

# ***PERSONALLY SPEAKING***

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## **ARE AMERICANS GROWING TIRED OF ANSWERING QUESTIONS ABOUT EMPLOYMENT AND UNEMPLOYMENT?**

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*Permission to quote is granted when the source is acknowledged.*

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The much anticipated jobless rate for November, drawn from the Bureau of Labor Statistics monthly household survey, fell to 8.6 percent from 9.0 percent in October. Armchair analysts are clinging to this single estimate as indicative of an important improvement in the U.S. jobs market. And so it is. According to the Bureau's statisticians who require a change of 0.19 percent point in the unemployment rate for statistical significance, the 0.4 percent month-to-month change is in fact statistically significant. October-November is the first time that this test has been met in 2011.

But the improvement in the overall rate, along with the lower rates for most demographic groups, divert attention away from other indicators from the household survey that tell a different story. Consider the following.

- The jobless rate among persons who in November wanted to work full time or were on layoff from a full-time job stood at 9.2 percent.
- Average duration of unemployment in November rose to 40.9 weeks from 39.4 weeks in October.
- Among the 278,000 additional persons employed in November, 88,000 were self-employed in unincorporated businesses.
- The number of persons unemployed in November fell by 594,000 at the same time the number not in the labor force rose by 487,000. Over the last fourteen months, there have been seven months in which the jobless total decreased and seven in which it increased.
- Joblessness among young men and women is still a serious problem. For 25-34 years olds it was 9.2 percent for both men and women in November. Among 20-24 year olds it came in at 12.6 percent for women and 15.6 percent for men.
- An estimated 5.9 million persons who were employed in October were either unemployed or not in the labor force in November.

- There were 6.6 million persons not in the labor force in November who said they currently want a job, up from 6.4 million in October and from 6.2 million one year ago. If one-third of that 6.6 million were instead classified as unemployed, the November jobless rate would rise to 9.9 percent. If one-half were counted as unemployed, the rate would jump to 10.6 percent.
- Unemployment (not seasonally adjusted) among construction workers dropped by 496,000 all the while there was a slight decline in the number of payroll jobs in construction. It follows that most of the 594,000 net decline in joblessness was accounted for in construction. The jobless rate in construction slipped from 18.8 percent to 13.1 percent.

Mayo Research Institute calls attention to three general problems with the accuracy and reliability of estimates from the monthly household survey. First, the number of households selected at random in the survey has not kept pace with population growth. In 1967 there were approximately 61 million households in the United States of which about 60,000 were included in the monthly sample. Today, there are nearly twice as many households, but the sample size remains at 60,000. The result is larger standard errors.

The Institute is puzzled by the fact that over the last 31 years the unemployment rate has dropped month-to-month by 0.4 percentage point or more on just six occasions. Two of those six incidents occurred in the last 12 months.

Second, years ago the household interviews that serve as the basis for the BLS estimates of employment and unemployment were conducted in the home. Today, most of them are conducted by telephone. This change no longer allows the survey enumerator to check the body language of the respondent and to square responses with what is observed first hand in the home, notably evidence suggesting that there are more persons living in that household than are being reported. Notice, as well, it's a lot easier to hang up on an enumerator than to toss that enumerator out of your home.

Third, there are an estimated 8 million unauthorized immigrants in the U.S. labor force according to a recent report prepared by the Pew Hispanic Center. The BLS does not collect information on immigrant status, so no one knows if these 8 million actually show up in the Bureau's monthly estimates of employment and unemployment, and therefore how they impact the jobless rate.

Finally, the November household survey asked respondents what they were doing during the week of November 6-12. Saturday, November 11, was a national holiday. Did that holiday influence who responded to the Census enumerator and how the respondents answered?

For more than 70 years, the BLS has chalked up a remarkable record of accuracy and reliability in estimating employment and unemployment based on its monthly household survey. But times have changed. Americans are surveyed on a daily basis to get TV ratings, to determine their political preferences and opinions, to find out what they are buying. They are

contacted by phone to solicit their financial support for colleges and universities, to sustain their local law enforcement agencies, to vote on a bond issue or tax increase, to sign up for a better deal on their credit cards. To inform publishers what they are reading. To tell hotels their opinion about their most recent stay. To answer questions put to them by social agencies that are tasked with producing needs assessments. They are reminded to pick up their prescription drugs at the local pharmacy and the candy bars or holiday decorations their children are expected to sell in order to support their schools.

Clearly 2011 is not 1941, and like it or not Americans are more suspicious especially of what they perceive as government prying into their personal affairs. Could it be that they are no longer as willing to respond openly and fully as they did in years past?

Should we continue to rely on the BLS household survey to produce accurate and reliable estimates of employment and unemployment that are so critical to the public discourse on current economic affairs? If not, what's the alternative?

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