



# National Economic Trends



## Interpreting the New Employment Statistics

Starting in January 1994, the Bureau of Labor Statistics (BLS) implemented several significant improvements in the Current Population Survey, the source from which household employment (p. 5) and the unemployment rate are derived. To help understand the effects of the changes, the BLS tested the new design in a smaller sample (one-fifth the size of the regular sample) from July 1992 to December 1993. Data from the test can be compared with the official data (which used the old survey design) over this period. To further enhance understanding how the surveys differ, BLS will continue to conduct the old survey using a smaller sample during 1994.

The most visible effect of these changes is that the unemployment rate is substantially higher using the new survey. During 1993 the unemployment rate estimated from the test survey was 0.5 percentage points higher on average than the official rate based on the old survey. The main reason was that the new survey restructured a series of questions that had caused measured unemployment to be underestimated among women, teenagers and those older than 64.

In addition to changes in the survey itself, the data are now reported using population estimates projected from the 1990 census rather than from the 1980 census. The population estimates are used to translate survey results from 60,000 households into estimates of nationwide employment, unemployment, and so on. The most significant impact of changes in the population projections is the illusion of a jump of more than 1 million in the level of employment

between December and January. When BLS revises earlier data to incorporate the new population estimates, this sudden jump will be distributed over several years. The new projections also increased the unemployment rate by about 0.1 percentage point. This happened because the old population estimates substantially understated the size of some groups, primarily Hispanics, who have higher-than-average unemployment rates.

The official unemployment rate rose in January to 6.7 percent (new method) from 6.4 percent (old method). BLS estimates (using data from the test survey and a statistical model) that, had the new method been in place in December, the unemployment rate would have been 7 percent in December, declining to 6.7 percent in January. BLS also estimates that, using the old method for January, the rate would have declined only 0.1 percent, from 6.4 to 6.3 percent. Keep in mind that these estimates are based on surveys of a small fraction of the U.S. population and on statistical models. Therefore, the apparent discrepancy between the new and old methods might easily be due to sampling error. The difference between old and new methods ranged from 0.4 to 0.8 percent during 1993.

The new survey also provides some new kinds of information. Perhaps the most interesting is an estimate that 5.2 percent of the labor force holds more than one job. Movements over time in this figure will be particularly interesting, because second jobs are thought to be an important way by which individuals respond to cyclical movements in the economy.

— Joseph A. Ritter

Views expressed do not necessarily reflect official positions of the Federal Reserve System.

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