

## **SURVIVING A LAYOFF**

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### **HOW THE FEDERAL GOVERNMENT CALCULATES THE UNEMPLOYMENT RATE**

With the discussion of the unemployment rate on most news channels and on-line blogs, it seems appropriate to explore just what the numbers mean. Many of us assume that to be counted as employed, a person should be working at least 20 hours a week and to be counted as unemployed, a person simply needs to be just that – unemployed.

For the purpose of this Extra Info, we'll discuss how the *Federal Government* calculates the Unemployment Rate. Let's start with where the numbers come from. During the first few days of each month, the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor releases the total number of employed and unemployed persons in the U.S. for the previous month, along with the unique characteristics of these people. Lately, the most important part of that information seems to be the number of people who are unemployed.

Many people assume that the Government only uses the number of persons filing for Unemployment Insurance Benefits (UI) through State or Federal Government programs as their source. But since many people are not eligible for UI and many more have exhausted all their UI benefits, that data source would not give us a real picture of the number of unemployed people.

Other people believe that the Government actually counts the number of all unemployed people each month. But this would require the level of work done by the U.S. Census every ten years.

So, the BLS uses a monthly survey called the *Current Population Survey (CPS)* to measure unemployment across the country. This survey has been conducted in the United States every month since 1940. The CPS began as a Work Project Administration project and is one of the oldest continuous monthly sample survey of households in the world. It has been expanded and modified several times since its inception but the concept remains the same.

Currently, there are about 60,000 households (or approximately 110,000 individuals) in the sample for this survey. The sample is selected so that it is representative of the entire population of the U.S. The selection begins with all of the counties and county-equivalent cities in the U.S. being grouped into 2,025 geographic areas, then the Census Bureau designs and selects a sample consisting of 824 of these areas so that each State and the District of Columbia is represented.

This sample is a State-based design so that it reflects both urban and rural areas, as well as industrial and farming areas.

Every month, one-fourth of the households in the sample are changed so that no household is interviewed more than 4 consecutive months. The individuals in the survey are questioned either in person or over the phone and the data is compiled electronically so that it can be “weighted” or adjusted to independent population estimates.

However, a sample is not a total count but it is consistent data and the calculations are estimated to be within a 10% plus or minus range.

The survey relies on three basic concepts of employment and unemployment:

- Individuals with jobs are counted as employed
- Individuals who are jobless, looking for a job, and available for work are unemployed
- Individuals who are neither employed or unemployed are not counted in the labor force

People who are under 16 or in the Armed Forces are not counted in the survey.

Unfortunately, these definitions are not as simple as they may sound. Let’s look at the definition of *employed*. People are considered employed if they did any work at all for pay or profit during the survey week so this would also include all part-time work, regardless of the number of hours worked or the number of weeks worked during the full month. As an example, an 18 year old high school student who baby-sits for 6 hours a week would be counted as employed, just as her mother who might work 40 hours per week.

The definition for *unemployed* is just as tenuous. People are classified as unemployed if they do not have a job, have actively looked for work in the prior 4 weeks, and are currently available for work. “Actively looking for work” can mean directly contacting employers, and participating in active job search. If they are in training or educational activities, they are not counted as either employed or unemployed.

People are also not counted in either category if they are not working but are physically unable to job search for the survey period.

Other examples of people not considered in the labor force would be persons confined to institutions such as prisons, jails, or hospitals.

As you might expect, there is much work that is done outside these simple definitions. The BLS keeps data on persons who would be counted as “marginally attached to the labor force” but not counted as either employed or unemployed.

This group contains individuals who don’t have a job but are not actively looking for work. “Discouraged workers” are a subset of this group. Many of these individuals are

the people our community partners see every day. They don't believe that there is a job available for them and that they lack the skills necessary to find employment. The BLS keeps numbers on these individuals as well, but doesn't count them in the official numbers.

If you would like to know more about how the government calculates the unemployment rate or other issues concerning either the Bureau of Labor Statistics or the Current Population Survey, check out some of the links below:

The Current Population Survey: A Historical Perspective and the BLS role:  
<http://www.bls.gov/opub/mlr/1984/06/art2exc.htm>

The Current Population Survey: <http://www.ciesin.org/datasets/cps/cps-home.html>

The Bureau of Labor Statistics: Labor Force Statistics from the Current Population Survey: [http://www.bls.gov/cps/cps\\_htgm.htm](http://www.bls.gov/cps/cps_htgm.htm)