

# **HOW THE GOVERNMENT MEASURES UNEMPLOYMENT**



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**UNITED STATES DEPARTMENT OF LABOR  
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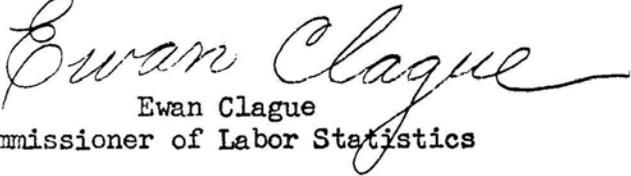
**BUREAU OF LABOR STATISTICS  
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## FOREWORD

So much attention has been given to the problems of the unemployed that the Bureau of Labor Statistics has received many inquiries about how we go about measuring unemployment. The purpose of this pamphlet is to provide answers to some of the most frequent questions raised regarding who is counted as unemployed and to describe the way in which unemployment is measured. We hope that the material presented here will contribute to public understanding and provide a background for appraising developments in this vitally important area.

For readers interested in additional information on this subject, a short bibliography has been included following the discussion.

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## HOW THE GOVERNMENT MEASURES UNEMPLOYMENT

### Why Does the Government Collect Statistics on the Unemployed?

When a worker is unemployed, both he and the country are losers. He loses his wages; the country loses the goods or services he could have been producing. Furthermore, the country loses his ability to purchase the goods and services produced by others. When many people are out of work, the serious decline in their incomes can lead to further unemployment with additional hardships for individuals and for the country.

To know about unemployment in this country—how serious it is, what should be done about it—requires facts and figures. How many people are unemployed? What types of people are they? How long have they been unemployed? After we have the facts and the figures, we have to be able to interpret them properly so they can be used—together with other economic facts—as the basis for deciding what measures should be taken to help keep our labor force fully employed.

During the early part of every month, the U. S. Department of Labor announces the total amount of employment and unemployment in the United States for the previous month, along with many characteristics of employed and unemployed persons. These figures receive wide coverage in the press and on radio and television. In the following discussion we intend to take a look at where these figures come from and what they mean. We want to show what they can tell us about the unemployment situation in this country.

### Where Do These Statistics Come From?

Some people think that the Government lists and counts every single unemployed person each month. To do this, every single home in the country would have to be visited—just as in the population census every 10 years.

This would cost too much and take too long. Besides, people would soon grow tired of having a Government census taker come to their house every month, year after year, to ask them about their labor market activities during the previous week.

Since we can't count every body every month, we take a sample. This means that we try to discover what every body in the country is doing about working or looking for work by actually finding out what a small representative group is doing. Samples have been used for many years to check on crops or to test industrial products or to try out new drugs. Sampling of the population on a national scale is a fairly new development--only about 20 years old. Obviously, we have to choose our population sample very carefully. This is just what the Government does.

First, a sample of counties or groups of counties is chosen from the 3,100 counties in the country. Our sample, which has been designed and selected by the Bureau of the Census, is comprised of 333 areas which include 641 counties and independent cities. It covers some areas in every State and in the District of Columbia. It is designed to reflect urban and rural areas, different types of industries and farming areas, and the major geographic divisions of the country in the same proportion as in the nation as a whole.

Each of these 333 areas is subdivided into smaller clusters of about six dwelling units each through the use of detailed maps, lists of addresses, and other sources. Then through statistical selection the segments to be surveyed are chosen. The number of households interviewed is 35,000 or about 1 in every 1,500 households throughout the country. Each month about one-fourth of the households in the sample are replaced so that no family is interviewed for more than 4 months in a row.

Because it is a sample and not a total count, the results of the survey may not be exactly the same as we would have obtained by interviewing the total population. We do know that the chances are 95 out of 100 that the estimate of unemployment we get from the sample is within 200,000 of the figure we would get from a total census. Since total unemployment has ranged between 2-1/2 and 5-1/2 million in recent years, the differences arising out of sampling error are by no means large enough to distort the unemployment picture.

Although the population sample contains households in each of the 50 States, it cannot be used to provide information on employment and unemployment by State. There is a statistical reason for this. The accuracy of a sample depends more on the size of the sample itself than it does on the size of the group from which the sample is being taken. This means that in order to get reliable estimates of employment and unemployment by State, we would need 50 samples (1 for each State), each nearly as large as the sample we now use for the whole country. The cost, of course, would also be 50 times as great.

The 35,000 households chosen in the population sample are interviewed by a special group of 550 highly trained and experienced Census Bureau interviewers. Once a month these interviewers go to the households selected from the sample and get information on the jobholding and jobseeking activities of all the household members 14 years of age and over during the **preceding week**. This information is recorded on special reporting forms and later processed by an electronic computer at the Bureau of the Census in Washington, to which the forms are sent.

Classification of each person takes place in the computer according to the activities he reported during the preceding week. Then the total numbers are "weighted up" to equal the population 14 years of age and over. The weighting

takes into account the age, sex, color, and urban-rural distribution of the population so that these characteristics are reflected in the proper proportions in the final estimates.

The interview is the basic source of all the Government's information on total unemployment. It is therefore most important that the information given be factual and correct and that the interviewer not rely on the judgment or opinions of the persons being interviewed. It is also essential that all interviews follow the same procedure so that the results will be comparable. For these reasons the questions asked the respondent are identical both in wording and in order for every interview. The major questions asked are these:

1. What were you doing most of last week—working, keeping house, going to school, or something else?

For everyone who was not working or who was reported as unable to work because of physical or mental disability, the next question is:

2. Did you do any work at all last week, not counting work around the house?

For those who say no, the next question is:

3. Were you looking for work?

For those who say no, the next question is:

4. Even though you did not work last week, do you have a job or business?

For those who say yes, the next question is:

5. Why were you absent from work last week?

The respondent is never asked if he is unemployed or if he would like to have a job. He is given no opportunity to decide his own labor force status. Unless he already knows how the Government defines unemployment, he might easily complete the interview without knowing how he will be classified.

Similarly, the interviewer does not decide the respondent's labor force activities. His job is simply to ask the questions in the prescribed way and record the answer. The actual classification of people as employed or unemployed is made in the computer on the basis of the official criteria which have been programed into the machine.

Because of the crucial role the interviewers have in the household survey, a great amount of time and effort is devoted to maintaining the quality of their work. New interviewers are given 3 months of intensive training including classroom lectures, discussion and practice, and on-the-job training and observation. Prior to each monthly survey, experienced workers are given 3 to 4 hours of home-study materials. At least four times a year the interviewers convene for day-long training and review sessions, and twice a year each interviewer is accompanied by a supervisor during a full day of interviewing in order to determine how well he performs in the field. Three times a year a selected number of households visited by each interviewer are reinterviewed by a supervisor in order to determine whether the information obtained was correct. Furthermore, the completed questionnaires receive close inspection in the field offices and in Washington; from these inspections information is gained on how the entire training program can be improved.

#### What Do the Unemployment Statistics Mean?

The survey of households is designed so that every civilian 14 years of age or over, who is not institutionalized, is classified as either:

Employed;  
Unemployed; or  
Not in the labor force.

Each person is counted and classified in only one group. The sum of the employed and the unemployed is the civilian labor force. Persons not in the labor force combined with the civilian labor force add up to the total civilian noninstitutional population 14 years of age and over.

The basic concepts involved in employment and unemployment are quite simple:

People with jobs are employed.  
People who are not working and are  
looking for jobs are unemployed.

Under these concepts, most people are quite easily classified. For example:

Tom Brown reports to the interviewer that last week he worked 40 hours as a foreman for the Well-Built Construction Co.

Paul Adams lost his job when the local plant of the Gidget Manufacturing Co. was moved to another town. Since then, he has been visiting the personnel offices of the other factories in town trying to find a job.

Mary Jones is a homemaker. During the last week, she was occupied with her normal household chores. She neither held a job nor looked for a job. Her 80-year old father is an invalid, unable to work.

Each of these examples is quite clear cut. Tom is employed, Paul is unemployed, and Mary and her father are not in the labor force.

### Who Is Counted as Employed?

There is a wide range of job arrangements possible in the American economy and not all of them fit neatly into a given category. For example, people are considered employed if they did any work at all for pay or profit during the survey week. This includes all part-time and temporary

work as well as regular full-time year-round employment. People are also counted as employed if they have a job at which they did not work during the survey week because they were:

On vacation;  
Ill;  
Involved in an industrial dispute;  
Prevented from working by bad weather; or  
Taking time off for various personal reasons.

These people are counted among the employed and tabulated separately as "with a job but not at work," because they have a definite commitment to a job and are not seeking other employment.

But what about the two following cases?

Pete Andrews is 15 years old. He has no job from which he receives any pay or profit. Pete does, however, help with the regular chores around his dad's farm and puts in about 20 hours each week working on the farm.

Or take Betty Green. Most of the time she's occupied with taking care of her home and children, but all day Friday and Saturday she helps out in her husband's grocery market.

Under the Government's definition of employment, both Pete and Betty are considered employed. They fall into a group called unpaid family workers which includes any person who works without pay for 15 hours or more in a family operated enterprise. Such persons make significant contributions to our manpower supply, particularly in agriculture and retail trade.

### Who Is Counted as Unemployed?

Persons are unemployed if they are looking for work and, of course, are not working at the same time. Looking for work may consist of such activities as:

Registering at a public or private employment office;  
Meeting with prospective employers;  
Placing or answering advertisements;  
Writing letters of application; or  
Waiting for the results of any of these activities which were undertaken within the past 60 days.

From this definition, it can be seen that the total unemployment figure measures more than the number of persons who have lost jobs. It includes persons who have quit their jobs to look for other jobs, new workers looking for their first jobs, and experienced workers looking for jobs after an absence from the labor force (as, for example, a woman who returns to the labor force after her children have grown up).

Certain small groups are counted as unemployed even though they are not actively seeking work. The "inactive unemployed" are included in the total because it is felt that under ordinary circumstances they would be looking for work. For example:

Charlie Tucker has been looking for a job for 3 weeks; however, he didn't do any looking last week because he was laid up with a severe cold. As soon as he recovers, he will start looking again.

Clyde Jenkins was laid off from the Hot Rod Motor Co. when the firm began retooling for the production of a new model car. Clyde knows he will be called back to work as soon as the model change-over is completed, and he also knows it is unlikely that he would be able to find a job for the period he is laid off, so although he is able and willing to work, he is not actively seeking a job.

Dave Henderson lost his job when the coal mine shut down permanently. He has looked for work but is convinced that there is no other place in town where a coal miner can get a job. Therefore, Dave didn't actually look for work last week even though he wants very much to work.

Each of these men is counted as unemployed. In the interviewing procedure, however, there are no special questions designed to identify the inactive unemployed. The person being interviewed must voluntarily state that:

He was waiting to be called back to a job from which he had been laid off;  
He was waiting to report to a new job within 30 days; or  
He would have been looking for work except that he was temporarily ill or believed that there was no work available in his line of work or in the community.

#### What About Cases of Overlap?

In determining who is employed, who is unemployed, and who is not in the labor force on the basis of people's activities during a given calendar week, we run into the problem of the many individuals who were engaged in more than one activity during the week. Since we want to count everyone only once, we must decide which activity will determine how he is to be classified.

To do this, a system of priorities is used. Under this system:

Labor force activities take precedence over nonlabor force activities.

Working takes precedence over looking for work.

Looking for work takes precedence over being away from a job because of a vacation, industrial dispute, and the like.

Let's take some examples:

1. Last week Susie Smith, who was working for the XYZ Co., went over the ABC Co. on her lunch hour to be interviewed for a higher paying job.

Susie's interview constitutes looking for work, but since Susie was already working last week, that takes priority and she is counted as employed.

2. Bob Brown has a job at the Nuts and Bolts Co., but he didn't go to work last week because there was a strike at the plant. Last Thursday, he went over to the Screw and Washer Factory to see about getting a job there.

Bob was "with a job but not at work due to an industrial dispute," but since he was also looking for work, that takes priority and he is counted as unemployed.

3. Tom Smith works at the Nuts and Bolts Co. with Bob and he was also off from work because of the strike. He went on a fishing trip with his uncle.

Tom is "with a job but not at work"; since he didn't look for other work, he is counted as employed.

To summarize--

Employed persons consist of:

All persons who did any work for pay or profit during the survey week.

All persons who did at least 15 hours of unpaid work in a family operated enterprise.

All persons who were temporarily absent from their regular jobs because of illness, vacation, bad weather, an industrial dispute, or various personal reasons, provided they were not looking for work at the same time.

Unemployed persons are:

All persons who were not working and were looking for work.

All persons who were not working and would have been looking for work except that:

They were waiting to be called back to a job from which they had been laid off.  
They were temporarily ill.  
They believed there was no work available in their line or in the community.

Because of the complexities of the American economic system, and the wide variety of the job arrangements and jobseeking efforts individuals can make, the definitions of employment and unemployment must be specific in order to insure uniformity of reporting at any given time and over any period of time. When all of the details are considered, the definitions may seem rather arbitrary and complicated. The basic concept, however, is still the same--people with jobs are employed; people who are not working and are looking for jobs are unemployed. The qualifying conditions are necessary to cover the wide range of labor market patterns and to provide a set of standards to assure consistent treatment of cases by interviewers.

#### What Does Insured Unemployment Measure?

Frequently, people have found it difficult to distinguish between total and insured unemployment. In many countries, the count of unemployment is based on the number of persons collecting unemployment insurance or the number of persons registered as available for work with government employment offices. These data are also available for the United States. They are not, however, used as a measure of total unemployment because they exclude several important groups.

Statistics on insured unemployment in the United States are collected as a byproduct of the administration of unemployment insurance programs. Workers covered by these programs, upon losing their jobs, file claims which serve notice that they are beginning a period of unemployment. A claimant who continues to be unemployed is counted in the insured unemployed each week he files a claim certifying to his unemployment. Insured unemployment for a given week represents the number of workers who have filed claims during that week.

About two-thirds of the civilian labor force are covered by unemployment insurance programs. The principal groups not covered are:

- Agricultural workers;
- Domestic service workers;
- Employees of State and local governments;
- Self-employed workers;
- Unpaid family workers; and
- Workers in firms below a minimum size.

In addition, workers who have been unemployed long enough to exhaust their benefit rights and new workers who have not yet earned benefit rights are not entitled to unemployment insurance benefits and are not included in the count of insured unemployment. Because of these limitations, the statistics on insured unemployment, while they have many important uses, cannot provide a comprehensive measure of how effectively total manpower resources are being utilized.

### How Large Is the Labor Force?

Now that the major labor force concepts are clearly defined, let's take a look at how they apply to the civilian noninstitutional population in a specific month.

Employment Status of the Civilian Noninstitutional Population, April 1961  
(14 years of age and over)

Total civilian noninstitutional population .....	124,817,000
Civilian labor force .....	70,696,000
Employed .....	65,734,000
At work .....	63,714,000
Full time .....	50,788,000
Part time .....	12,926,000
With a job, but not at work .....	2,020,000
On strike .....	33,000
On vacation .....	394,000
Bad weather .....	189,000
Temporarily ill .....	945,000
Other .....	460,000
Unemployed .....	4,962,000
Not in the labor force .....	54,121,000
Housewives .....	34,637,000
Students .....	11,430,000
Persons unable to work .....	1,821,000
Other .....	6,234,000

We can see by examining the tabulation that the majority of civilians 14 years of age and over are in the labor force--they are either working or looking for work. The two major groups who are not in the labor force are housewives and students. Most of the persons in the civilian labor force are employed, most of the employed were at work during the survey week, and most of the people at work were working full time (35 hours or more). These are constant patterns that exist every month, year in and year out.

There are other items of the tabulation that would be quite different if we were looking at data for another month. In the winter, the number of employed people who are not at work because of temporary illness and bad weather is, of course, much higher than it is during the rest of the year. Similarly, employed persons on vacation represent a much larger proportion of total employment in July and August than they do during other months.

Even total employment and unemployment are normally higher in some parts of the year than in others. Every June, for example, employment and unemployment both rise as students enter the labor force to take summer jobs or to look for work. In the fall, both employment and unemployment decline as these young people withdraw from the labor force and return to school.

The labor force, then, is not a fixed number of people. It grows with the long-term growth of the population, it responds to economic forces, and it changes with the changing seasons.

### What Is Seasonal Adjustment?

Many changes in employment and unemployment occur during the course of the year because of changing seasons, holidays, vacations, harvest time, and similar occurrences. It is often difficult to tell whether developments between any 2 months reflect changing economic conditions or merely normal seasonal fluctuations. In order to compare employment and unemployment data for any 2 months more accurately, a statistical technique called seasonal adjustment is often used. When a statistical series has been seasonally adjusted, data for any month can be meaningfully compared with any other month or with an annual average.

One of the most important seasonally adjusted figures that is published regularly every month is the seasonally adjusted unemployment rate. The unemployment rate itself is simply total unemployment expressed as a percent of the civilian labor force. The unadjusted rate has a seasonal movement from about 20 percent higher than the annual average in February to about 20 percent lower than the annual average in October. When the rate is seasonally adjusted, and there are no changes in the employment situation except seasonal ones, then

the rate will be exactly the same from one month to the next. Similarly, if there are changes in the underlying employment situation, other than seasonal ones, these changes will show up in the trend in the seasonally adjusted unemployment rate.

#### Have There Been Any Changes in the Definition of Unemployment?

During the 22 years in which data on the employed and the unemployed have been collected, only one change has been made in the concepts and definitions used in these statistics. In 1957, two groups which had been previously classified as employed (with a job but not at work) were reclassified as unemployed. These groups were:

- a) Persons who were laid off for a definite period of less than 30 days.
- b) Persons waiting to report to a new wage or salaried job scheduled to begin within 30 days.

This change was made only after a period of intensive study by economists and statisticians from government agencies and from business, labor, and academic groups. It was made because in many cases the anticipated job never materialized and the 30-day waiting period actually represented the beginning of a longer period of unemployment. When the reclassification of these two groups took place, data for all the major labor force components were adjusted to the new definition for every month back to January 1947.

Although the definitions of employment and unemployment are under continuous study by interagency governmental groups, congressional committees, and private committees, this one relatively minor change is the only one that has been made since 1940. The system of counting the unemployed in the United States is also used by Canada, Sweden, Japan, and several other countries and is

basically the standard method recommended for all countries by international committees of specialists under the auspices of the United Nations.

### Who Are the Unemployed?

The figure for total unemployment, because it is a total, cannot possibly meet all of the requirements of all of the people who wish to use it for a particular purpose. Each month the U. S. Department of Labor publishes in Employment and Earnings over 2,000 separate statistics showing employment and unemployment by age, sex, color, marital status, industry, and occupation, with hours of work for the employed and duration of unemployment for the unemployed. Suppose you are interested only in unemployment among adult men. The number of unemployed men between the ages of 25 and 64 and their unemployment rate is published each month. Suppose you want to know:

How many of the employed were working part time when they wanted full-time work?

How many of the unemployed were married men?

How many of the unemployed were looking for their first job?

How many of the employed and unemployed were boys and girls between 14 and 18 years of age?

What industries had the highest rates of unemployment?

What occupations had the highest rates of unemployment?

How many women worked in agriculture?

How the unemployment rate for white workers compared with the rate for nonwhite workers?

The answers to all of the questions and hundreds more are published every single month.

All of the detailed figures which are published monthly on employment and unemployment provide a depth and breadth of information that it would be impossible to convey in the totals alone--no matter how employment and unemployment were defined. These figures are as important as the totals in analyzing employment conditions and in making policy decisions. The total tells us how many are unemployed, but it is the abundance of detailed statistics which answers the question: Who are the unemployed?

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