Measuring Employment

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 smooths 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.