

U.S. jobs surveys offer confusing data

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The United States has a jobs problem -- and it's not just the one you think.

There is deep anxiety over the apparent failure of the economy to create jobs, even though output is growing rapidly.

"Apparent" is the key word here. There are two monthly measures of employment and the two are telling wildly different stories about jobs. According to one, there are almost 2.4 million fewer jobs now than there were three years ago as the U.S. economy was going into recession. According to the other, there are 828,000 *more* jobs.

No one really knows which measure is telling the right story, but everyone is confused by the meaning of it all. Is the United States in the middle of a good recovery from its bout of weakness? Or is it going through an extraordinary period in which productivity gains, combined with sending jobs overseas, is robbing would-be workers of the fruits of an expanding economy?

The questions have added importance in an election year in a country where elections are often decided by -- as the saying goes -- "the economy, stupid." They are also crucial to the thinking of the U.S. Federal Reserve Board, which has to figure out when the recovery is solidly enough entrenched to begin raising short-term interest rates from their 40-year lows.

Both measures of employment come from the Bureau of Labour Statistics (BLS). One is based on a survey of employers -- how many people do you have on your payroll? The other is based on a survey of households -- how many people in your home have jobs?

For most of the first year after the recession began in March, 2001, the two surveys told the same story: The U.S. economy lost about two million jobs. But in the two years since January, 2002, the payroll survey says the economy lost 340,000 jobs, while the household survey says it gained 2.8 million.

To say that this is unusual is an understatement of historic proportions. Economist Donald Straszheim of Santa Monica, Calif., compared the current picture with the pattern in five previous U.S. recessions. In all five, the two surveys agreed on the broad outlines of the job market. Specific numbers differed, but both went down and then up in tandem.

As a rule, economists pay far more attention to the payroll survey, for a number of reasons.

First, it canvasses a much bigger swath of the U.S. economy. In an analysis last month of the difference between the two job reports, CIBC World Markets Inc. economist Avery Shenfeld pointed out that the BLS surveys 400,000 business establishments, where about 40 million people work, but only 60,000 households, which contain about 110,000 working-age people.

Second, there are arguments about the people who get missed in each of the U.S. surveys. The rap against the payroll survey is that the BLS misses people working in newly created businesses, and that there tend to be more of those when the economy turns the corner from recession to recovery. Historically, that was true, so when the BLS finally caught up with those new companies, it tended to revise its payroll estimates higher. But the agency has largely corrected that problem, and the evidence is in the latest revisions, released Friday, that go back to 1999. The new estimate of payroll employment is lower than the previous one -- to the tune of 81,000 people in December.

The household survey is afflicted with another kind of wonkiness. The foundation for its job numbers is the size of the working-age population, which -- because a full-count census is an irregular affair -- is estimated between censuses.

The survey finds out what proportion of the population is working, so when the BLS decides that there are more people than it previously thought, it bumps up the employment count as well. In January, 2003, for example, it added 941,000 people to its population count and 576,000 people to its job count -- all in one month.

Unlike the payroll survey, the household count includes the self-employed. That leads some, like Mr. Straszheim, to trust it more. He thinks the growing popularity of outsourcing -- in which companies turn work formerly done by staffers over to outside contractors -- might explain some of the growth in household employment. He also figures it's more in tune with other economic signs.

The numbers gap worries U.S. officials. Kathleen Utgoff, who runs the BLS, issued a long statement Friday on the discrepancy, and said the agency will continue its search for an explanation of the differences.

But if you're forced to choose, take the payroll numbers, as most analysts do. The odds are that the U.S. economy really is in a job-loss recovery, whatever the other numbers say.