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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.