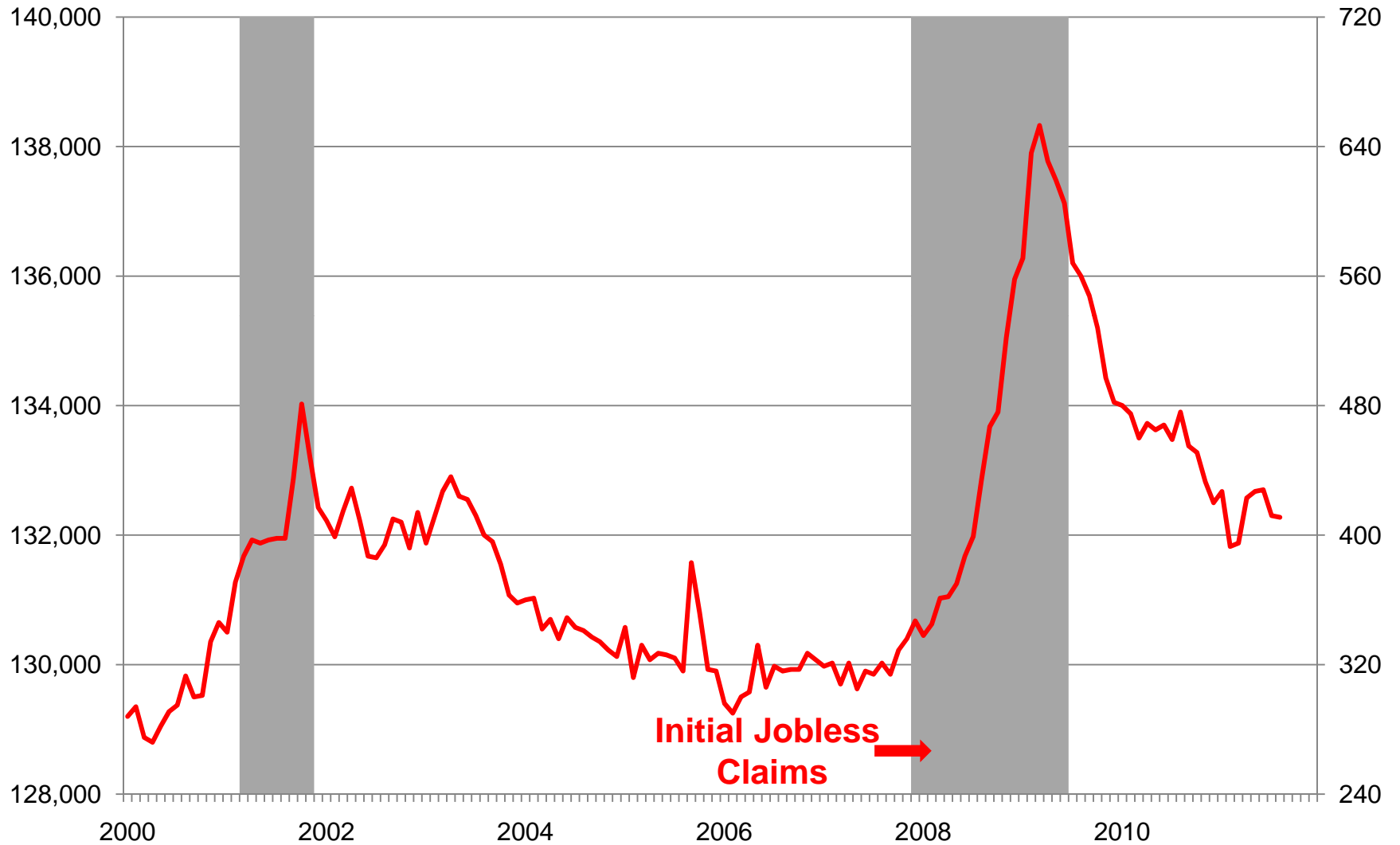


Labor Market Indicators

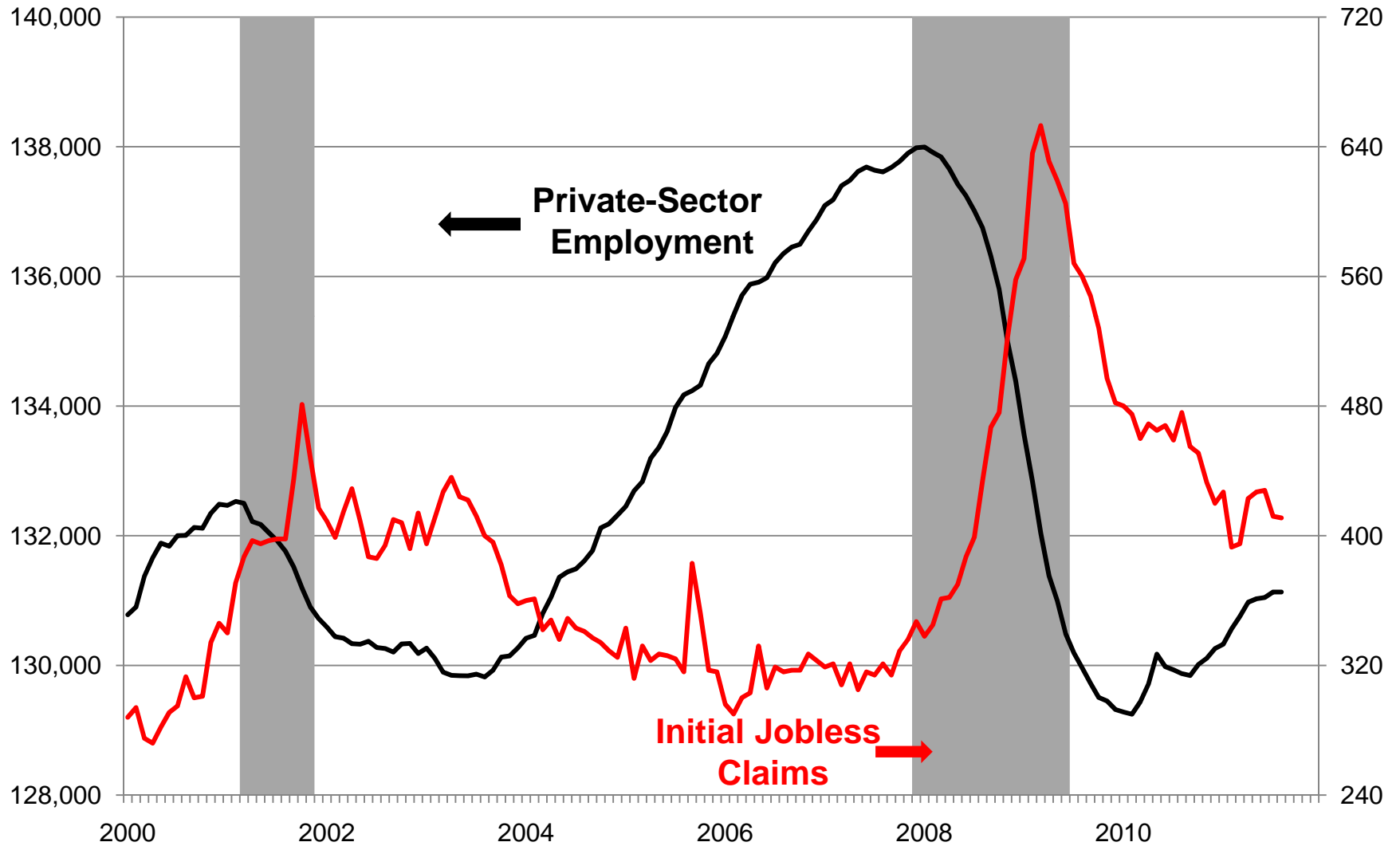
- **Initial Claims for Unemployment Insurance**

- Based on new claims for unemployment insurance filed at state offices.
- This is a weekly indicator and is widely followed because of its timeliness (available the Thursday after the reference week)
- This is a gross not net measure of job losses.
- This measure is considered to be a leading economic indicator.
- NOTE: Someone who is not collecting unemployment insurance—i.e. if benefits have run out—can still be counted as unemployed.

Initial Jobless Claims & Private-Sector Employment (Thousands)



Initial Jobless Claims & Private-Sector Employment (Thousands)



Initial Jobless Claims & Private-Sector Job Growth (Thousands)

