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THOMAS JEFFERSON ON WHAT IS ESSENTIAL FOR TODAY'S MONETARY AND FISCAL POLICY DECISIONMAKERS

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Data drawn from the BLS monthly *establishment* survey indicate that an estimated 156,000 nonfarm payroll jobs were added in August. However, there are certain limits to this data set because the self-employed, private household workers, unpaid family workers, and agricultural workers are excluded whereas they are included in the BLS monthly *household* survey.

The two surveys, both of which are designed as sample surveys, differ in another important way. In the household survey the threshold for statistical significance for month-to-month change in the estimated number of persons who are employed is set at 540,000. In the establishment survey the threshold for “real” significance regarding the month-to-month change in the number of jobs is set at 100,000. Thus the estimated 156,000 increase in nonfarm payroll employment is real. The estimated 74,000 decrease in the number of persons employed from July to August is not.

A person working two or more jobs is counted only *once* in the household survey estimate of the number of persons employed. This survey also provides a separate estimate of the number of multiple jobholders. In the establishment survey a person working two jobs is counted *twice* in the estimate of nonfarm employment.

According to the household survey, little of real significance took place in the U.S. labor force between July and August. Of the 30 major estimates of month-to-month change drawn from that survey only two are significant: the 0.91 percent decrease in the jobless rate for persons with less than a high school diploma, and the 0.56 percent increase in the rate for persons with a high school diploma but no college. Also, the 128,000 increase in the number of persons not in the labor force is not real. All of this information is confirmed at <https://www.bls.gov/web/empsit/cpssigsuma.htm> but the table displayed there is not included in the BLS monthly press release on the employment situation.

Furthermore, the July-August change in the jobless rate and number unemployed “were little changed” according to the BLS. The unemployment rates for adult men, adult women, teens, whites, blacks, Asians and Hispanics “showed little or no change.” The numbers of persons unemployed for 27 weeks or more “were essentially unchanged.” The labor force participation rate “was unchanged.” This across-the-board pattern of statistically insignificant month-to-month change in general has been commonplace for many months.

It’s unfortunate that journalists and commentators focus attention on month-to-month changes. They are not specialists in labor force data and analysis and for that reason are not entirely to blame for misrepresenting the findings from the household survey. They are like compulsive persons who weigh themselves after every meal.

It’s more than unfortunate that the BLS press release excludes information on the statistical significance of month-to-month change when that data are readily available. If the BLS were to focus on year-to-year change drawn from the household survey where changes in 20 of the aforementioned 30 major labor force estimates are real we would be closer to rock-solid estimates and to better grounded monetary and fiscal policy

For instance, over the last year the reported increase of 1.8 million persons who are employed is real. So too regarding the decrease of 721,000 in the number of persons unemployed and the 257,000 decrease in the number of persons unemployed for 27 or more weeks.

Year-to-year changes in the jobless rate for blacks/African-Americans, Asians, and Hispanics are not significant.

The 439,000 increase in the number of persons not in the labor force does not reach the threshold of statistical significance. That change strictly speaking is not real.

Even more so than the financial analysts who focus mainly on quarterly changes in profits for exchange-listed stocks and sometimes mislead public investors, the journalists and commentators who concentrate attention on monthly changes in the labor force often mislead the public and policy makers. For instance, with all the attention paid recently to monthly changes in labor force participation, the estimated 0.05 percent increase over the year is not real.

Though the threshold for significant month-to-month change in nonfarm employment derived from the establishment survey is set at 100,000, the BLS does not publish thresholds for statistically significant changes for any of the various categories in the jobs

report. For example we do not know if a reported change in the number of jobs in manufacturing, or health care, or retail trade, or other subsets are real or not.

Over the years the household survey has improved with regard to demographic details but there are serious problems remaining, for instance, the failure to develop data on the employment status of adults who are not documented, the accuracy of data collection done by phone, and the number of households included in the sample that has not kept pace with the growth in population.

Journalists and commentators should focus more on year-to-year changes. The BLS should be doing more to improve the accuracy and adequacy of the data released to the public by increasing the number of households interviewed every month so that American citizens are better able to judge the performance of their Congressional representatives on matters relating to monetary and fiscal policy.

“Though [the people] may acquiesce, they cannot approve what they do not understand.”
Thomas Jefferson 1792.

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