

## Tech Talk: The Labor Force – from the September 2013 CSDC Network News

Open the newspaper or watch the evening news and you will probably see a report about some statistic that measures the health of the economy. Let's take a closer look at one area of economic statistics – the labor force. Labor force statistics measure the number of people actively participating in the labor pool by either working or looking for work during a specified time period. The data are collected for all persons 15 years old and older but tabulations are produced for persons 16 years old and older only.

The labor force concept used in recent censuses of population dates from the 1930s. In censuses prior to 1940, terms like “gainful workers” or “persons with gainful employment” were used with regard to persons who reported an occupation or industry. Data on unemployment were collected from 1880 to 1910 and in 1930, but these data are not comparable to data on unemployment collected subsequently. In addition, historical censuses collected employment data on 14 and 15 year olds.



The components of the labor force include:

- Total Labor Force
  - In Armed Forces
  - Civilian Labor Force
    - Employed
    - Unemployed
- Not in Labor Force

The most frequently quoted measures to describe the health of the economy whirl around the employment, unemployment, and the unemployment rate.

The **employed** is a person who either (1) was “at work” as paid employees, worked in their own business or profession, worked on their own farm, or worked 15 hours or more as unpaid workers on a family farm or in a family business; or (2) had a job but was not at work, that is, those who had jobs or businesses from which they were temporarily absent due to illness, bad weather, industrial dispute, vacation, or other personal reasons. Excluded from the employed are people whose only activity consisted of work around the house or unpaid volunteer work for religious, charitable, and similar organizations; also excluded are all institutionalized people and people on active duty in the United States Armed Forces. This is also called the “civilian employed.”

An individual is classified as **unemployed** if they (1) were neither “at work” nor “with a job but not at work” during the reference week, and (2) were actively looking for work during the last 4 weeks, and (3) were available to start a job. Also included as unemployed are civilians who did not work at all during the reference week, were waiting to be called back to a job from which they had been laid off, and were available for work except for temporary illness.

The **civilian labor force** is the sum of the employed and unemployed as described above.

The **unemployment rate** represents the number of unemployed people as a percentage of the civilian labor force. For example, if the civilian labor force equals 100 people and 7 people are unemployed, then the unemployment rate would be 7 percent. **Note of caution:** In the American Community Survey Data Profile 3 on American FactFinder, the percentage next to “Unemployed” is NOT the unemployment rate – the unemployment rate is shown below the labor force data (see Image A).

Image A

Subject	California			
	Estimate	Margin of Error	Percent	Percent Margin of Error
EMPLOYMENT STATUS				
Population 16 years and over	29,530,797	+/-11,281	29,530,797	(X)
In labor force	18,869,522	+/-41,629	63.9%	
Civilian labor force	18,737,749	+/-41,991	63.5%	NOT this!
Employed	16,426,694	+/-38,419	55.6%	+/-0.1
Unemployed	2,311,055	+/-27,107	7.8%	+/-0.1
Armed Forces	131,773	+/-5,390	0.4%	+/-0.1
Not in labor force	10,661,275	+/-39,508	36.1%	
Civilian labor force	18,737,749	+/-41,991	18,737,749	(X)
Percent Unemployed	(X)	(X)	12.3%	+/-0.1

The primary difference between the ACS and CPS (which affects the LAUS estimates) is the “**reference week.**” In the ACS, the reference week is the calendar week preceding the date on which the respondents completed their questionnaires or were interviewed. This week is not the same for all respondents since the questionnaires are completed over a 12-month period, in fact, can vary over all the weeks in a year.

In the CPS, which produces monthly statistics, the reference week is the week containing the 12<sup>th</sup> of the month. The week of the 12th was selected as the reference week for employment to minimize the effect of holidays and other seasonal variation. The comparability of ACS and CPS estimates is affected by the different reference week to the extent that the labor force characteristics of people in the ACS in their reference week differ from their characteristics in the week containing the 12th.

Data Sources

These are the standard definitions of the labor force terms. However, there are some differences between the major sources for these data. There are three major sources of labor force statistics: the American Community Survey (ACS), the Current Population Survey (CPS) and the Bureau of Labor Statistics’ Local Area Unemployment Statistics (LAUS) Program.

The CPS is a high quality source of information used to produce the official monthly estimates of employment, unemployment, and the unemployment rate for the nation and states. It uses a detailed questionnaire and its interviewing staff is trained to explain labor force concepts. The CPS is collected and processed by the Census Bureau on behalf of the Bureau of Labor Statistics (BLS). However, the sample size is much smaller than for the ACS so it is not possible to produce estimates below the state level.

The Local Area Unemployment Statistics (LAUS) program is a cooperative federal-state program that produces monthly and annual estimates of labor force for sub-state areas. The CPS data are a key input to the LAUS program methodology and have a significant impact on the estimates from the program. The Employment Development Department (EDD) generates these data for California.

The CPS asks a more detailed series of questions than the ACS does about labor force participation in order to obtain the accuracy required for the official labor force estimates. The CPS data are collected by field staff via personal interviews that allow for follow-up questions to clarify complicated concepts or to probe for information to implement the official definition. The question sequence used in the ACS generally produces higher estimates of unemployment than the CPS.

### Employment is not the same as Jobs!

Many times we get a request for the number of “jobs” in an area. It’s important to realize that labor force’s “employment” may not measure what the customer expects as “jobs”. Employment is tabulated based on the survey respondent’s place of residence and each person is counted only once – regardless of the number of employers for which they work. Normally, however, “jobs” are the number of employees a business has including part-time and full-time workers. These data are needed based on the place or work – where the jobs are located.

There are data in the ACS for the number of workers by place of work (Table B08604) but, again, each person is counted only once – not for each job they hold. These data are used for transportation planning for commute patterns.

There are data released by EDD’s Labor Market Information Division each month that include labor force estimates (including the official unemployment rates) and the number of jobs by industry. The labor force data is by place of residence and the industry data is by place of work collected directly from the employers. EDD’s industry data are not comparable to the industry tabulations from the American Community Survey. If a person holds two jobs they will be counted twice – once for each job – in the EDD industry data and only once in the ACS data.

So the next time you listen to the news or get a data request, speak confidently and knowledgeably - you are in the labor force!