

June 10, 2013

## Casting a Web over Jobs Data

Writing in the [Wall Street Journal](#) prior to the U.S. Bureau of Labor Statistics' Friday release of the May employment [data](#), Ed Lazear (Stanford professor and former chair of George W. Bush's Council of Economic Advisers) made a plea for an expansive interpretation of labor market conditions:

...when Friday's jobs report is released, the unemployment rate and the number of new jobs will come in for close scrutiny. Then again, they always attract the most attention. Even the Federal Reserve focuses on the unemployment rate...

Yet the unemployment rate is not the best guide to the strength of the labor market, particularly during this recession and recovery. Instead, the Fed and the rest of us should be watching the employment rate. There are two reasons.

First, the better measure of a strong labor market is the proportion of the population that is working, not the proportion that isn't...

Second...There is another highly relevant measure that captures what is going on in the economy. "U6" counts those marginally attached to the workforce—including the unemployed who dropped out of the labor market and are not actively seeking work because they are discouraged, as well as those working part time because they cannot find full-time work...

The striking deficiency in jobs is borne out by the Bureau of Labor Statistics' Job Openings and Labor Turnover Survey. Despite declining unemployment rates, the number of hires during the most recent month (March 2013) is almost the same as it was in January 2009, the worst month for job losses during the entire recession (4.2 million then, 4.3 million now).

Faithful readers of *macroblog* will recognize that, contrary to the narrow focus that Professor Lazear suggests preoccupies the Federal Reserve, one of the Fed's consistent themes has been to cast our intellectual nets over a broad swath of labor market indicators. In fact, one of our favorite blog topics over the past six months has been the construction of "spider charts" to visualize the status of the labor market beyond what can be gleaned from simply looking at the standard unemployment and employment statistics.

Internally, these spider charts have become one of our primary tools for evaluating the status of the labor market. Because we have also found this tool to be an effective means of communicating the overall labor market picture, we are pleased to announce that the [labor market spider chart](#) has been added to our portfolio of labor market tools available on the Atlanta Fed's Center for Human Capital Studies' [web pages](#) (a portfolio that includes the [Jobs Calculator](#) and the [Human Capital Compendium](#), which is a repository of human capital-related products from throughout the Federal Reserve System). The spider chart is presented both in simple levels that were first introduced in [macroblog](#) on January 13, 2013, as well as in rates, which were discussed in [macroblog](#) last April.

As we have mentioned before, the spider chart contains four groups of labor market indicators:

- **Employer behavior** includes indicators related to the hiring activities of employers.
- **Confidence** includes indicators of employer and worker confidence in the labor market.
- **Utilization** includes measures related to available labor resources.
- **Leading indicators** shows data that typically provide insight into the future direction of overall labor market activity.

The inner circle of the chart represents the labor market conditions that existed when the unemployment rate peaked in the fourth quarter of 2009. The outer circle represents the labor market conditions that existed just before the recession began.

A section on the website titled [Indicators](#) explains the details behind each of the variables included in the groups noted above, and another section, [Surveys](#), details the data sources. A [Frequently Asked Questions](#) section offers details on the construction of the indicators and the reference points, as well as the rationale for this approach and answers to other questions that have arisen.

The spider chart allows one to chart the progress on all these dimensions using the most recent three months of data, compared to that level (or rate) for the same time period over the last three years, while the reference points remain fixed. So one could have a spider chart that shows just the data for the three-month period ending in May 2013, or a chart that encompasses the data for May 2013, May 2012, and May 2011.

The increase in the unemployment rate in last Friday's jobs report, amid an otherwise strong report that included a 175,000 increase in payroll employment, supports this strategy of using a variety of indicators to monitor labor market conditions rather than to simply focus on the unemployment rate. The increase in the labor force participation rate this month worked to drive up the unemployment rate, but by all other accounts this was a solid report. In fact, all seven of the indicators from the employment situation report release

increased from the April readings in both the "levels" and "rates" spider charts.

Our current focus is still on the recovery of the labor market, and as long as this is the case, we will use the information in these charts to help us determine if the labor market has achieved substantial improvement. When the labor market has turned a corner into expansion, we will reevaluate our tools and determine a more appropriate way to monitor the labor market. But, for now, rest assured that our policy deliberations are not stuck in a single-indicator rut.

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