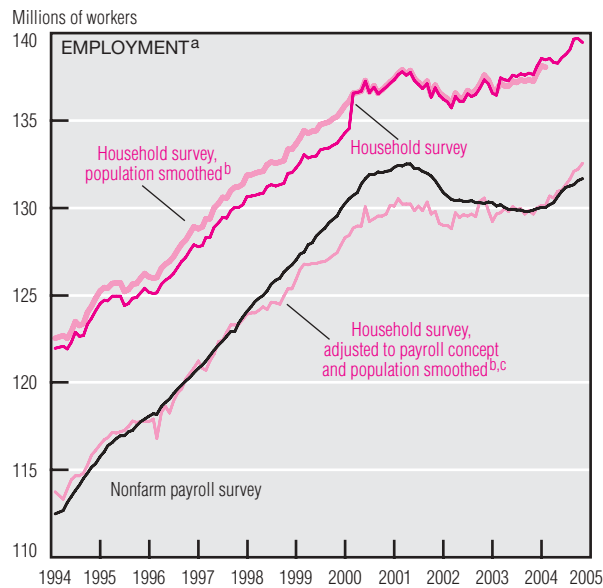
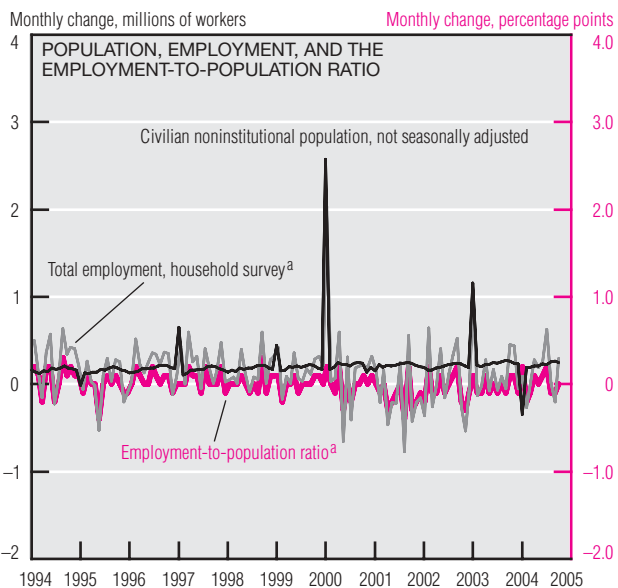
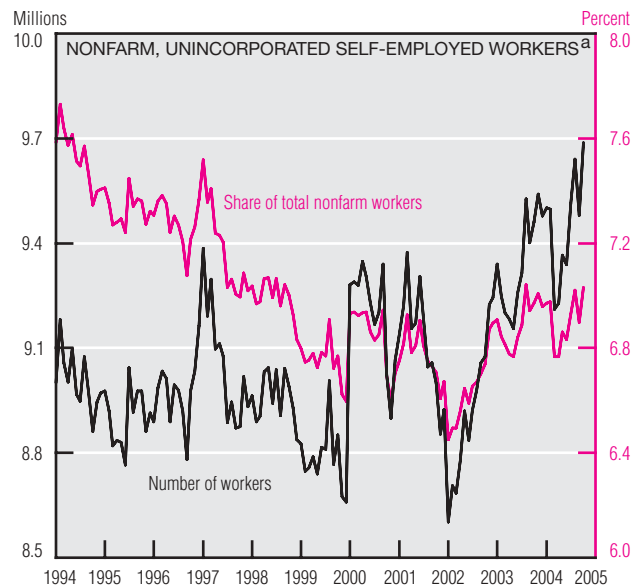
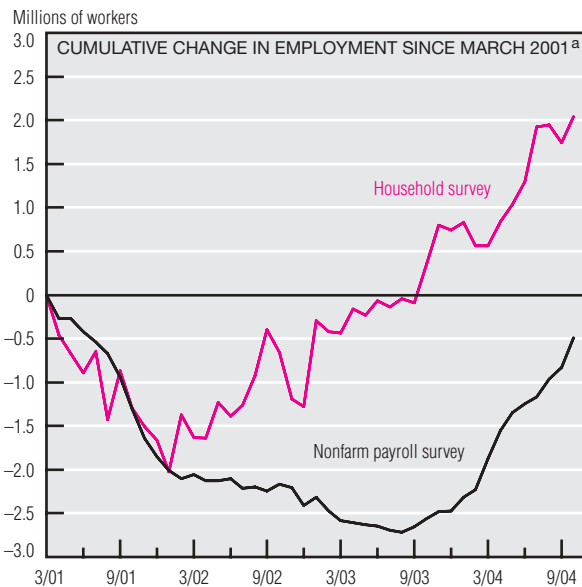


Measuring Employment



a. Seasonally adjusted.

b. Population smoothing removes breaks in series for population adjustments in January 2000, January 2003, and January 2004. For details, see <http://www.bls.gov/cps/cpscomp.pdf>.

c. For an explanation of conceptual adjustments, see http://www.bls.gov/cps/ces_cps_trends.pdf. Adjustments for 2004 account only for conceptual differences, not population smoothing.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

The most recent Bureau of Labor Statistics (BLS) payroll survey reports that nonfarm employment is 0.5 million lower than it was in March 2001. The BLS's household survey, used to measure the unemployment rate, estimates that employment has *grown* by 2.0 million over the same period.

The two surveys have different concepts of employment. For example, the household survey accounts for the unincorporated self-employed, whose numbers have increased in recent years. However, adjusting the household survey estimate of employment to make it conceptually

equivalent to the payroll survey estimate does not eliminate the growth discrepancy between the two employment measures since March 2001. The two surveys also differ in their methods for estimating employment. Instead of measuring employment directly, the household survey uses the employment-to-population ratio and infers employment from the Census Bureau's monthly population estimate.

The effect of the household survey's methodology is strikingly evident in January 2002: Because the new census count raised population

estimates for people ages 16 and up by about 2.6 million, household employment for that month was revised up by about 1.6 million. The BLS provides a population-adjusted employment series that smoothes out breaks caused by population events like this one, but only with a considerable time lag.

Errors in population estimates after January 2000 could explain some of the difference between the two employment growth measures, but estimates would have to be wildly off to account for all of it.