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Economic Newsletter for the New Millennium

March 9, 2012

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The Civilian Noninstitutional Population: Focusing on the Labor Force (Employed & Unemployed) and Discouraged Workers

This morning, the Employment Situation for February 2012 was released by the U.S. Department of Labor, Bureau of Labor Statistics

<http://www.bls.gov/news.release/pdf/empsit.pdf>

Total nonfarm payroll employment rose by 227,000 in February, and the unemployment rate was unchanged at 8.3 percent, the U.S. Bureau of Labor Statistics reported today. [Note: The unemployment rate actually increased slightly to 8.27 percent (from 8.26% in January).] *Employment rose in professional and businesses services, health care and social assistance, leisure and hospitality, manufacturing, and mining.*

Note: there are two surveys employed by the Bureau of Labor Statistics to measure employment: the Household Survey (Current Population Survey) includes a sample from all households, while the Payroll Survey (Current Establishment Survey) includes data from larger companies, though narrower in focus, which submit monthly workforce data.

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Down the Rabbit Hole (and Through the Looking-glass): Where Employment Rises and Unemployment also Rises???
May 10, 2011

<http://www.econnewsletter.com/82301/55401.html>

In the following table, we summarize the current status of the Employment Picture and the monthly changes:

U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey Employment Situation February 2012 http://bls.gov/news.release/pdf/empst.pdf			
(1) Civilian Noninstitutional Population		242,435,000	
(2) Civilian Labor Force (Employed + Unemployed)		154,871,000	Labor Force Participation Rate (2)/(1) 63.88%
Employed	142,065,000		
Unemployed	12,806,000		
U-3 Official Unemployment Rate		8.27%	
Civilian Labor Force		162,431,450	Adjusted Labor Force Participation Rate 67.00%
Employed	142,065,000		
(Adjusted) Unemployed	20,366,450		
Adjusted U-3 Official Unemployment Rate		13.2%	

(in thousands)	Jan-12	Feb-12	Change from: Jan. 2012- Feb. 2012
Civilian Noninstitutional Population	242,269	242,435	166
Civilian Labor Force	154,395	154,871	476
Participation Rate LF/ Noninstitutional Pop	63.7%	63.9%	0.2%

We'll get to the Labor Force Participation Adjustment in a bit (Item 3).

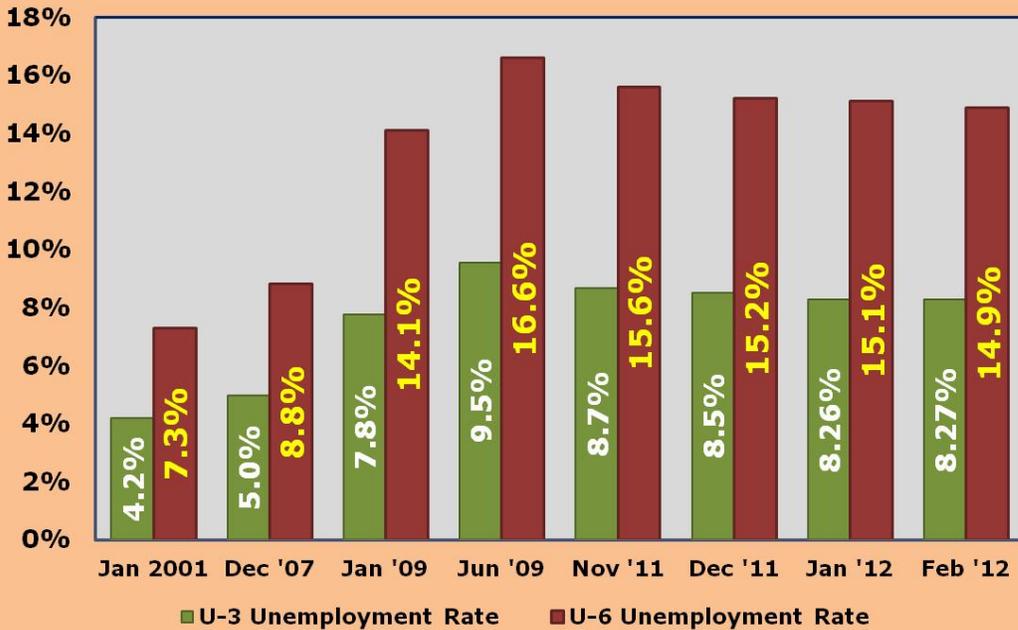
We're going to focus on a few items:

1) U-3 Unemployment Rate or the Official Unemployment Rate and an alternative measure of unemployment, or the U-6 Unemployment Rate

Encouraged Worker Effect? The Unemployment Rate rose slightly from 8.26% in January to 8.27% in February, a 0.1% increase. This is the first uptick in the Unemployment Rate since June 2011. The more inclusive U-6 Unemployment Rate dropped from 15.1% to 14.9%, a 0.2% decrease.

U-3 & U-6 Unemployment Rate

Current Population Survey
U.S. Dept of Labor Bureau of Labor Statistics
March 9, 2012



HOUSEHOLD DATA

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

Measure	Not seasonally			Seasonally adjusted					
	Feb. 2011	Jan. 2012	Feb. 2012	Feb. 2011	Oct. 2011	Nov. 2011	Dec. 2011	Jan. 2012	Feb. 2012
U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force	5.6	4.9	4.9	5.4	5.1	5	5	4.9	4.8
U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force	6	5.4	5.1	5.4	5.1	4.9	4.9	4.7	4.7
U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)	9.5	8.8	8.7	9	8.9	8.7	8.5	8.3	8.3
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers	10.1	9.4	9.3	9.6	9.5	9.3	9.1	8.9	8.9
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	11.1	10.5	10.2	10.6	10.4	10.2	10	9.9	9.8
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	16.7	16.2	15.6	15.9	16	15.6	15.2	15.1	14.9

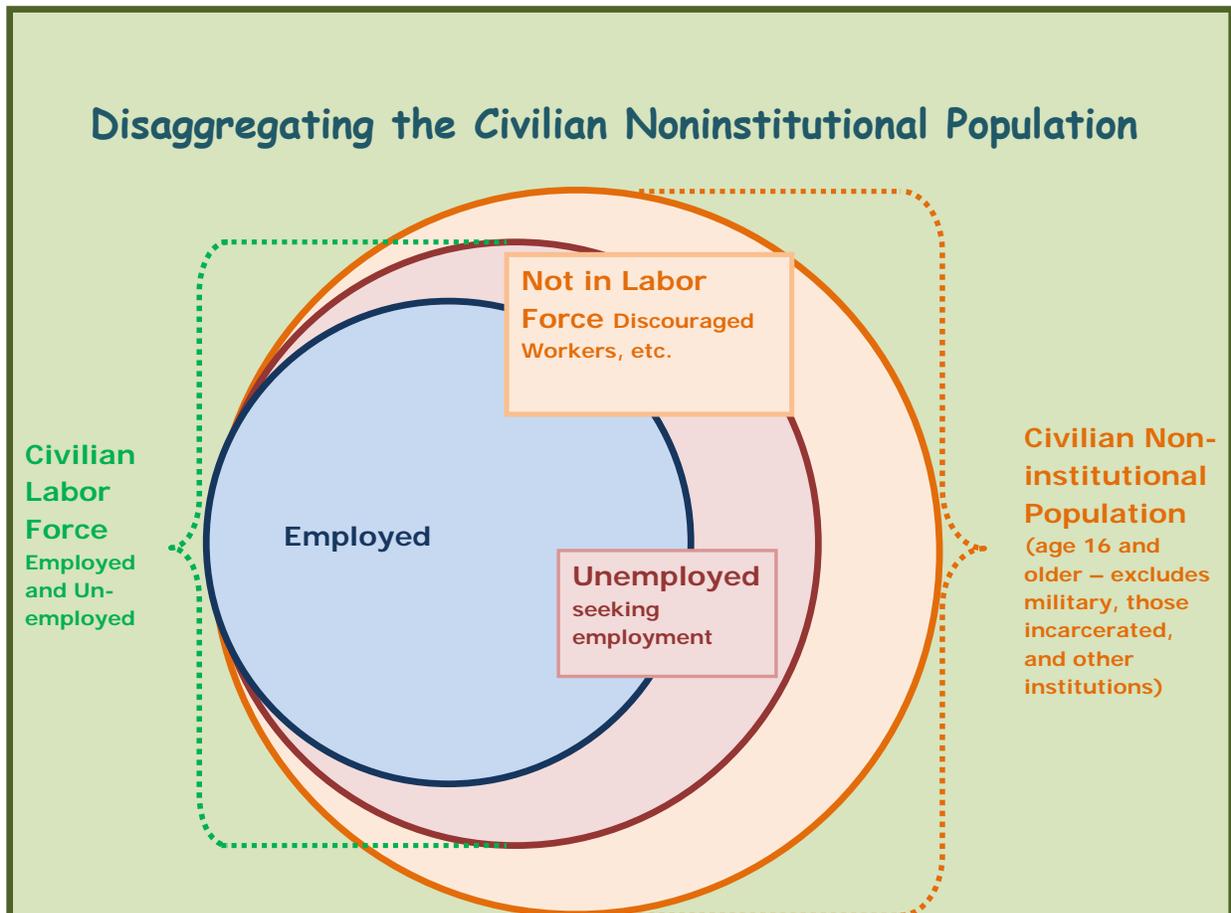
NOTE: Persons marginally attached to the labor force are those who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the past 12 months. Discouraged workers, a subset of the marginally attached, have given a 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.

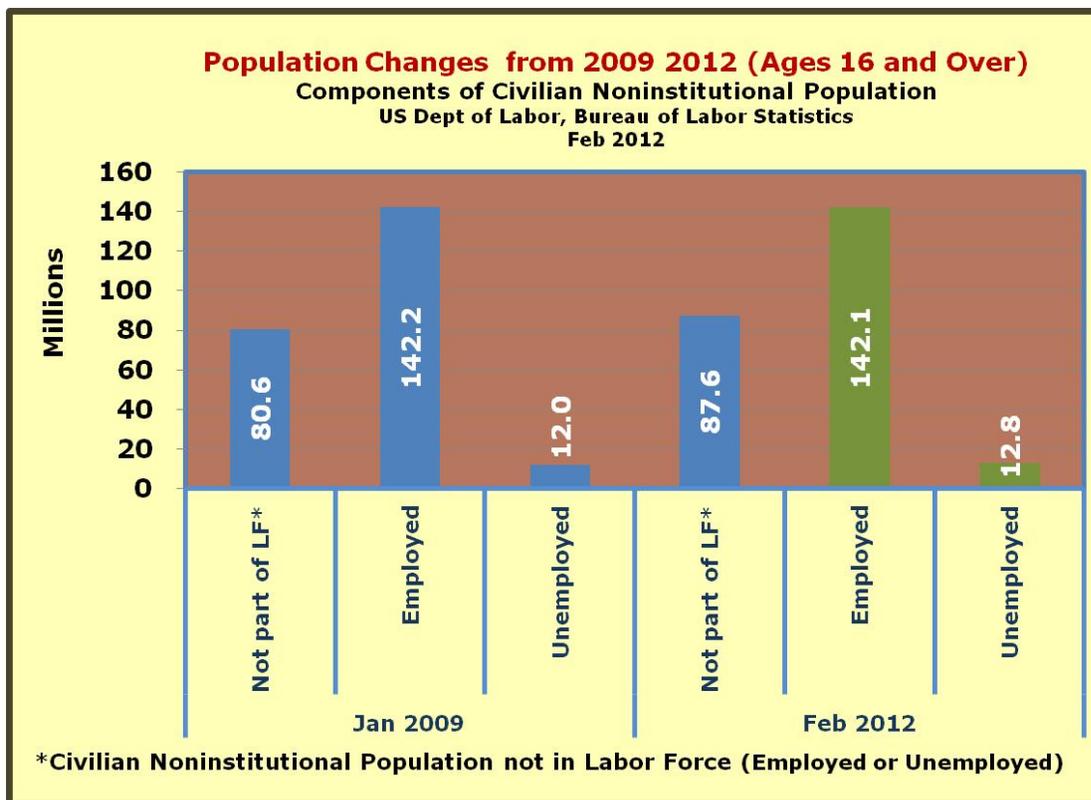
2) Civilian Noninstitutional Population and its component parts

The Civilian Noninstitutional Population (those persons 16 and over not in institutions, e.g., military, prison, etc.).

Civilian Labor Force (those persons employed and unemployed)

The Labor Force Participation Rate is the relationship between the Civilian Labor Force as a percent of the Civilian Noninstitutional Population.





Since January 2009, employment has fallen slightly and Unemployment increased slightly, but the big difference is that 7 million Americans are on the sidelines, removed from the Labor Force!

January 2009

Civilian Noninstitutional Population = 234,739,000

Labor Force = 154,185,000

Employed = 142,201,000

Unemployed = 11,984,000

February 2012

Civilian Noninstitutional Population = 242,435,000

Labor Force = 154,871,000

Employed = 142,065,000

Unemployed = 12,806

Difference (Decrease)/Increase

Civilian Noninstitutional Population = 7,696,000

Labor Force = 686,000

Employed = (136,000)

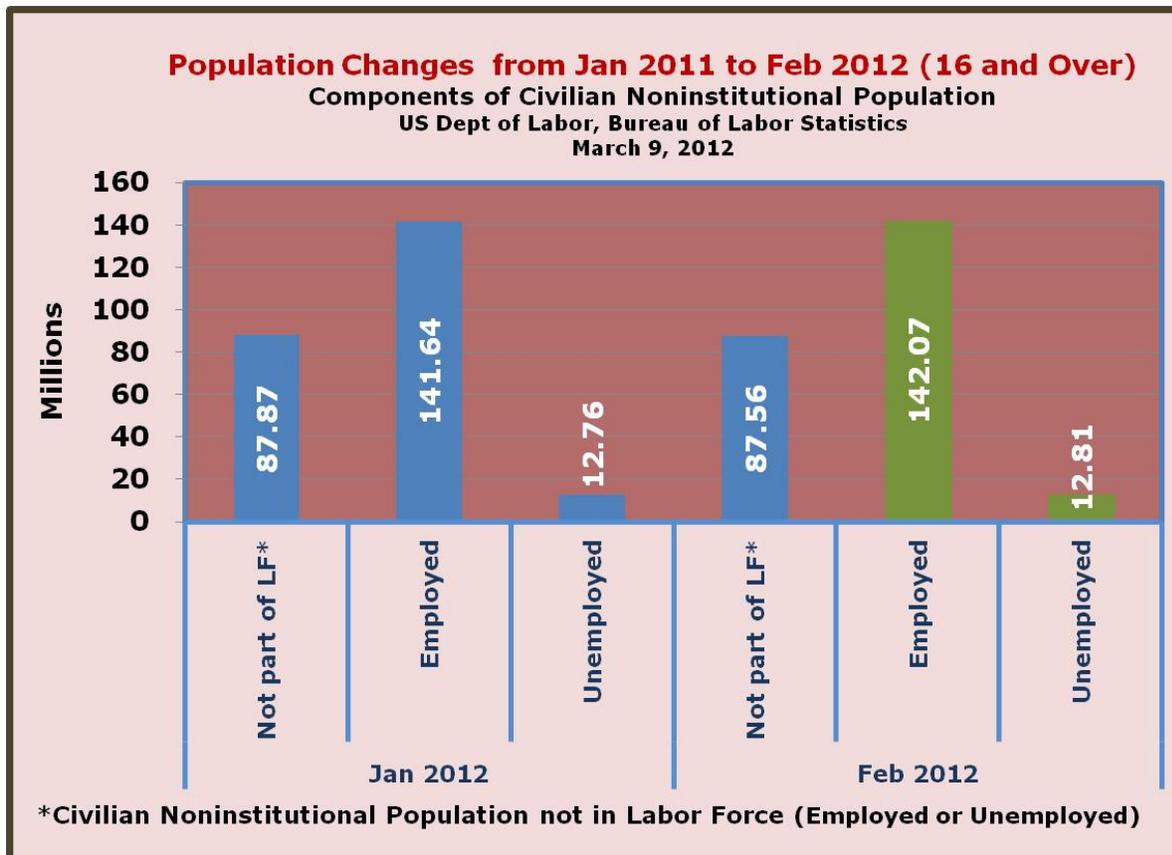
Unemployed = 822,000

Sidelined from Labor Force = $[7,696,000 - 686,000] = 7,010,000$

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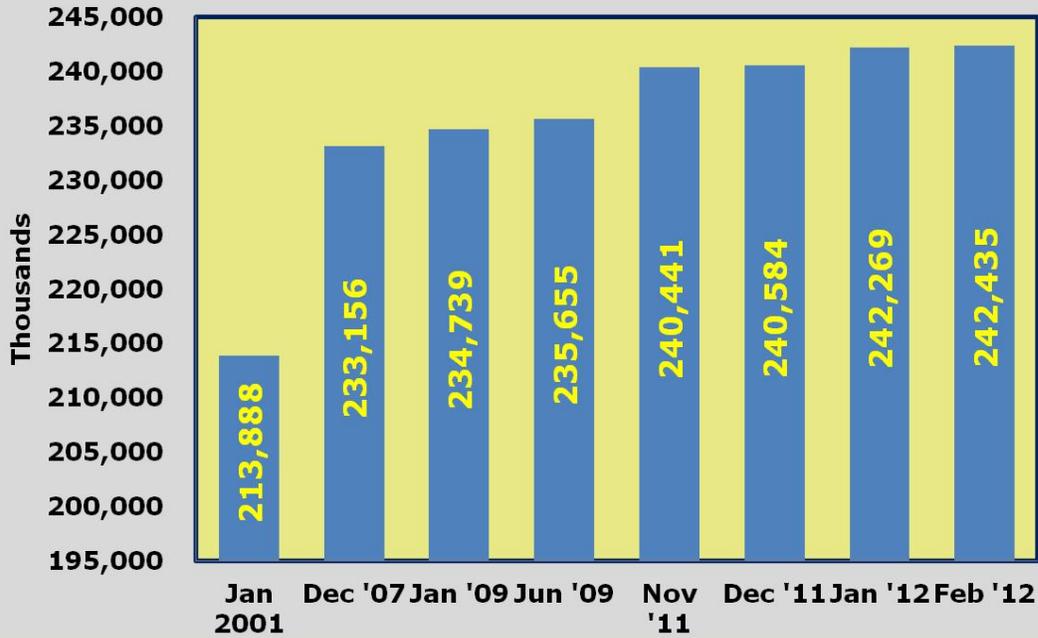


From January to February 2012, of those sidelined, not in the Labor Force 310,000 have moved back into the Labor Force. Employed rose by 428,000, but unemployed also rose by 48,000. How can this be?

- 1) Civilian Noninstitutional Population rose by 166,000
- 2) Civilian Labor Force rose by 476,000 (Civilian Noninstitutional Population 166,000 + 310,000 formerly sidelined [not in Labor Force])
- 3) Employed increased by 428,000
- 4) Unemployed 48,000 = Civilian Labor Force (476,000) – Employed (428,000)

Civilian Noninstitutional Population

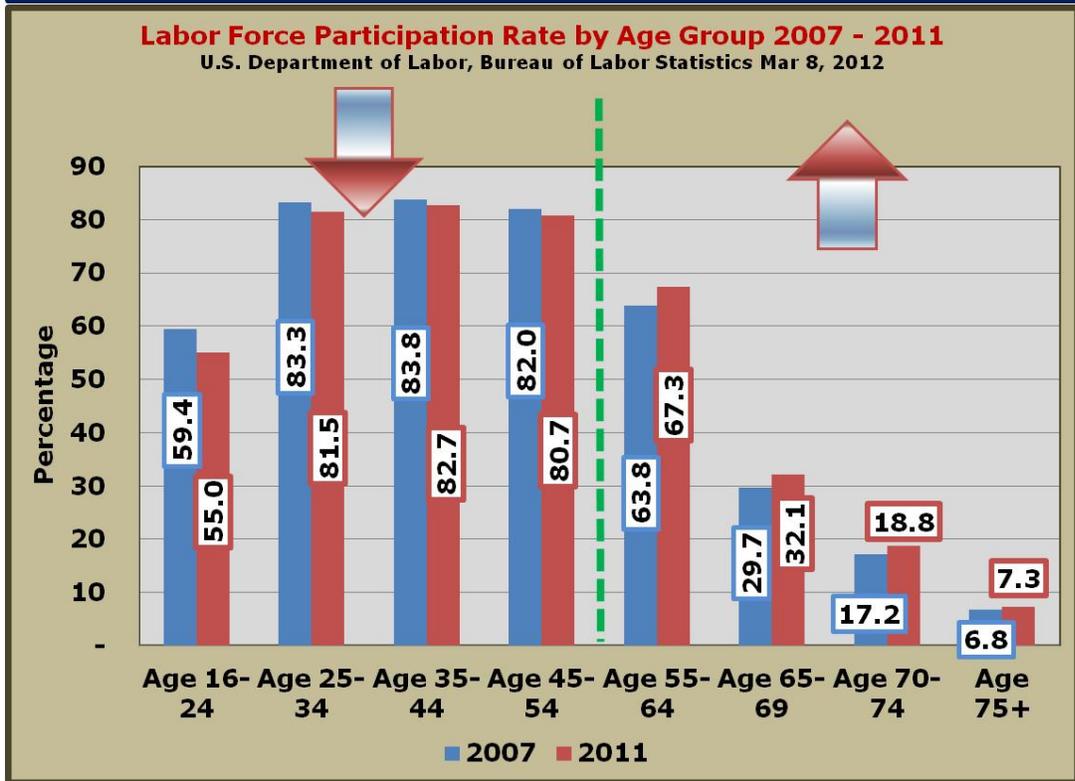
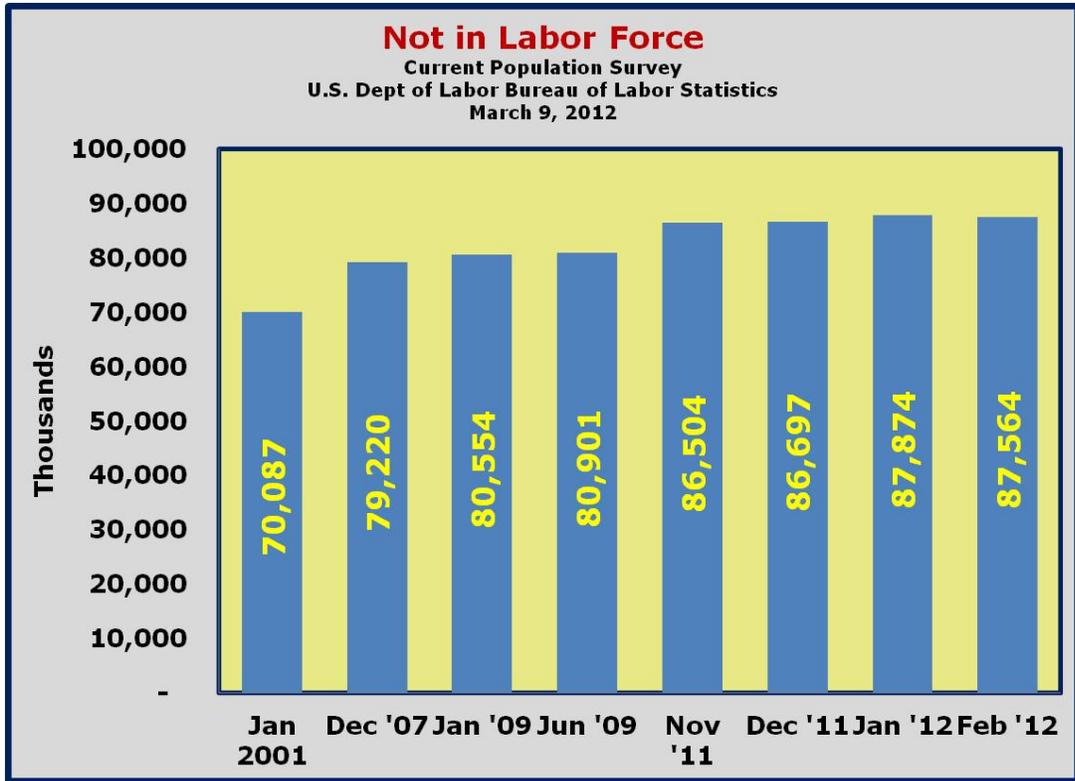
Current Population Survey
U.S. Dept of Labor Bureau of Labor Statistics
March 9, 2012



Civilian Labor Force (Employed + Unemployed)

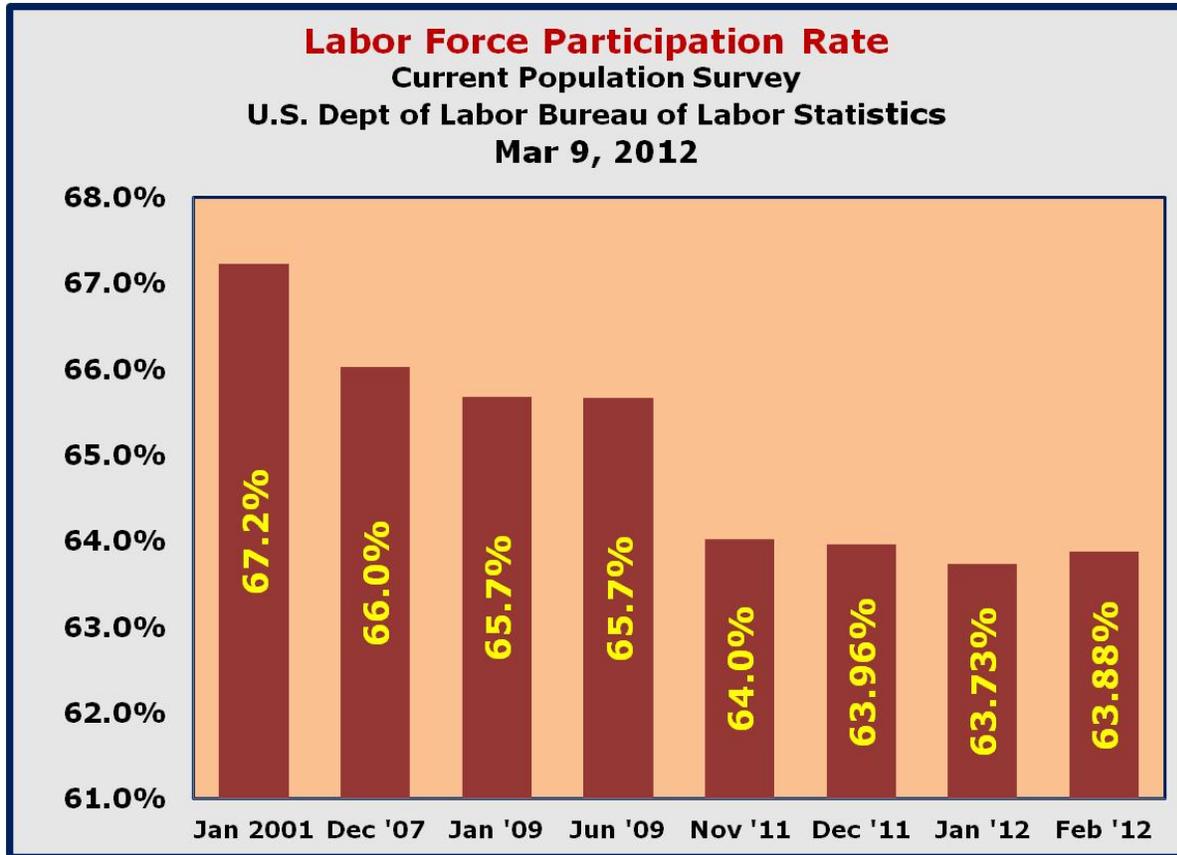
Current Population Survey
U.S. Dept of Labor Bureau of Labor Statistics
March 9, 2012





3) Changes in the Labor Force Participation Rate

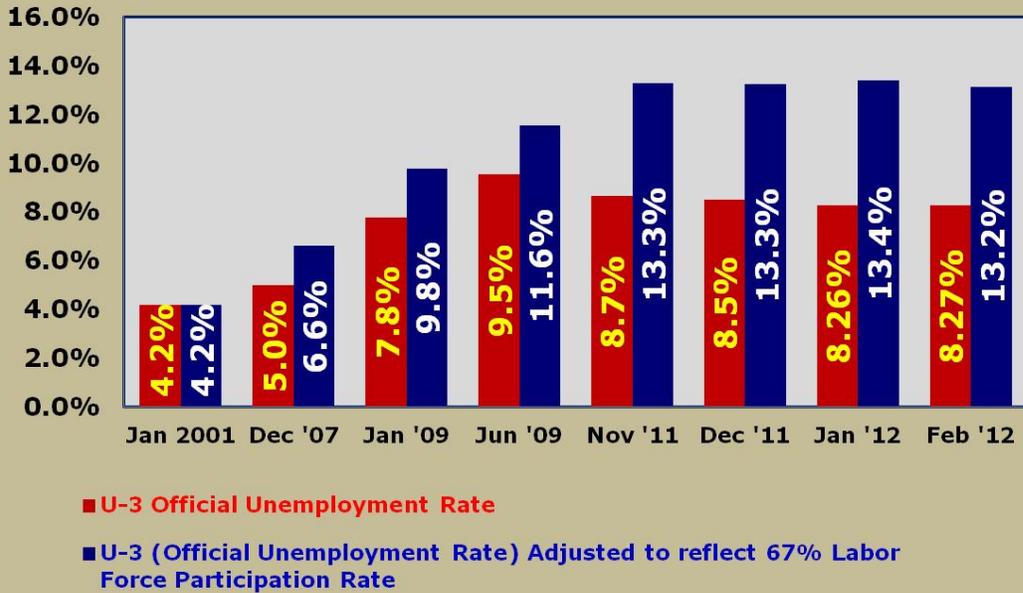
In previous newsletters we noted that while the Labor Force Participation Rate may have fallen off in the very youngest of cohorts (ages 16-24) due in part to more full-time enrollment in postsecondary education, the fact is that the Labor Force Participation Rate has dropped across the board, from age 16 through age 54. The surprising thing is that since 2007, the Labor Force Participation Rate has risen significantly for ages 55 and up.



The Labor Force Participation Rate is the relationship between the Civilian Labor Force (those persons employed and unemployed) as a percent of the Civilian Noninstitutional Population (those persons 16 and over not in institutions, e.g., military, prison, etc.). The Labor Force Participation Rate was 63.88% in February 2012; the last time the rate was below 63.9% [prior to January 2012 63.7] was May 1983 (63.7%).

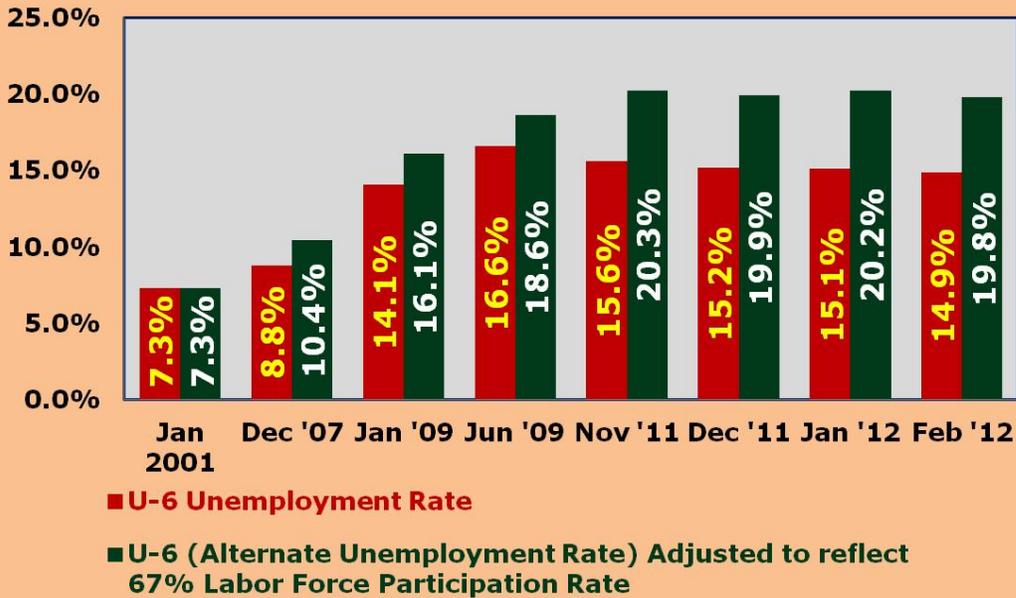
Official U-3 Unemployment Rate & ADJUSTED
(Adjusted for 67% Labor Force Participation Rate)

U.S. Dept of Labor Bureau of Labor Statistics
Mar 9, 2012



U-6 Unemployment Rate - ADJUSTED
(Adjusted for 67.0% Labor Force Participation Rate)

U.S. Dept of Labor Bureau of Labor Statistics
March 9, 2012



Lies, Damned lies, and Statistics

December 5, 2011

<http://www.econnewsletter.com/103401.html>

Labor force Participation Rate

"The labor force participation rate represents the proportion of the civilian noninstitutional population that is in the labor force. This measure of labor force activity grew from about 60 percent nationally in 1970 to about 67 percent in 2000, with much of the increase resulting from increased participation by women."

THE CHALLENGE AHEAD

The good news in terms of the overall employment picture is that in spite of increase in the Unemployment Rate from January (8.26% to 8.27%) the Labor Force Participation Rate grew from 63.73% to 63.88% but consider the following:

In order for the unemployment rate to be at 8%, including a Labor Force Participation Rate of 66%, we would need to have 5 million more people employed. With an average increase in the Civilian Noninstitutional Population of 150,000 per month, it would take 24 months, adding 360,000 jobs every month to reach 8% unemployment and the 66% Labor Force Participation Rate.