



No. 99 and his driver became unemployed a week after I took this photo. Sad.

Employment and Unemployment

Part 1 – employment and unemployment in numbers (and topical)?



All data in this presentation are from the U.S. Bureau of Labor Statistics, unless otherwise indicated. For current data go to <http://www.bls.gov>.

This slide set will consist of 3 parts:

1. Employment and unemployment in numbers
 - plus a dash of topical
2. Disaggregating unemployment
 - who is unemployed?
3. Earnings and income and wealth distribution
 - is there any reason for all of this complaining?

Key Employment/Unemployment Stats

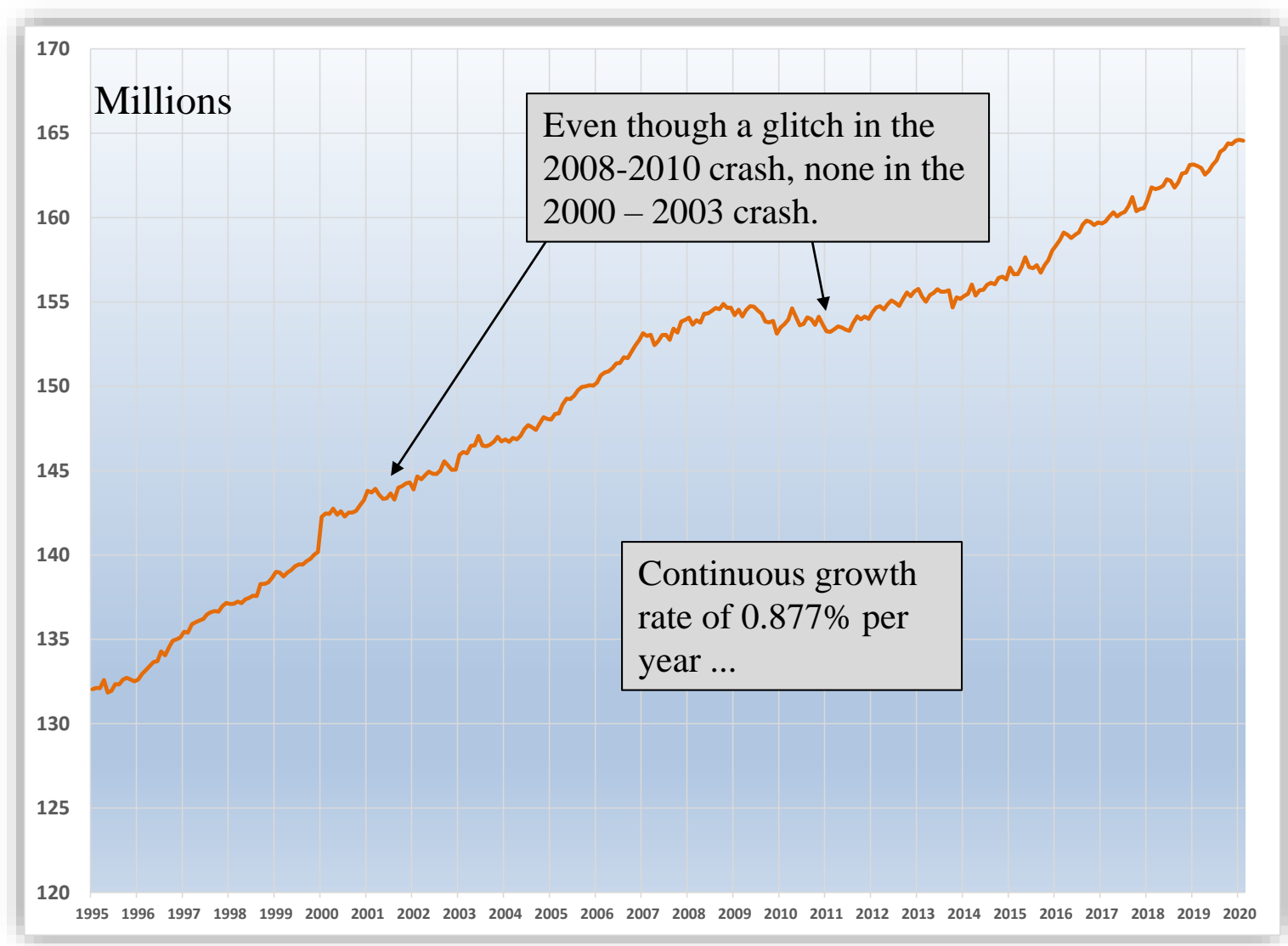
with values for February 2020 (the last month of normal)

- Unemployment rate: 3.5% (3.8%)
- Civilian labor force participation rate: 63.4% (63.1%)
 - slowly trending down, although not last year
- Payroll report: +273,000 (misleading)
 - Stock market very sensitive to this statistical release
- Average workweek (all): 34.4 hours (34.4 hours)
- Average hourly earnings (private non-farm): \$28.52 (\$27.69)
- Employment cost index (ECI): + 0.7% 4th Q 2019 (+0.7%)
 - Rational expectations leading inflation indicator
- Productivity: +1.2% 4th Q 2019 (1.8%)
 - Remember the importance in the AS/AD model; kept inflation at bay.

Year-ago stats
shown in green.

Such data are accessible from the BLS monthly news release *The Employment Situation* – and *Employment Cost Index*, March, 2020 online at [bls.gov](https://www.bls.gov).

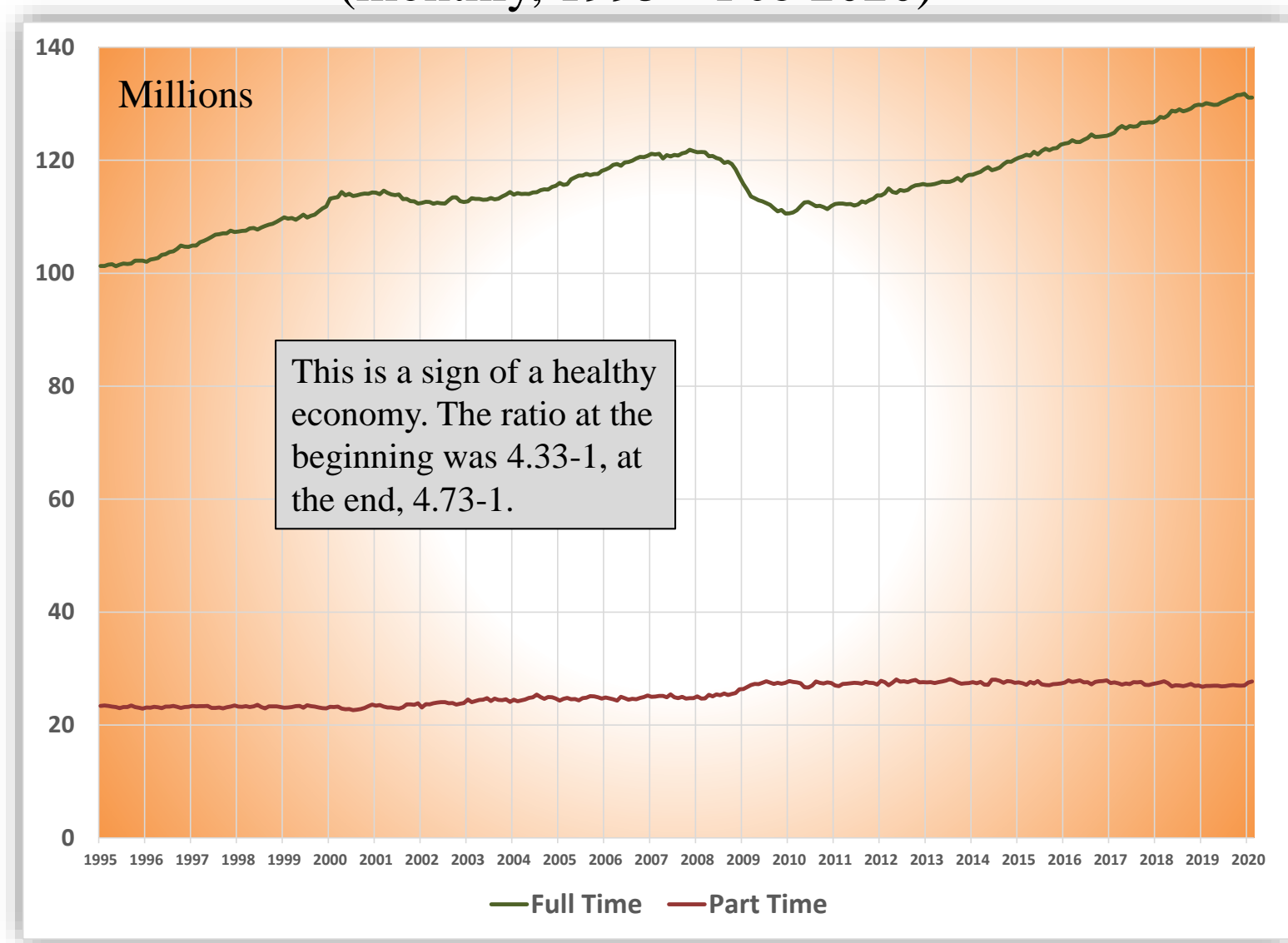
The civilian labor force in the United States



Source: Bureau of Labor Statistics database, Series ID LNS11000000, SA.

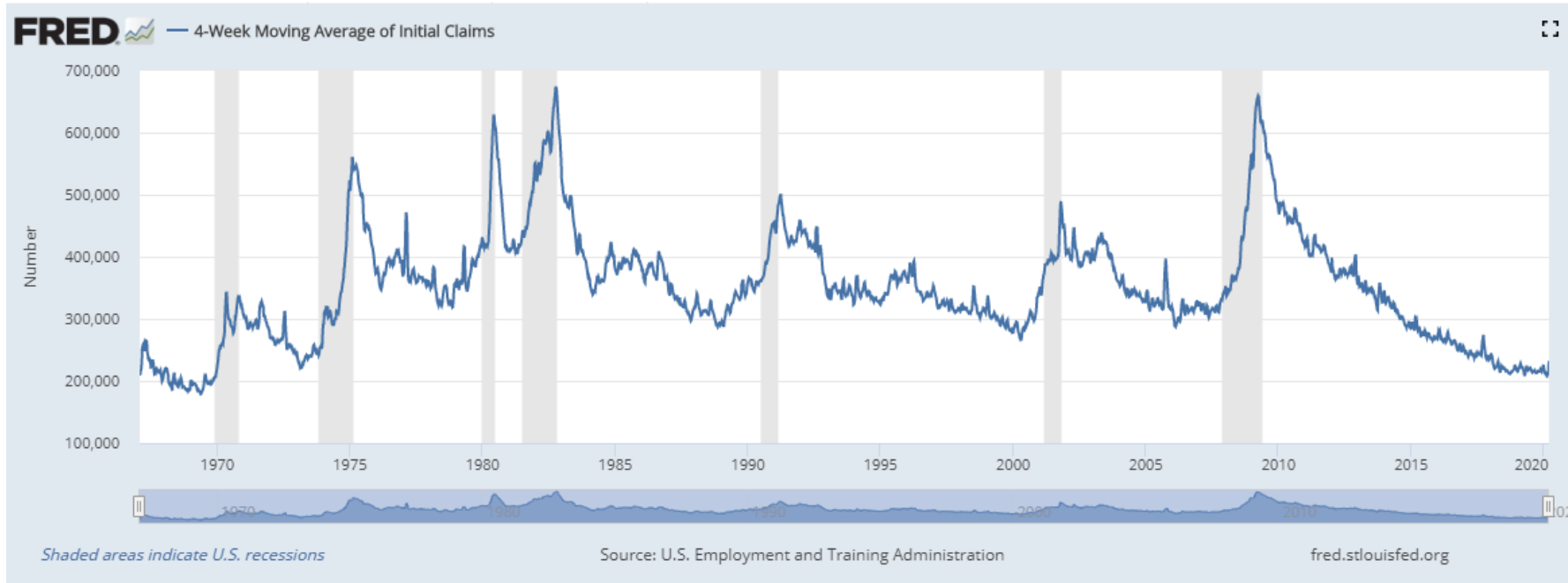
Full time versus part time employment ...

(monthly, 1995 – Feb 2020)



Source: Bureau of Labor Statistics database, Series ID LNS1250000 (full time), SA, and LNS12600000 (part time), SA.

This is what will move up first ...
(Initial claims for unemployment)



☆ 4-Week Moving Average of Initial Claims (IC4WSA)

THE WALL STREET JOURNAL.

Gary Evans ▾

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BREAKING NEWS

The U.S. could intervene in the Saudi-Russia oil standoff with a push to get the Saudis to cut output and potential Moscow sanctions, people familiar say >

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ECONOMY | ECONOMIC DATA

Jobless Claims Rise Sharply at Front End of Expected Coronavirus Surge

Initial jobless claims up by 70,000 to a seasonally adjusted 281,000



A representative handing a business card to a job seeker at a job fair in Miami on March 11.

PHOTO: MARCO BELLO/BLOOMBERG NEWS

By Sarah Chaney

March 19, 2020 8:53 am ET

RECOMMENDED VIDEOS

1. Coronavirus Update: Relief Law, Car Plants to Close and Fed Measures



2. Joe Biden Scores Primary Wins in Illinois, Florida and Arizona



3. Trump Administration Supports Plan to Send Checks to Americans



4. Trump Announces New Guidelines to Slow Coronavirus Spread



5. How a Political Ad Evolves as It Moves Around America



MOST POPULAR ARTICLES

1. Trump Administration Seeks to Send Checks to Americans as Part of Stimulus Package



2. Markets Enter New Phase—Where Cash Is All That Matters



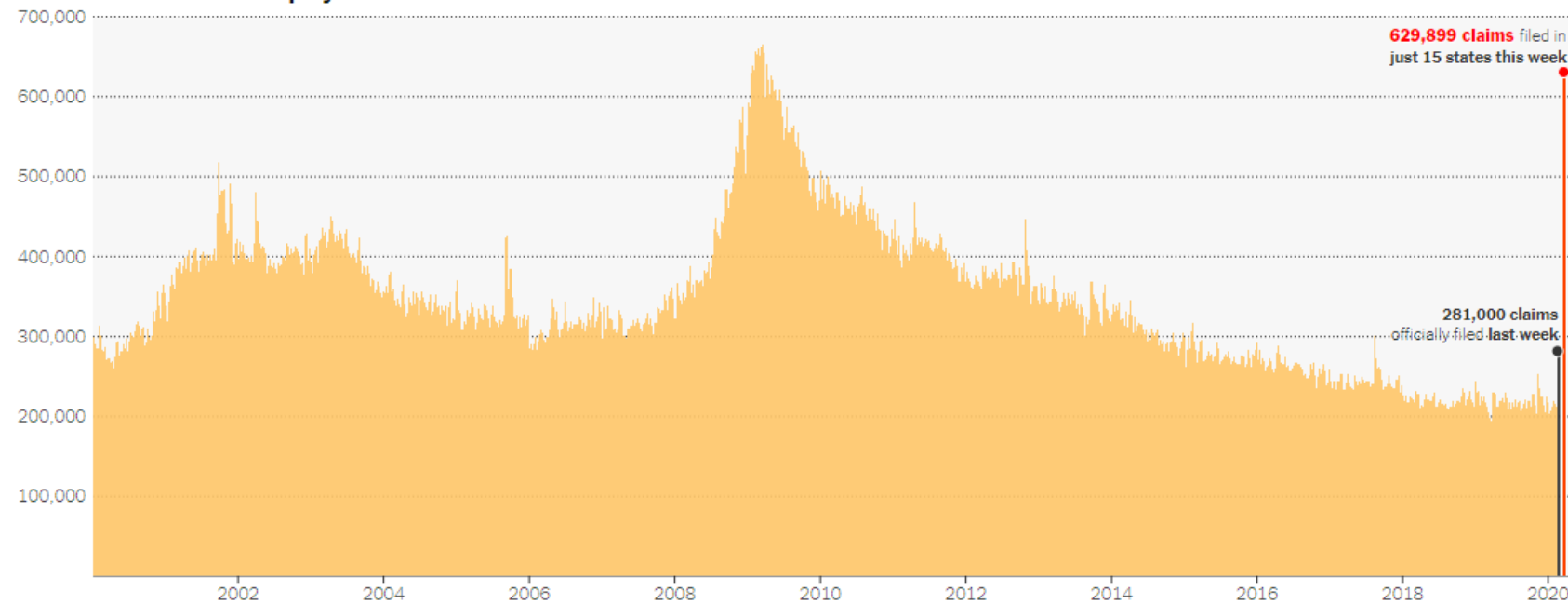
The New York Times

TheUpshot

The Staggering Rise in Jobless Claims This Week

By Quoc Trung Bui and Justin Wolfers March 19, 2020

Nationwide unemployment claims



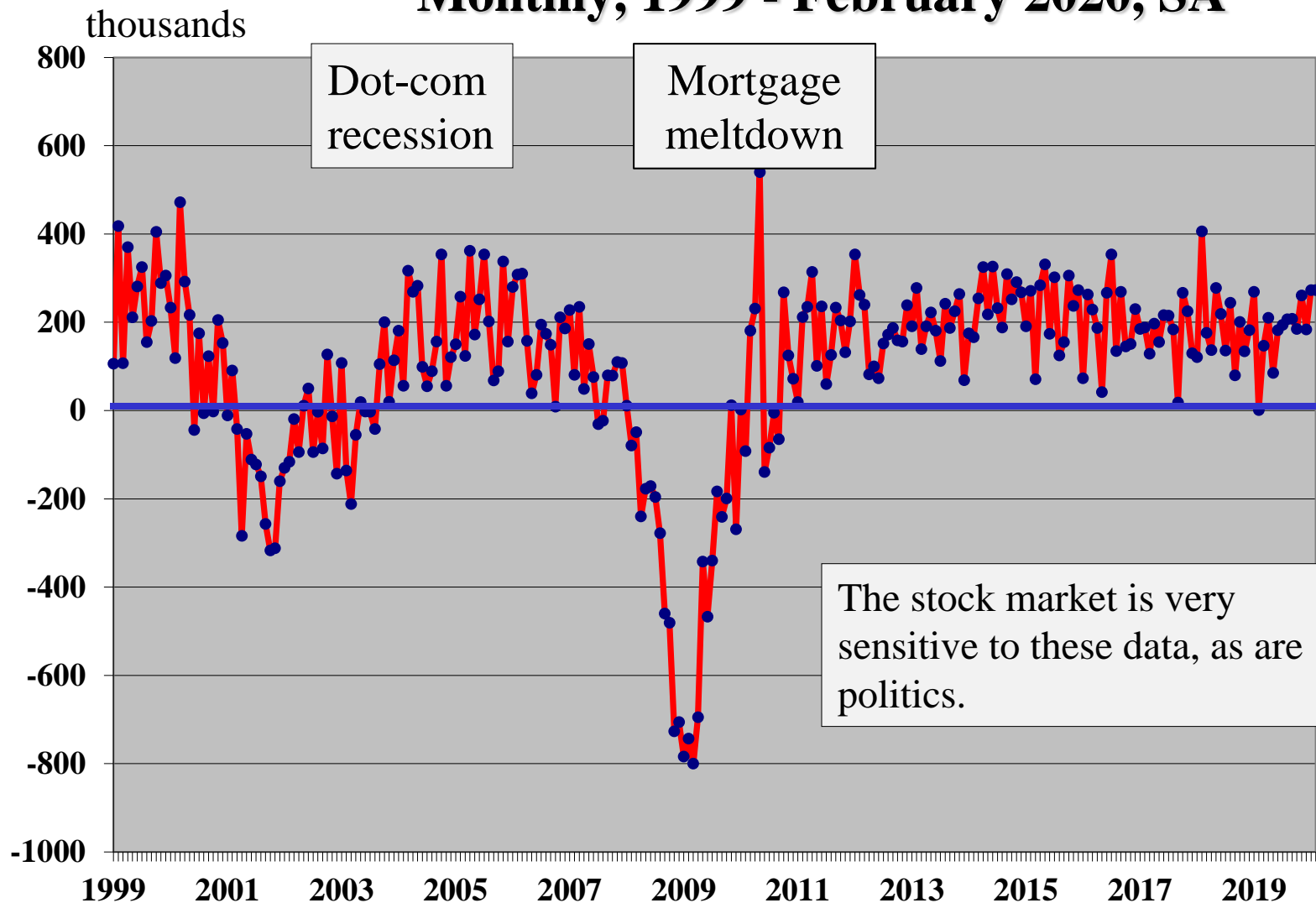
Note: Official figures are seasonally adjusted. This week's claims are not seasonally adjusted and represent a third of total national employment. Source: Department of Labor, state level reporting.

Go to the Ca.gov Employment Development Department website at <https://www.edd.ca.gov/unemployment/> and use the UI Benefit Calculator.

Assume that your salary is \$3460 per month (\$865 per week, \$41,520 per year). What is the weekly benefit in California?

Change in Nonfarm Payroll

Monthly, 1999 - February 2020, SA



The next release of this on April 3, 2020, 5:30 AM PDT may show values below the 2009 trough. The one that comes after on May 8 will probably break records.

"Official Unemployment" definition:

Who is counted as unemployed?

Persons are classified as unemployed if they do not have a job, **have actively looked for work in the prior 4 weeks**, and are currently available for work.

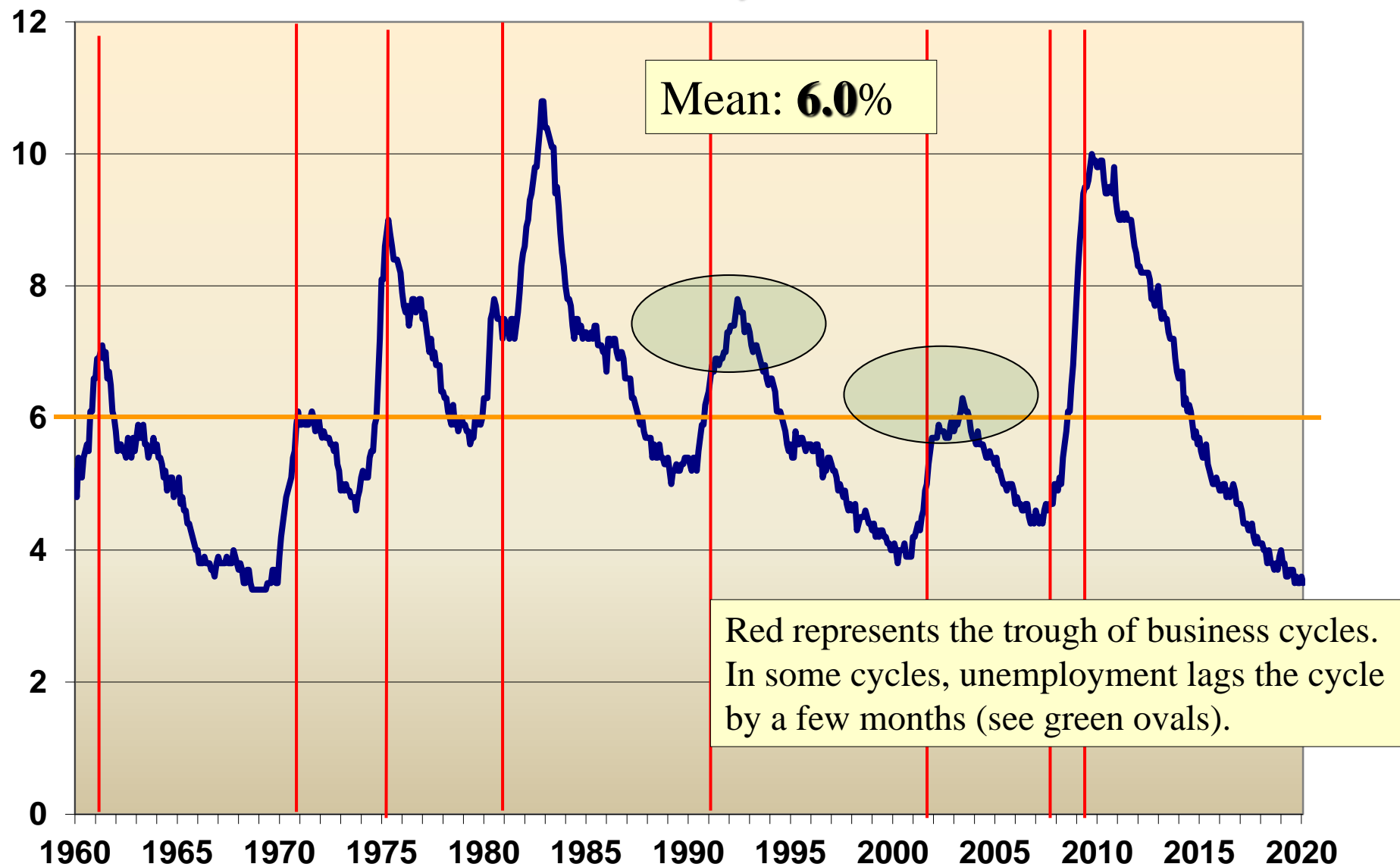
Who is not in the labor force?

All members of the civilian noninstitutional population are eligible for inclusion in the labor force, and those 16 and over who have a job or are actively looking for one are so classified. All others--**those who have no job and are not looking for one**--are counted as "not in the labor force." Many who do not participate in the labor force are going to school or are retired. Family responsibilities keep others out of the labor force. Still others have a physical or mental disability which prevents them from participating in labor force activities.

Source: U.S. Government Bureau of Labor Statistics web site, www.bls.gov. Most of the data in this presentation is from that site. The data are compiled from monthly surveys taken by the Department of Census in a survey called the Current Population Survey (CPS).

"Official" Unemployment Rate

1960-Feb 2020, monthly, % of civilian workforce



Source: Bureau of Labor Statistics database, Series ID LNS14000000, SA.



No. 99 and his driver became unemployed a week after I took this photo. Sad.

Employment and Unemployment

Part 2 – Disaggregating unemployment (who is unemployed)



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This slide set will consist of 3 parts:

1. Employment and unemployment in numbers
 - plus a lot of topical
2. Disaggregating unemployment
 - who is unemployed?
3. Earnings and income and ~~wealth distribution~~
 - ~~is there any reason for all of this~~
complaining?

This slide set will consist of 3 parts, 2 of them here (2 & 3):

1. Employment and unemployment in numbers
 - plus a lot of topical
2. Disaggregating unemployment
 - who is unemployed?
3. Theories of unemployment
 - Frictional
 - Structural
 - Cyclical
 - Black Swan crisis?

Topical issues first ...



News Release

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<https://blog.dol.gov>



TRANSMISSION OF MATERIALS IN THIS RELEASE IS EMBARGOED UNTIL
8:30 A.M. (Eastern) Thursday, March 26, 2020

COVID-19 Impact

During the week ending March 21, the increase in initial claims are due to the impacts of the COVID-19 virus. Nearly every state providing comments cited the COVID-19 virus impacts. States continued to cite services industries broadly, particularly accommodation and food services. Additional industries heavily cited for the increases included the health care and social assistance, arts, entertainment and recreation, transportation and warehousing, and manufacturing industries.

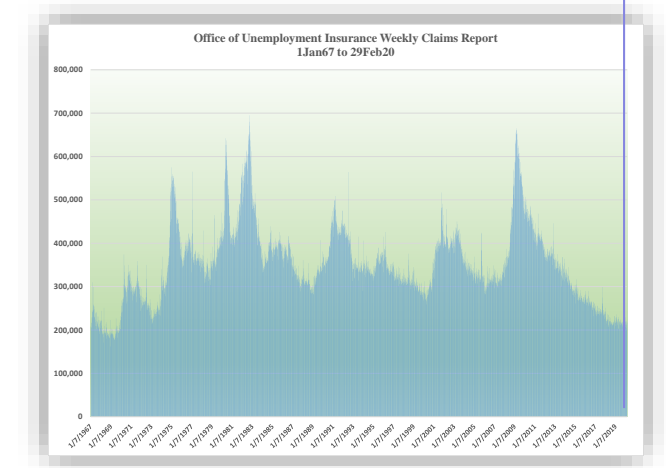
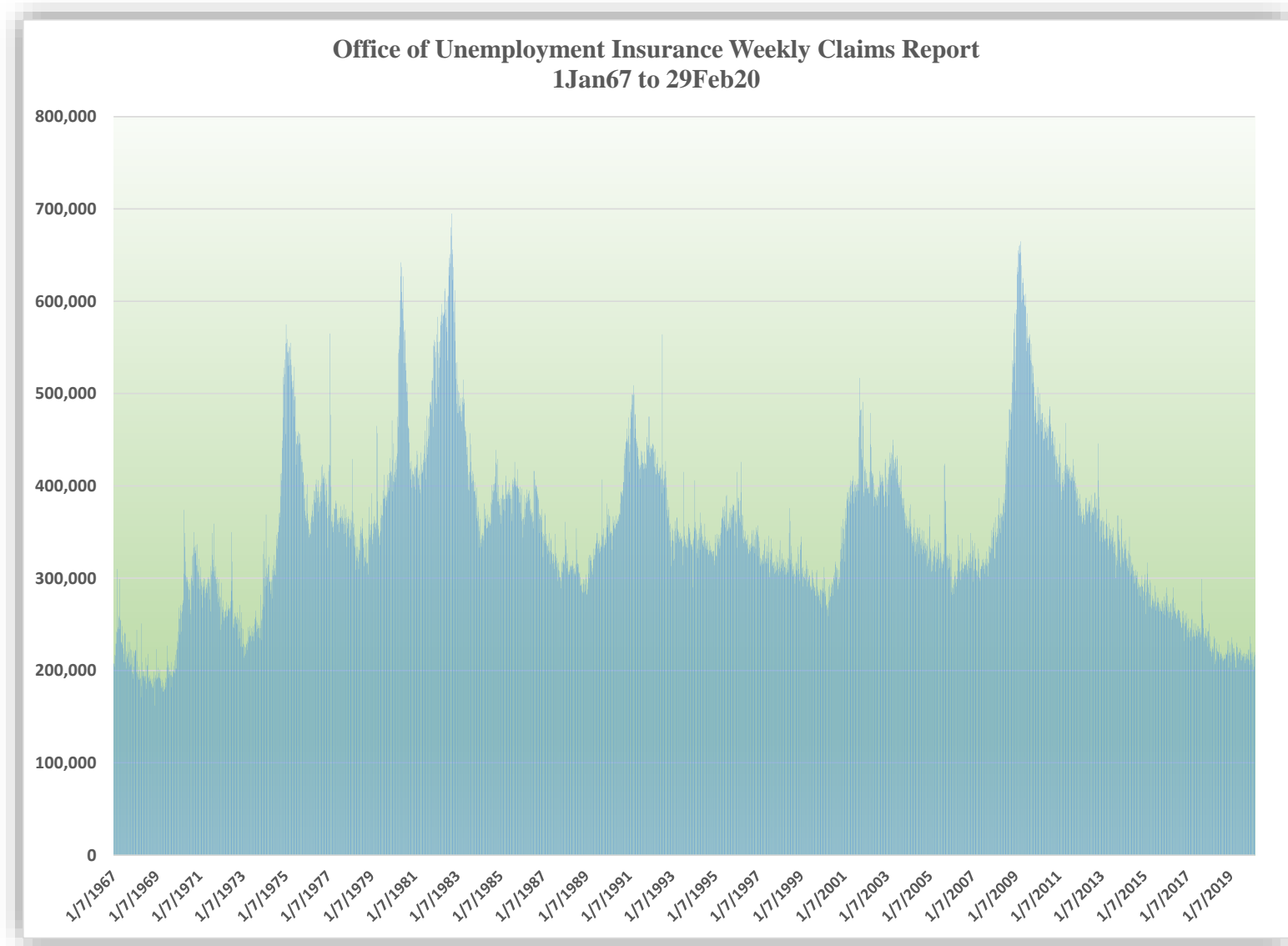
UNEMPLOYMENT INSURANCE WEEKLY CLAIMS

SEASONALLY ADJUSTED DATA

In the week ending March 21, the advance figure for seasonally adjusted **initial claims** was 3,283,000, an increase of 3,001,000 from the previous week's revised level. This marks the highest level of seasonally adjusted initial claims in the history of the seasonally adjusted series. The previous high was 695,000 in October of 1982. The previous week's level was revised up by 1,000 from 281,000 to 282,000. The 4-week moving average was 998,250, an increase of 765,750 from the previous week's revised average. The previous week's average was revised up by 250 from 232,250 to 232,500.

The previous record was 1,073,500 on January 9, 1982 (nsa, but such data should not be seasonally adjusted).

(Informally called): **Weekly initial jobless claims, seasonally adjusted**



Weekly report: <https://www.dol.gov/ui/data.pdf>

Weekly data: https://oui.doleta.gov/unemploy/claims_arch.asp

A hidden statistic: The "Special Unemployment Rate"

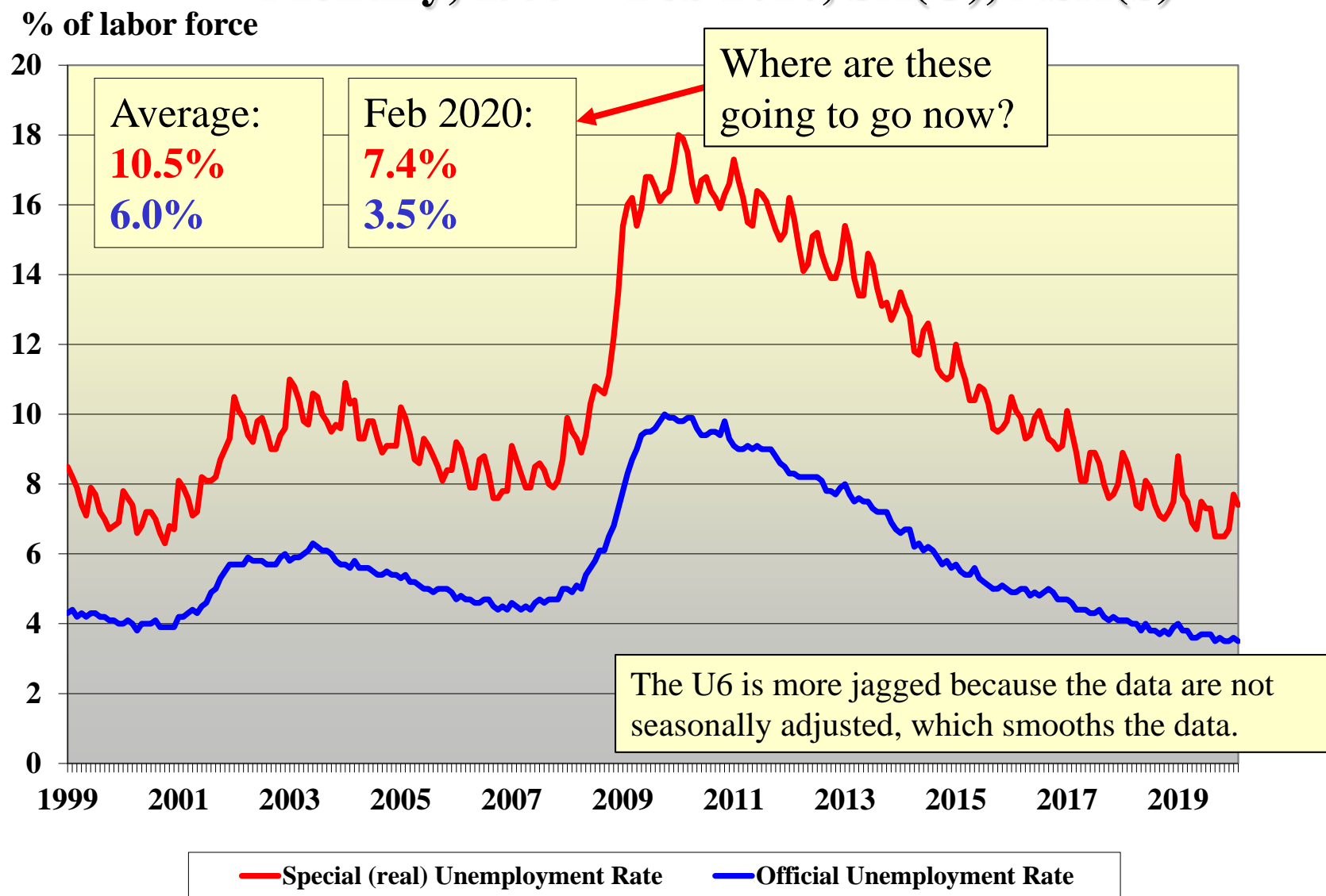
The Department Labor determines the size of the civilian labor force and the percentage of that labor force unemployed by doing a monthly survey (it is not determined by the number of people collecting unemployment compensation as is sometimes reported in the media). As stated in a previous slide, the unemployed are defined as those who declare they have "actively looked for work in the last 4 weeks." That count is the numerator and the civilian labor force is the denominator.

But they ask another question in the survey. They determine whether the respondent is "neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the recent past." Some of these are classified as "persons marginally attached to the labor force." When this number is added to the numerator and published in obscure **Table A-12 U6**, it is referred to as the **"Special" Unemployment Rate**.

It should be called the **Real Unemployment Rate**.

Official and Special (U6) Unemployment Rate

Monthly, 1999 – Feb 2020, SA(O), NSA(S)



Blue will go to 15-25%

Red will go to 20-30%

Addendum: Various official definitions of unemployment and labor underutilization

NOTE: Persons marginally attached to the labor force are those who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the past 12 months. Discouraged workers, a subset of the marginally attached, have given a job-market related reason for not currently looking for work. Persons employed part time for economic reasons are those who want and are available for full-time work but have had to settle for a part-time schedule. Updated population controls are introduced annually with the release of January data.

HOUSEHOLD DATA

Table A-15. Alternative measures of labor underutilization
[Percent]

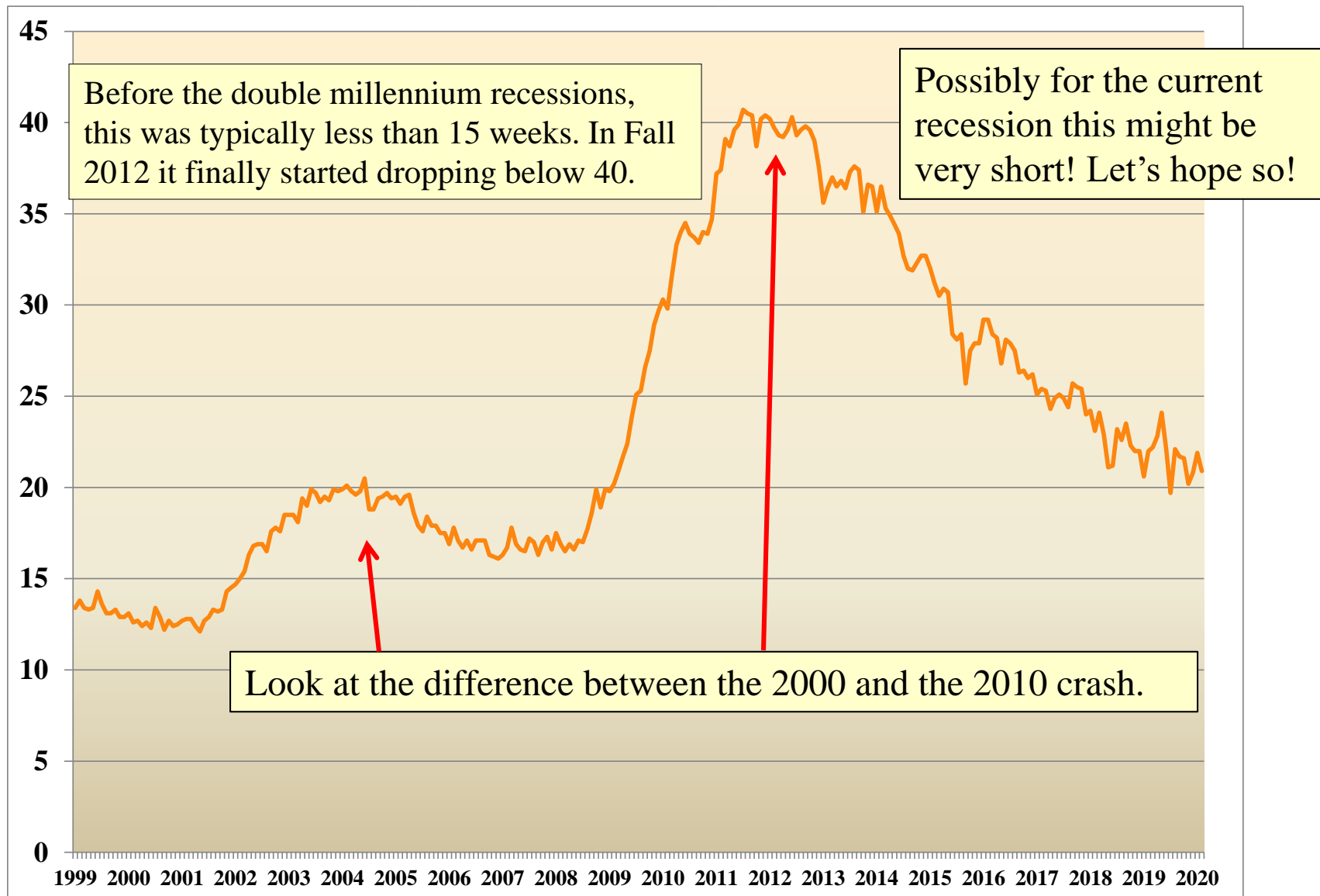
Measure	Not seasonally adjusted		
	Feb. 2019	Jan. 2020	Feb. 2020
U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force.....	1.5	1.3	1.3
U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force.....	2.0	2.0	1.9
U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate).....	4.1	4.0	3.8
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers.....	4.3	4.2	4.0
U-5 Total unemployed, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force.....	4.9	4.8	4.7
U-6 Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force.....	7.7	7.7	7.4

From **The Employment Situation – March 6, 2020**,
Bureau of Labor Statistics

DWBH

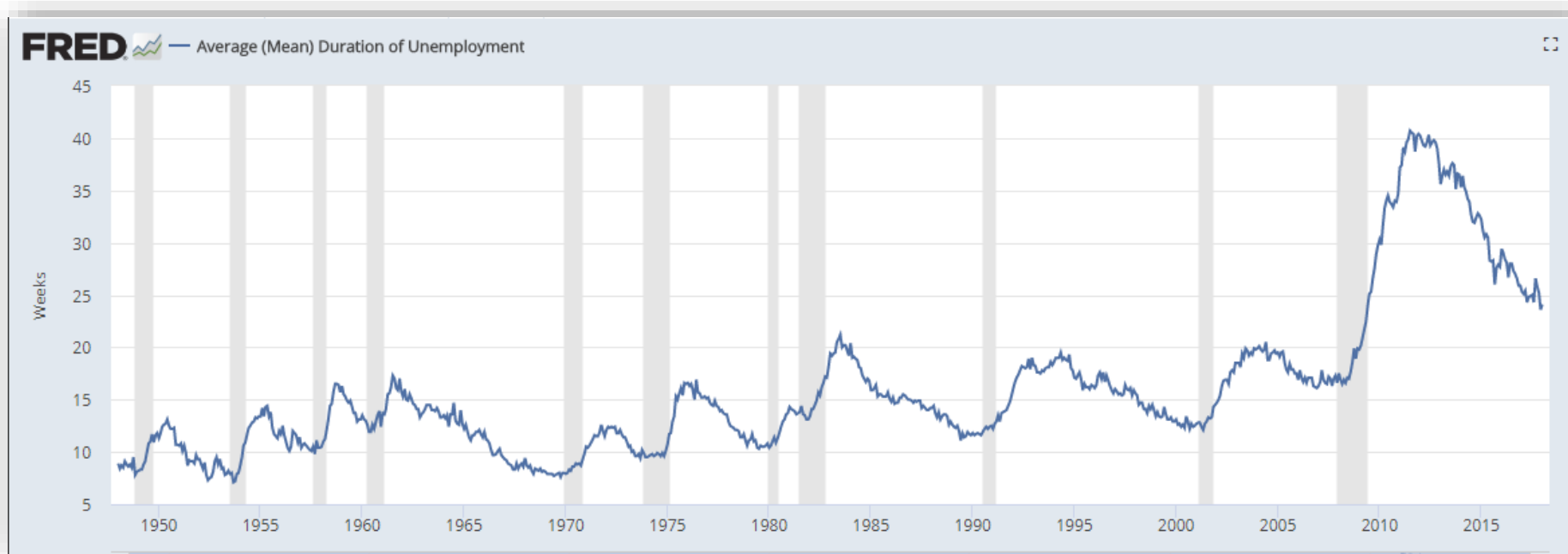
Average weeks unemployed

1999- February 2020, monthly, civilian workforce



Source: Bureau of Labor Statistics database, Series ID , LNS13008275 SA, original data.

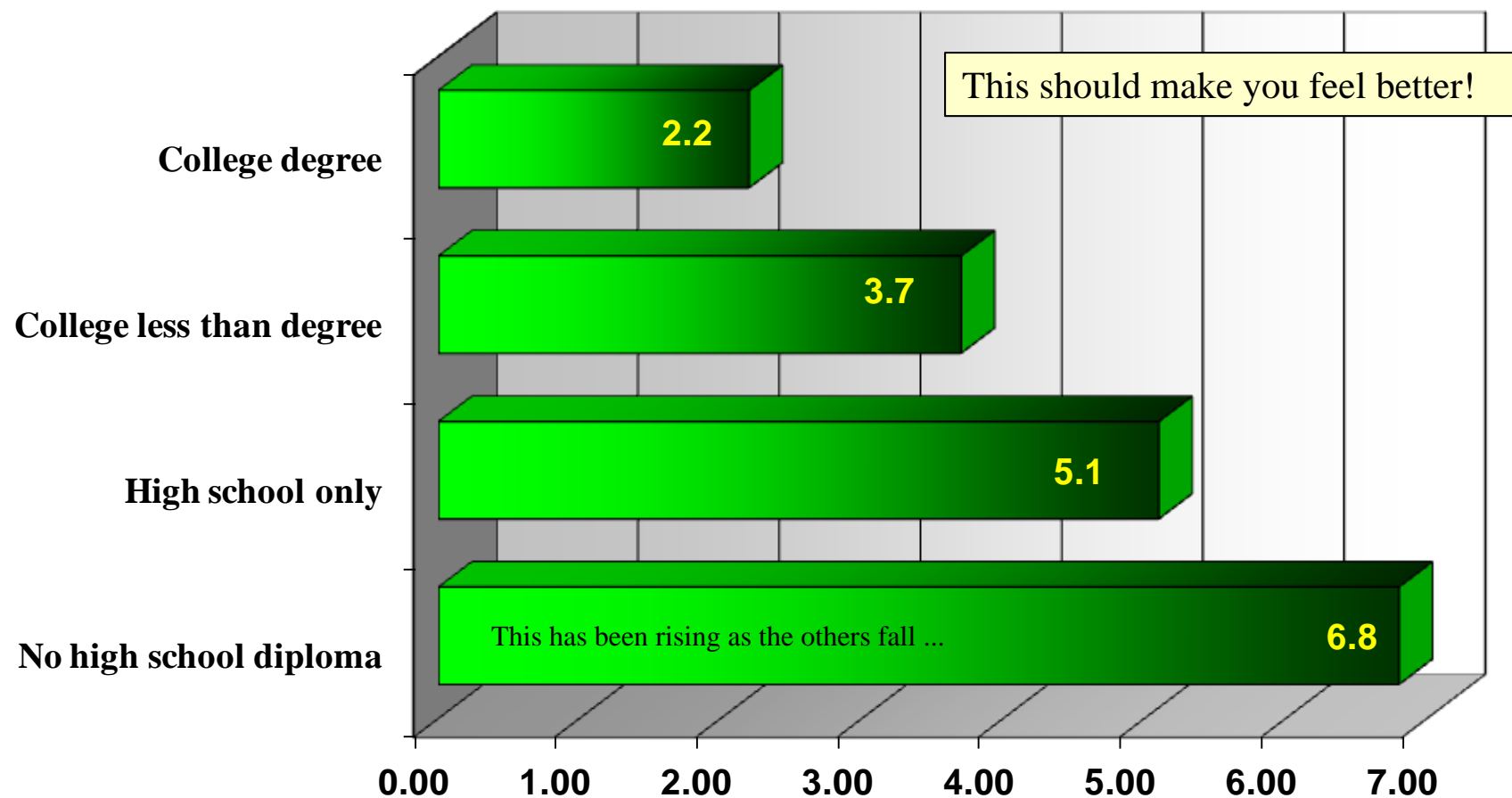
Average weeks unemployed in previous business cycles



Note how much higher it got
in the recent recession ...

Unemployment by Educational Level

February 2020, NSA, % of that category of labor force above age 25

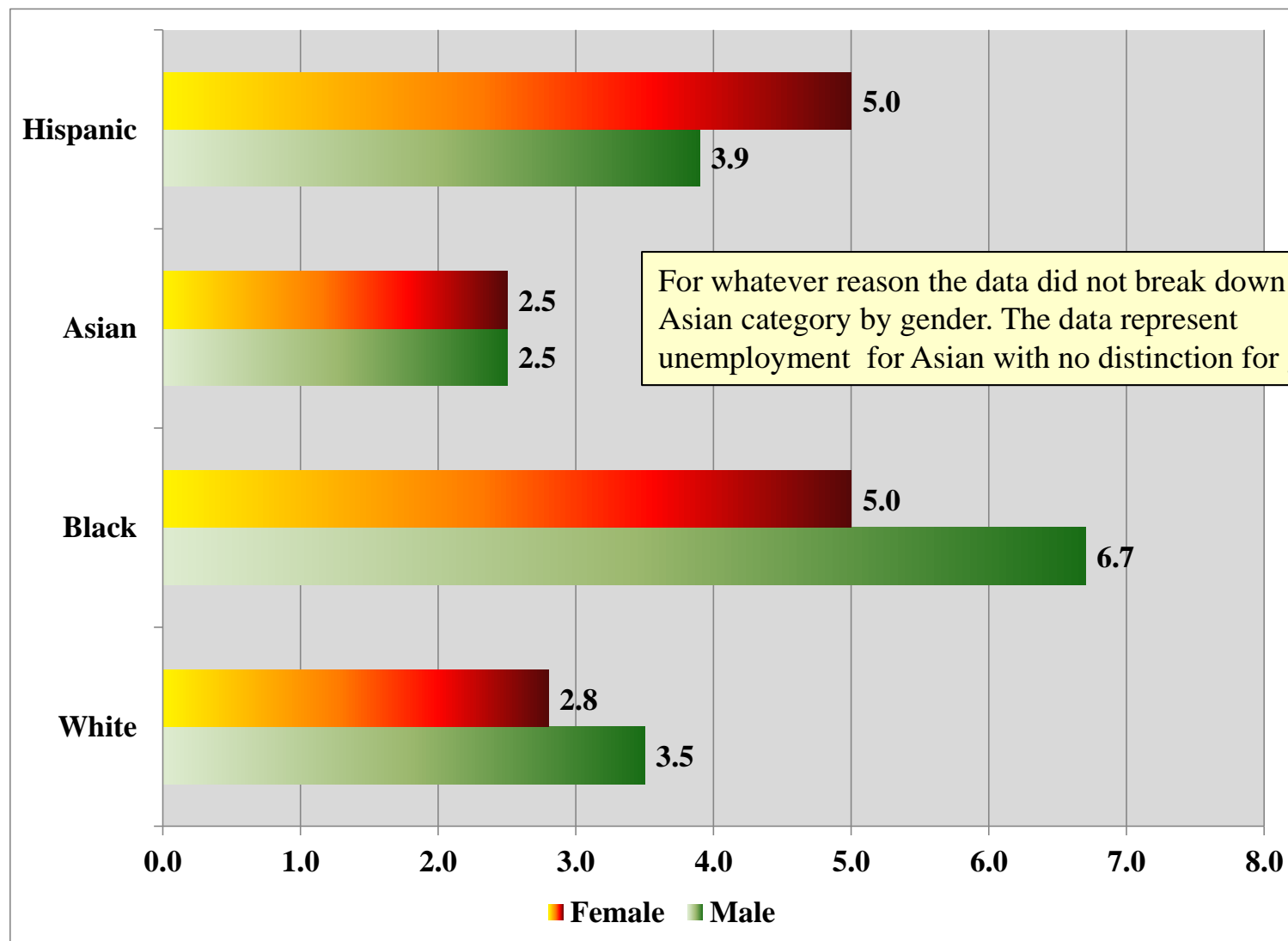


Source: BLS News Release, The Employment Situation February 2020, March 6, 2020, Table A-4.

Unemployment by Race/Ethnicity

by gender, above age 20, % of cohort, Febuary 2020

The unemployment rate for 16 to 19 years, both genders all races is 11.5%



Source: BLS News Release, The Employment Situation February 2020, March 6, 2020, Table A-4.

Summary Implications

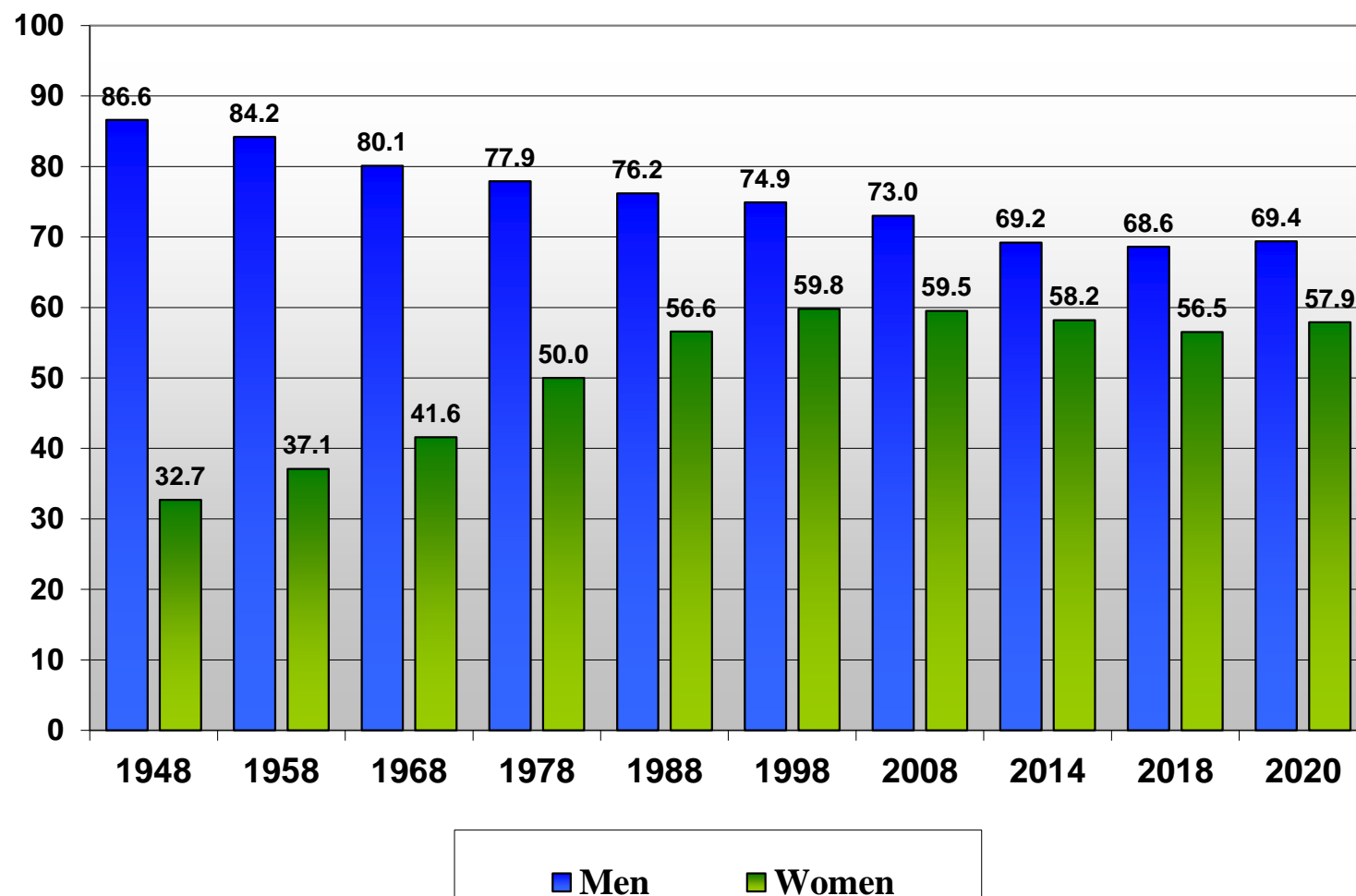
of the previous slides

- The aggregate unemployment rate tells you nothing about the uneven effects of business cycles
- In terms of employment, the impact of an economic downturn depends upon
 - **educational level**, the higher the level; the lower the likelihood of employment
 - **marital status**; if married you are less likely to be unemployed (there is a general correlation between marital status and economic well-being, especially when broken down by race)
 - **race**; huge gaps in unemployment levels by race, especially for blacks and even more so for single black men - there is clear correlation of this to educational level - what remains can probably be explained by discrimination and by milieu (environment) in which personal development takes place
 - **gender**; fortunately, that is starting to even out in the modern era, although not necessarily on **compensation**.

Labor Force Participation Rate (age 16+)

by gender, 1948-2020, select years

The 2020 numbers (the rise) reflects the strong economy, prior to the downturn



Interpretation of the LFPR data

(previous slide)

- The rise in the female labor participation rate in the 50 years between 1948 and 1998 is largely explained by
 - The post-war breakdown in the structure of the "traditional" family where the husband worked and the wife didn't, encouraged by the active and essential participation of women in manufacturing during the war effort.
 - At the family level, a desire for or the necessity of raising family income.
 - More opportunities for women in the workplace, especially in professions like law, medicine, and college education.
- The decline in male participation is largely explained by an aging male population (retirement)
- The decline on both in recent years has the same reason.
- The early 2020 rise is explained by a strong economy, although if this becomes a recession, both numbers will likely fall.

Unemployment theory

- **Frictional unemployment**
 - Information inefficiencies
 - Imperfect search and relocation activities
- **Structural unemployment**
 - Mismatch between skill levels needed and those available in a changing economy
- **Cyclical unemployment**
 - Due to downturn in the business cycle
 - Can add as much as 5% or more to UR

Unemployment theory

- **Frictional unemployment**

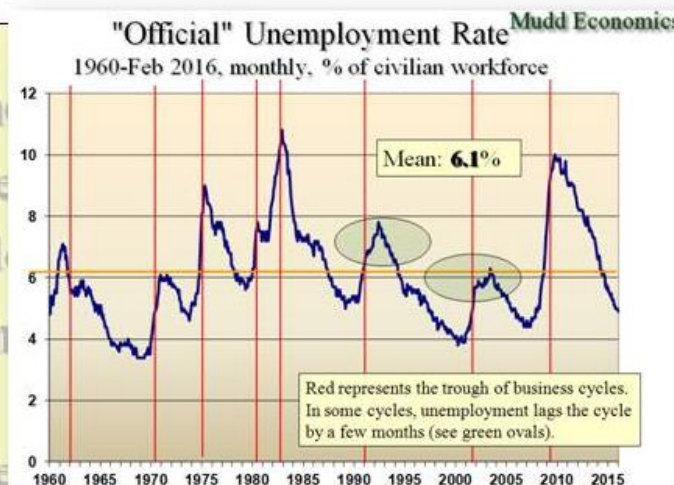
- Information inefficiencies
- Imperfect search and matching

- **Structural unemployment**

- Mismatch between skills and jobs available in a changing economy

- **Cyclical unemployment**

- Due to downturn in the business cycle
- Can add as much as 5% or more to UR



Key take-aways that you *should* understand ...

1. What is the importance of the *initial jobless claims* statistic?
 - ... and what do recent releases indicate for the future?
2. What is the importance of the change in *non-farm payrolls* statistic?
 - ... what does it measure?
 - ... and what is a typical pre-crash value?
3. Regarding the *official* and *special (U6) unemployment rate* ...
 - ... what is the difference between them?
 - ... what is a typical range for the official rate and when does it peak?
4. When it comes to *average weeks unemployed* ...
 - ... what was peculiar about the last recession?
5. Generalize who is unemployed by *race*, *gender*, and *educational level*.
6. What clear trends are present in the *labor force participation rate*?
7. What are the three components of *unemployment theory*?