

GROSS-FLOWS LABOR FORCE DATA: A NOTE

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The U.S. labor force is much more dynamic than the monthly household and establishment surveys suggest. Entirely overlooked in the one-and-done public commentary are the data that indicate month-to-month change, that is the extent to which the status of the American working population changes from one month to the next. Those vastly underreported data are known as gross-flows data. They derive from the very same household survey that produces monthly estimates of the number of persons employed, unemployed, and not in the labor force.

The gross-flows data show how many persons change from employed in one month to unemployed or not in the labor force in the following month. Additionally they report the number of persons unemployed in one month who became employed in the following month or dropped out of the labor force, and the number who in one month were not in the labor force and in the next month were employed or unemployed. In addition, those data also show the number of persons whose labor force status did not change from one month to the next.

Consider the following. The August establishment survey indicates that there was no net increase in the number of payroll jobs from the previous month. The gross-flows data for July-August indicate that there were an estimated 5.9 million persons who were either unemployed or not in the labor force (NILF) in July and were employed in August. At the same time 5.1 million who were either employed or NILF in July were unemployed in August. Another 6.3 million who were either employed or unemployed in July were classified as NILF in August. Thus, even though the establishment survey indicate no net change in the number of payroll jobs between July and August and the household survey point to a not statistically significant drop in the jobless rate, 17.3 million persons changed labor force status over that period.

Included among the 17.3 million were: younger persons leaving a temporary job to return to school, older persons entering retirement after years of work, and adult children on leave of absence from work to care for a dying parent (employed→NILF); workers who quit their job because it made them miserable and others who were fired because they were miserable workers (employed→unemployed or NILF); discouraged workers who stopped looking for work because there is no suitable work available in their area (unemployed→NILF); persons who found work quickly after losing their job and others who finally found a job after months of looking (unemployed→employed); the formerly sick who are well enough to resume working, persons returning to civilian life after military service, and mothers of newborn infants coming back to their job after maternity leave (NILF→employed); new college graduates entering the labor force for the first time as young professionals (NILF→unemployed).

It is instructive to think about these data in terms of the human activity taking place at a busy airport. At any given moment, some persons are boarding aircraft, others are exiting. Many are waiting for or rushing to their connecting or originating flights. Others still are remaining in their assigned seats on continuing flights. Others are grabbing a snack in a sports bar or a magazine at a news stand. Some are checking their bags while others are trying to retrieve their checked bags. Many are there to accompany a business associate or friend to the ticket counter or to meet a loved one arriving on an incoming flight. On the tarmac, many are just

arriving, others are departing.

The one-month data are the equivalent of a single snapshot freezing all of the human activity at one moment in time. This snapshot confirms that the airport is a very busy place. The gross-flows data are the equivalent of two snapshots taken one month apart. Comparing the first and second snapshots tells us something about the ebb and flow of human activity in the airport over time: where those people are coming from and going to.

With regard to job losses, the gross-flows data match the conventional wisdom. In the economic slump of 2008-2011, many more persons employed in one month became unemployed in the following month than in 2005-2007. To illustrate between October and November 2007, 1.7 million were counted as employed→unemployed. In the same two-month period three years later an estimated 2.5 million were classified as employed→unemployed. Additionally, 2.9 million unemployed workers dropped out of the labor force (unemployed→NILF) between October and November 2010 compared to 1.7 million three years earlier.

In other instances, however, the gross-flows data do not match the conventional wisdom. Based on the same October-November comparison, in 2007 an estimated 2.0 million unemployed persons found work (unemployed→employed) while three years later in the Great Recession that estimate increased to 2.5 million. Another unconventional finding relates to NILF→unemployed. In 2007, there were 1.9 million persons who were classified as unemployed who previously were not in the labor force. In 2010, that number had increased to 3.1 million.

What is most startling in terms of the conventional wisdom is that throughout 2010 **MORE** persons previously unemployed were finding jobs according to the estimates of month-to-month change than were losing jobs. And at the same time **MORE** persons previously not in the labor force were classified as unemployed than were previously employed and lost their jobs. *With the exception of the first three months, these very same NILF→unemployed findings held even in 2009, in the depths of the Great Recession.* What is also most telling, for three months in 2009, the number unemployed→employed was greater than the number employed→unemployed.

Three conclusions follow. First, even in a serious economic slump millions of American workers are actually able to find work, driven no doubt by the need to support themselves and their dependents. Second, the demand for workers does not disappear entirely even when the economy is burdened with massive and persistent unemployment. Third, even a month in which the net increase in payroll employment is zero and the change in the jobless rate is not statistically significant does not mean that little is happening in the labor force. As stated previously, between July and August 2011, 17.3 million persons changed labor force status.

Bureau of Labor Statistics gross-flows labor force data are available since 1990 and are accessible at the following BLS website: http://www.bls.gov/cps/cps_flows_history.pdf.