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People Are Not Leaving the Labor Force

By **FLOYD NORRIS**

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Notions on high and low finance.

More than a little commentary on last week's employment report asserts that the apparent good news came from people dropping out of the labor force, and thereby not being counted as unemployed. Some of that came in [comments on my previous jobs post](#).

Those making that claim have not read [what the Bureau of Labor Statistics had to say](#). If you follow the link, go to Table C.

You will learn that previously discouraged workers seem to be entering the labor force and looking for jobs. That is just what you would expect to happen when the job market is improving.

Each January the bureau updates its population estimates, and this update was particularly large because it had a new census to use. The policy is to not revise the earlier unemployment survey numbers, so sometimes there are big apparent changes that are not actually there. That is what happened in January.

The government says that the estimate changes reduced the labor force participation rate by 0.3 percentage points. Without the new estimates the number would have been unchanged from December to January.

The changes had no effect on the unemployment rate.

The really important part is what the government says about the figure for "not in labor force." Those are people who are not working and say they are not looking for jobs. It includes students, retired people and others not interested in working, but it also includes people who have simply given up looking. So a big increase in that can be interpreted as a very bad indication of the health of the labor market.

If you simply download the data, you will conclude the figure rose by 1,177,000 people from December to January, and that is what a lot of people did. But the changes in the population estimates caused all that gain, and more. The reality, the government says, is that the number of people not in the labor force *fell* by 75,000 people.

The government release states (with my italics):

The adjustment increased the estimated size of the civilian noninstitutional population in December by 1,510,000, the civilian labor force by 258,000, employment by 216,000, unemployment by 42,000, and persons not in the labor force by 1,252,000. Although the total unemployment rate was unaffected, the labor force participation rate and the employment-population ratio were each reduced by 0.3 percentage point. *This was because the population increase was primarily among persons 55 and older and, to a lesser degree, persons 16 to 24 years of age. Both these age groups have lower levels of labor force participation than the general population.*

The government simply underestimated how many of us there were and did not appreciate just how large the proportion of people not of working age was. So it has in the past overestimated the labor force participation rate.

The government now thinks there are 1,626,000 more women than it had estimated, and 116,000 fewer men. It thinks there are 1,181,000 fewer white people, 407,000 more blacks, 1,161,000 more Asians and 1,330,000 more Hispanics.

The government does two employment surveys every month. All the numbers cited above show up in the household survey. The other survey, the establishment survey, comes from talking to employers, and it produces the job number, which after seasonal adjustment was up 243,000 in January. The household survey was even better than that. After adjusting for the population changes, it found that 631,000 more people were working.

Both surveys for January looked good. The household survey looked especially good. Those who interpreted it the other way were simply wrong.

Economic News Release

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Employment Situation Summary

Transmission of material in this release is embargoed
until 8:30 a.m. (EST) Friday, February 3, 2012

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Technical information:

Household data:	(202) 691-6378	*	cpsinfo@bls.gov	*	www.bls.gov/cps
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THE EMPLOYMENT SITUATION -- JANUARY 2012

Total nonfarm payroll employment rose by 243,000 in January, and the unemployment rate decreased to 8.3 percent, the U.S. Bureau of Labor Statistics reported today. Job growth was widespread in the private sector, with large employment gains in professional and business services, leisure and hospitality, and manufacturing. Government employment changed little over the month.

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| Changes to The Employment Situation Data |

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| Establishment survey data have been revised as a result of the |

| annual benchmarking process and the updating of seasonal |

| adjustment factors. Also, household survey data for January 2012 |

| reflect updated population estimates. See the notes at the end of |

| the news release for more information about these changes. |

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Household Survey Data

The unemployment rate declined by 0.2 percentage point in January to 8.3 percent; the rate has fallen by 0.8 point since August. (See table A-1.) The number of unemployed persons declined to 12.8 million in January. (See the note and tables B and C for information about annual population adjustments to the household survey estimates.)

Among the major worker groups, the unemployment rates for adult men (7.7 percent) and blacks (13.6 percent) declined in January. The unemployment rates for adult women (7.7 percent), teenagers (23.2 percent), whites (7.4 percent), and Hispanics (10.5 percent) were little changed. The jobless rate for Asians was 6.7 percent, not seasonally adjusted. (See tables A-1, A-2, and A-3.)

In January, the number of job losers and persons who completed temporary jobs fell to 7.3 million. The number of long-term unemployed (those jobless for 27 weeks or more) was little changed at 5.5 million and accounted for 42.9 percent of the unemployed. (See tables A-11 and A-12.)

After accounting for the annual adjustments to the population controls, the employment-population ratio (58.5 percent) rose in January, while the civilian labor force participation rate held at 63.7 percent. (See table A-1. For additional information about the effects of the population adjustments, see table C.)

The number of persons employed part time for economic reasons, at 8.2

million, changed little in January. These individuals were working part time because their hours had been cut back or because they were unable to find a full-time job. (See table A-8.)

In January, 2.8 million persons were marginally attached to the labor force, essentially unchanged from a year earlier. (The data are not seasonally adjusted.) These individuals were not in the labor force, wanted and were available for work, and had looked for a job sometime in the prior 12 months. They were not counted as unemployed because they had not searched for work in the 4 weeks preceding the survey. (See table A-16.)

Among the marginally attached, there were 1.1 million discouraged workers in January, little different from a year earlier. (The data are not seasonally adjusted.) Discouraged workers are persons not currently looking for work because they believe no jobs are available for them. The remaining 1.7 million persons marginally attached to the labor force in January had not searched for work in the 4 weeks preceding the survey for reasons such as school attendance or family responsibilities. (See table A-16.)

Establishment Survey Data

Total nonfarm payroll employment rose by 243,000 in January. Private-sector employment grew by 257,000, with the largest employment gains in professional and business services, leisure and hospitality, and manufacturing. Government employment was little changed over the month. (See table B-1.)

Professional and business services continued to add jobs in January (+70,000). About half of the increase occurred in employment services (+33,000). Job gains also occurred in accounting and bookkeeping (+13,000) and in architectural and engineering services (+7,000).

Over the month, employment in leisure and hospitality increased by 44,000, primarily in food services and drinking places (+33,000). Since a recent low in February 2010, food services has added 487,000 jobs.

In January, health care employment continued to grow (+31,000). Within the industry, hospitals and ambulatory care services each added 13,000 jobs.

Wholesale trade employment increased by 14,000 over the month. Since a recent employment low in May 2010, wholesale trade has added 144,000 jobs.

Employment in retail trade continued to trend up in January. Job gains in department stores (+19,000), health and personal care stores (+7,000), and automobile dealers (+7,000) were partially offset by losses in clothing and clothing accessory stores (-14,000). Since an employment trough in December 2009, retail trade has added 390,000 jobs.

In January, employment in information declined by 13,000, including a loss of 8,000 jobs in the motion picture and sound recording industry.

In the goods-producing sector, manufacturing added 50,000 jobs. Nearly all of the increase occurred in durable goods manufacturing, with job growth in fabricated metal products (+11,000), machinery (+11,000), and motor vehicles and parts (+8,000). Durable goods manufacturing has added 418,000 jobs over the past 2 years.

Employment in construction increased by 21,000 in January, following a gain of 31,000 in the previous month. Over the past 2 months, nonresidential specialty trade contractors added 30,000 jobs.

Mining added 10,000 jobs in January, with most of the gain in support activities for mining (+8,000). Since a recent low in October 2009, mining employment has expanded by 172,000.

Government employment changed little in January. Over the past 12 months, the sector has lost 276,000 jobs, with declines in local government; state government, excluding education; and the U.S. Postal Service.

The average workweek for all employees on private nonfarm payrolls was unchanged in January. The manufacturing workweek increased by 0.3 hour to 40.9 hours, and factory overtime increased by 0.1 hour to 3.4 hours. The average workweek for production and nonsupervisory employees on private nonfarm payrolls edged up by 0.1 hour to 33.8 hours. (See tables B-2 and B-7.)

In January, average hourly earnings for all employees on private nonfarm payrolls rose by 4 cents, or 0.2 percent, to \$23.29. Over the past 12 months, average hourly earnings have increased by 1.9 percent. In January, average hourly earnings of private-sector production and nonsupervisory employees edged up by 2 cents, or 0.1 percent, to \$19.62. (See tables B-3 and B-8.)

The change in total nonfarm payroll employment for November was revised from +100,000 to +157,000, and the change for December was revised from +200,000 to +203,000. Monthly revisions result from additional sample reports and the monthly recalculation of seasonal factors. The annual benchmark process also contributed to these revisions.

The Employment Situation for February is scheduled to be released on Friday, March 9, 2012, at 8:30 a.m. (EST).

Changes to the Household Survey

Effective with the collection of household survey data for January 2012, the questions on race and Hispanic or Latino ethnicity were modified to incorporate minor wording changes.

In January 2012, the Census Bureau, which conducts the household survey, began a year-long process of reorganizing its regional office structure; for more information on these changes see www.census.gov/newsroom/pdf/General_QAs_FINAL2.pdf. Both the Census Bureau and the Bureau of Labor Statistics will monitor survey operations during the transition period. No impact on the employment and unemployment estimates from the survey is anticipated from this organizational change.

Revisions to Establishment Survey Data

In accordance with annual practice, the establishment survey data released today have been revised to reflect comprehensive counts of payroll jobs, or benchmarks. These counts are derived principally from unemployment insurance tax records for March 2011. In addition, the data were updated to the 2012 North American Industry Classification System (NAICS) from the 2007 NAICS. This update resulted in minor changes to several detailed industries. The benchmark process resulted in revisions to not seasonally adjusted data from April 2010 forward and to seasonally adjusted data from January 2007 forward. Some historical data predating the normal benchmark revision period also were revised due to the implementation of NAICS 2012 and other minor changes related to rounding and the recalculation of aggregate series.

Table A presents revised total nonfarm employment data on a seasonally adjusted basis for January through December 2011. The revised data for April 2011 forward incorporate the effect of applying the rate of change measured by the sample to the new benchmark level, as well as updated net business birth/death model adjustments and new seasonal adjustment factors. The November and December 2011 data also reflect the routine incorporation of additional sample receipts into the November final and December second preliminary estimates. The total nonfarm employment level for March 2011 was revised upward by 165,000 (162,000 on a not seasonally adjusted basis). The previously published level for December 2011 was revised upward by 266,000 (231,000 on a

not seasonally adjusted basis).

An article that discusses the benchmark and post-benchmark revisions, the change to NAICS 2012, and the other technical issues, as well as all revised historical Current Employment Statistics (CES) data, can be accessed through the CES homepage at www.bls.gov/ces/. Information on the revisions released today also may be obtained by calling (202) 691-6555.

Table A. Revisions in total nonfarm employment, January-December 2011, seasonally adjusted

(Numbers in thousands)

Year and month	Level			Over-the-month change		
	As			As		
	previously published	As revised	Difference	previously published	As revised	Difference
2011						
January.....	130,328	130,456	128	68	110	42
February.....	130,563	130,676	113	235	220	-15
March.....	130,757	130,922	165	194	246	52
April.....	130,974	131,173	199	217	251	34
May.....	131,027	131,227	200	53	54	1
June.....	131,047	131,311	264	20	84	64
July.....	131,174	131,407	233	127	96	-31
August.....	131,278	131,492	214	104	85	-19
September.....	131,488	131,694	206	210	202	-8
October.....	131,600	131,806	206	112	112	0
November.....	131,700	131,963	263	100	157	57
December (p)...	131,900	132,166	266	200	203	3

p = preliminary.

Adjustments to Population Estimates for the Household Survey

Effective with data for January 2012, updated population estimates which reflect the results of Census 2010 have been used in the household survey. Population estimates for the household survey are developed by the U.S. Census Bureau. Each year, the Census Bureau updates the estimates to reflect new information and assumptions about the growth of the population during the decade. The change in population reflected in the new estimates results from the introduction of the Census 2010 count as the new population base, adjustments for net international migration, updated vital statistics and other information, and some methodological changes in the estimation process. The vast majority of the population change, however, is due to the change in base population from Census 2000 to Census 2010.

In accordance with usual practice, BLS will not revise the official household survey estimates for December 2011 and earlier months. To show the impact of the population adjustment, however, differences in selected December 2011 labor force series based on the old and new population estimates are shown in table B.

The adjustment increased the estimated size of the civilian noninstitutional population in December by 1,510,000, the civilian labor force by 258,000, employment by 216,000, unemployment by 42,000, and persons not in the labor force by 1,252,000. Although the total unemployment rate was unaffected, the labor force participation rate and the employment-population ratio were each reduced by 0.3 percentage point. This was because the population increase was primarily among persons 55 and older and, to a lesser degree, persons 16 to 24 years of age. Both these age groups have lower levels of labor force participation than the general population.

Data users are cautioned that these annual population adjustments affect the comparability of household data series over time. Table C

shows the effect of the introduction of new population estimates on the comparison of selected labor force measures between December 2011 and January 2012. Additional information on the population adjustments and their effect on national labor force estimates is available at www.bls.gov/cps/cps12adj.pdf.

Table B. Effect of the updated population controls on December 2011 estimates by sex, race, and Hispanic or Latino ethnicity, not seasonally adjusted

(Numbers in thousands)

Category	Total	Men	Women	White	Black or African American	Asian	Hispanic or Latino ethnicity
Civilian noninstitutional population.....	1,510	-116	1,626	-1,181	407	1,161	1,330
Civilian labor force.....	258	-413	671	-1,385	166	731	781
Participation rate.....	-.3	-.3	-.2	-.3	-.3	-.2	-.3
Employed.....	216	-368	584	-1,266	165	676	675
Employment-population ratio.....	-.3	-.3	-.2	-.3	-.2	-.2	-.3
Unemployed.....	42	-45	87	-119	2	55	106
Unemployment rate.....	.0	.0	.0	.0	-.1	.1	.1
Not in labor force.....	1,252	297	955	205	240	430	550

NOTE: Detail may not sum to totals because of rounding. Estimates for the above race groups (white, black or African American, and Asian) do not sum to totals because data are not presented for all races. Persons whose ethnicity is identified as Hispanic or Latino may be of any race.

Table C. December 2011-January 2012 changes in selected labor force measures, with adjustments for population control effects

(Numbers in thousands)

Category	Dec.-Jan. change, as published	2012 population control effect	Dec.-Jan. change, after removing the population control effect (1)
Civilian noninstitutional population.....	1,685	1,510	175
Civilian labor force.....	508	258	250
Participation rate.....	-.3	-.3	.0
Employed.....	847	216	631
Employment-population ratio.....	.0	-.3	.3
Unemployed.....	-339	42	-381
Unemployment rate.....	-.2	.0	-.2
Not in labor force.....	1,177	1,252	-75

(1) This Dec.-Jan. change is calculated by subtracting the population control effect from the over-the-month change in the published seasonally adjusted estimates.

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