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THE NATURE AND MEASUREMENT OF UNEMPLOYMENT

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Abstract

Problems of defining and measuring unemployment in the contemporary American economy are examined here using data from the official employment survey. The paper finds that only a minority of the unemployed conform to the conventional picture of a worker who has lost one job and is looking for another job. Other important categories are those who have jobs but are not at work because the jobs have not yet started or because of layoff, workers who are in normal spells between temporary jobs, people who are looking into the possibility of work as an alternative to household duties, school, or retirement, and people who have come back into the labor force. None of these categories is dominant. One of the most significant findings is the large number of the unemployed (close to a million in 1977) who are looking for temporary work. Another important finding is that only a minority of the unemployed are looking for work as their major activity during the week of the survey. The majority of those classified officially as unemployed are identified by the household as keeping house, going to school, or retired.

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The unemployment rate is one of the most important economic statistics published by the federal government. A higher unemployment rate is universally recognized as a leading symptom of malfunction of the economy, though there is much disagreement about the cause of the malfunction. This paper examines the problems of defining and measuring unemployment in the contemporary American economy. The raw material for the paper comes from the monthly survey of households conducted by the Census Bureau, the Current Population Survey. The central problem of measuring unemployment is to convert the answers to a long series of questions into a judgment whether a person is unemployed, employed, or out of the labor force. Not only is this problem more complicated than is generally recognized, but the types of activities that are counted as unemployment are much more varied than even sophisticated commentators realize. Only a minority of the unemployed conform to the conventional picture of a worker who has lost one job and is looking for another job. Other important categories are workers who have jobs but are not at work either because the jobs have not started yet or because they are on layoff, workers who are in normal spells between jobs in sequences of temporary jobs, people who are looking into the possibility of work as an alternative to household duties or retirement, and people who have come back into the labor force either for the first time or after a period out of the labor force. None of these categories is dominant.

The data examined in this paper yield two surprising findings. First, an important fraction of the unemployed--close to a million people in 1977--are looking for temporary work. Probably many others have become unemployed because earlier temporary jobs have ended, but the data are not very informative on this point. The job that ends by mutual prior agreement, with

neither a layoff nor a quit, is apparently an important factor in the overall flow into unemployment.

The second surprise is that only a minority of the unemployed are identified as looking for work when the household is asked what they were doing most of the survey week. In May 1974, 1.7 million people were identified as looking for work, while the official unemployment count was 4.4 million. Over half of the people officially counted as unemployed were identified by the household as keeping house, going to school, or retired.

Consideration in Defining Unemployment

A survey can sort the population into three general categories--(1) those who are working, (2) those who are not working but are interested in working, and (3) those who are not interested in working. There is little disagreement that people in categories 1 and 3 should not be counted as unemployed, though there is a separate question whether some in category 1 might be underemployed. The major problem in defining unemployment is to decide who in category 2 is unemployed and who is employed or out of the labor force. The following considerations are of significant numerical importance in making this decision:

1. Many of those in category 2 actually have jobs but are not at work. They may be ill, on vacation, on strike, or unable to work because of bad weather. They may have been laid off with a definite promise of recall, or with a likelihood of recall at an undetermined date in the future. They may have just taken a job but not yet have started work.

2. Some people may have only a weak interest in working. In particular, they may not be doing anything to find work. Of course, some may have looked

intensively in the past and have now given up, in spite of a genuine interest in working.

3. Some people are interested in working and are looking actively, but are not yet available for work. High school and college students looking in the spring for summer jobs are the obvious example, but many others look for work in anticipation of recovery from an illness or in other similar circumstances.

4. In some lines of work, jobs are temporary and workers spend time between jobs as a matter of course. Construction work and substitute teaching are leading examples, but temporary jobs are an important feature of many other labor markets as well.

It does not seem possible to resolve the definitional issues surrounding unemployment in an explicit analytical fashion. It is hard to go much beyond the general principle that the unemployment rate ought to measure the success of the labor market in providing work for everyone who is interested in working and has a realistic idea of what kind of work he is qualified to perform and how much it pays. This principle suggests that workers who have jobs but are not at work because of illness, vacation, strikes, or weather should not be counted as unemployed. It might also suggest that those who have jobs but have not yet started work might not be counted, though this is more controversial (and at variance with official U.S. procedures). It further suggests the exclusion of those who are not yet available for work at the time they are looking.

The general principle is not of much help in resolving the more controversial issue of the treatment of people who consider themselves unemployed but are not actively looking for work. No feasible questionnaire could determine if a person's job aspirations were realistic. The operational

choices are either to accept the household's perception of unemployment--and thus to count as unemployed the person who refuses to hold any job but president of General Motors--or to rely on overt behavior, namely specific efforts to find work. Interestingly, it appears that the efforts in the survey to base the definition on overt behavior causes more people to be counted as unemployed than would be if the household's judgment were accepted.

The Current Population Survey

The Current Population Survey, or CPS, obtains data on nearly 100,000 adults and teenagers each month. Many kinds of questions are asked, but this paper restricts itself to discussing the sequence of questions about current labor market activities that is asked every month for every individual aged 16 or above. Though the questions are asked for every individual, it is important to understand that the individuals do not usually answer the questions directly. Rather, the interview is conducted with a single adult member of the household, called the respondent, who answers for every member of the household.

The sequence of questions focuses on a single week, called the survey week, which is the calendar week just preceding the interview (interviews are conducted on Monday through Friday of the week containing the 12th of the month). The sequence begins with the question, "What was X doing most of last week--working, keeping house, going to school, or something else?" (the interviewer uses the person's name in place of X). For those who were not at work, the question is then asked, "Did X do any work at all last week, not counting work around the house?" Those for whom the answer is "yes" are then treated as if work had been their principal activity. Even

if a person was reported as looking for work most of last week, no further questions about unemployment are asked.

The next major question in the sequence, asked for everybody who did not work in the survey week, is "Did X have a job or business from which he was temporarily absent or on layoff last week?" This question helps to separate job-holders from the jobless--in any given week, many job-holders are not at work, and some of them probably ought to be counted as unemployed. For non-working job-holders, the respondent is asked, "Why was X absent from work last week?" Possible answers are "own illness," "on vacation," "bad weather," "labor dispute," "new job to begin within 30 days," "temporary layoff (under 30 days)," "indefinite layoff (30 days or more or no definite recall date)," and "other."

For those who are not job-holders, the next major question is "Has X been looking for work during the past four weeks?" For those for whom the answer is "yes," a sequence of questions is then asked to get further information about job-seeking. First is "What has X been doing in the last four weeks to find work?" The interviewer does not suggest alternative answers, but the survey form records "checked with public employment agency," "checked with private employment agency," "checked with employer directly," "checked with friends or relatives," "placed or answered ads," "nothing," and "other (specify in notes, e.g., MDTA, union or professional register, etc.)." This question can be used to exclude from unemployment people who are considered by the household to be unemployed but who are not actually looking for work. The instructions to the interviewers in the Interviewer's Reference Manual (2) make it clear that the response "nothing" is to be used only in the case where a person has literally not done anything to look for work: "This category is provided to handle those rare cases where the

respondent answered 'Looking' to item 19 [the question about activity last week] or 'Yes' to item 22 [the question about looking for work in the past four weeks], but did nothing to find work" (p. D6-385, revised February 1976).

Another critical question asked for job-seekers is "Is there any reason why X could not take a job last week?" Possible affirmative answers are "already has a job," "temporary illness," "going to school," and "other." This question can be used to exclude people who are looking for jobs in anticipation of future availability for work, notably students.

For job-seekers, the respondent is also asked, "Why did X start looking for work? Was it because X lost or quit a job at that time (pause) or was there some other reason?" Possible reasons are "lost job" (this applies to jobs that simply came to an end as well as layoffs and discharges), "quit job," "left school," "wanted temporary work," and "other." This important question is unfortunately somewhat ambiguous. For workers who have lost or left one long-term job and are looking for another, it is safe to assume that the response will be recorded as "lost job" or "quit job." In the Interviewer's Reference Manual, interviewers are instructed to mark "left school" only for people who do not expect to return to school, not for those who are looking for work during a vacation. Interviewers are told to minimize the "other" category by probing to see if people fit in any of the other categories. The Manual gives some examples of valid uses of the "other" category: "well enough to work again," "discharged from Armed Forces," and "children grown--free to work now." This leaves the "wanted temporary work" response, which is a major fraction of all responses. "Wanted temporary work" is difficult to interpret. The response is not logically mutually exclusive of the others--a person could become unemployed by quitting an earlier job and then decide to look for temporary work. The

survey requires a single response, however, and is clearly set up to favor the "lost job" or "quit job" categories. The substantial number of workers, especially young people, who are recorded as wanting temporary work probably consist of two groups--those who are looking for work during school vacations and those who hold one temporary job after another. Some of the latter may be classified instead as job losers, however,

The Official Definition of Unemployment

Since the modification of the CPS in 1967 in accordance with the report of the Gordon Committee (1), the definition of unemployment in the U.S. has embodied the following resolution of the definitional problems listed earlier:

1. People with jobs but not at work because of illness, vacation, bad weather, or labor disputes are counted as employed. Those with jobs but not at work because they are on layoff, and those with new jobs that begin within 30 days are counted as unemployed.

2. In principle, only those people who are actively looking for work are counted as unemployed. Specifically, if the respondent cannot think of anything that the individual did to look for work in the four weeks before the survey, the individual is not counted as unemployed. However, the definition of activity is sufficiently broad that this test is very weak, and almost everyone who has done anything in the four weeks is counted as unemployed. For example, if the interviewer marks "checked with friends or relatives" or "other," the individual automatically satisfies the test.

3. The official definition compromises on the issue of whether to count as unemployed people who are looking but are not available for work. Those for whom the respondent answers "no" to the question, "Is there any

reason why X could not take a job last week?" are counted as unemployed. Among those for whom the answer is "yes," if the reason is "already has a job" or "temporary illness," they are counted as unemployed even though they were not available. If the reason is "going to school" or "other," they are not counted as unemployed. Note that this does not exclude students who are looking for work unless the respondent thinks they are not currently available for work.

4. The official definition of unemployment makes no attempt to exclude intervals between temporary jobs. For example, substitute teachers are counted as unemployed whenever they are not actually in the classroom for the survey week.

Unemployment in 1977

Table 1 presents a breakdown of unemployment in 1977 according to the official definition. These data are annual averages of monthly figures. Of the total of 6.9 million unemployed, 3.9 million previously held jobs from which they were laid off or quit. The remaining 2.9 million became unemployed after being out of the labor force. The bulk of those who previously were at work, 2.2 million unemployed workers, have simply lost their jobs. Unlike the 0.8 million who are on layoff, they have no expectation of returning to their earlier jobs, and unlike the 0.9 million who quit, they did not become unemployed through unilateral acts of their own. However, people who held jobs which simply ended because the duration was agreed in advance are included in the job-losers--not every job loser has unexpectedly lost a job he thought was permanent.

One of the most striking findings of Table 1 is the importance of temporary work as a source of unemployment among those who were previously

out of the labor force. Almost a million workers--13 percent of all the unemployed--are identified as looking for temporary work. Recall that this category applies only to people who have not previously been at work. The overall importance of temporary jobs as a source of unemployment is understated because large numbers of job-losers are undoubtedly between temporary jobs as well.

Table 1. Unemployment in 1977

	number (thousands)	percent of total
On layoff	853	12
temporary	234	3
indefinite	620	9
Job-losers	2249	33
Job-leavers	889	13
Wanted temporary work	924	13
Left school	469	7
Other	1470	21
Total	6855	100

Source: Unpublished BLS tabulations.

Another surprise is the relative unimportance of the flow of young people out of high school and college and into the pool of the unemployed. Only seven percent of total unemployment in 1977 was associated with this flow.

There are dramatic differences in the proportion of young people among the various categories of unemployment:

<u>category</u>	<u>fraction aged under 25 (%)</u>
laid off	20
lost job	33
left job	47
looking for temporary work	74
left school	88
other	48

Workers on layoff tend to be older and more experienced. They have developed seniority rights which give them a claim to return to their jobs after lay-off, and the jobs are sufficiently attractive so that they generally wish to return to them. The job losers who do not expect to return to their previous jobs are somewhat younger, but two-thirds of them are 25 or older. Job-leavers are much younger on the average--almost half are under 25. This reflects the smaller job-specific human capital and other sources of job attachment among younger and less experienced workers. The group of people who come into the labor force looking for temporary work is younger still; only a quarter are 25 or over. Many of them are in school and are looking for part-time work. The school leavers are young almost by definition, so it is no surprise that 88 percent are under 25. Finally, the residual group of entrants labeled "other" is almost half under 25. Though the stereotype of this group is the woman who starts looking for work after her children are grown, in fact the group contains many younger people as well.

The unemployed are almost evenly split between men and women, though men predominate in the layoff and job loss categories and women in job leavers, temporary work, and "other":

<u>category</u>	<u>fraction who are men (%)</u>	<u>fraction who are women (%)</u>
all unemployed	52	48
laid off	63	37
lost job	64	36
left job	45	55
looking for temporary work	43	57
left school	52	48
other	39	61

Men tend to have the kinds of jobs that are interrupted by layoffs or are terminated by employer actions, while women are a little more likely to become unemployed by quitting, or to become unemployed after being out of the labor force.

The educational attainment of the unemployed differs in important ways among the various categories (these data refer to those aged 20 and above):

<u>category</u>	<u>fraction who did not go to high school (%)</u>	<u>fraction who had at least some college (%)</u>
laid off	16	15
lost job	14	24
left job	8	32
looking for temporary work	13	35
other	11	27

Workers subject to layoffs generally work with their hands and are most likely to have only grade school education and least likely to have gone to college. Extensive job-specific skills and the value of seniority bind them to their jobs. It is mutually beneficial to worker and employer that they

return to their old jobs after layoff. Job losers have somewhat more formal education and job leavers have much more. These workers hold a larger fraction of their human capital in a form which is transferable from one employer to another and so incur a lower cost to an irrevocable separation from a job. Curiously enough, the category with the largest fraction of workers with some college are those looking for temporary work, though, of course, many of them are college students looking for work while attending college.

Most of the unemployed--86 percent--have worked at some time in the past and so can be assigned an occupation. The various categories of unemployment differ sharply in their occupational compositions:

<u>category</u>	<u>major occupations (%)</u>
laid off	operatives: 38 craft workers: 19 laborers: 14 clerical workers: 10
lost job	operatives: 23 clerical workers: 15 craft workers: 15 service workers: 15
left job	service workers: 22 clerical workers: 20 operatives: 20 craft workers: 9
looking for temporary work	service workers: 28 clerical workers: 22 operatives: 14 laborers: 10
other	service workers: 25 clerical workers: 21 operatives: 18 professional & technical: 8

Layoff unemployment is dominated by the operatives who are employed in the highly unionized and volatile durables industries. Collective bargaining

agreements protect the right of a worker who is laid off to return to his job in this sector. Operatives also figure strongly in unemployment due to job loss, but other large occupations also contribute. Job leavers are more likely to be service or clerical workers, and the same holds even more strongly for temporary work and "other" (left school is omitted here because the occupation of previous employment has little bearing on the occupation being sought after leaving school).

Most of the unemployed--79 percent--are looking for full-time work. The minority who are looking for part-time work, notably students and parents of young children, are concentrated disproportionately in the categories of temporary work and "other." Of those looking for temporary work, 65 percent are interested only in part-time jobs.

All of this adds up to the following stylized portrait of unemployment in the contemporary American economy:

<u>typical member of group</u>	<u>fraction of total unemployment (%)</u>
50 year old man with a grade school education, on layoff from a job on an assembly line	12
35 year old man with a high school education, who has lost a job as a mechanic and is looking for another job	33
25 year old woman with two years of college, who quit a job as a typist and is looking for a new job	13
17 year old who is looking for a temporary job in the afternoon during the school year	13
recent college graduate who is looking for full-time work	7
30 year old woman who is looking for a job as a waitress and has not worked in the past 9 months	21

Behavior of the Components of Unemployment Over Time

The various components of unemployment differ enormously in their cyclical patterns. As Table 2 shows, the components that draw most heavily from the cyclically sensitive manufacturing sector respond most strongly to recessions. Of the increase in the overall unemployment rate of 1.4 percentage points from 1969 to 1970, a mild recession, 0.4 were accounted for by a doubling of the contribution from layoffs, and 0.5 by a large increase from job loss. The contribution from job leavers, those looking for temporary work, and school leavers increased only slightly. The "other" category increased by 0.5 percentage point, though this may not be typical. The much more severe recession in 1975 was even more concentrated among the layoff and job loss categories. Of the total increase of 2.9 percentage points of unemployment, 1.0 came from increased layoffs and 1.3 from increased job losses. The remaining 0.6 percentage point was spread fairly evenly among the other categories. It is especially noteworthy that the contribution of those leaving school increased only slightly even in a very deep recession. The market continued to provide jobs for new graduates even though millions of established workers were on layoff or had lost their jobs.

Though Table 2 covers only the single decade since the inception of the revised unemployment survey, certain important trends are apparent. First, layoffs are declining as a source of unemployment. In 1973, layoffs accounted for 0.5 percentage point of unemployment, the same as in 1967, but total unemployment in 1973 was 4.9 percent, well above the 1967 total of 3.8 percent. By 1977, layoff unemployment was down to its 1971 level of 0.9 percent, while the total unemployment rate in 1977 was well above its 1971 level. Layoffs are concentrated in manufacturing, which is a declining sector relative to the rest of the economy. Moreover, the markets for the

kinds of workers who are eligible for layoffs--blue collar, older, less educated--have been notably tight relative to the general labor market in the 1970s.

Table 2. Components of the Unemployment Rate, 1967-77

Percent of labor force unemployed because:

<u>Year</u>	<u>laid off</u>	<u>lost job</u>	<u>left job</u>	<u>temp. work</u>	<u>left school</u>	<u>other</u>	<u>total unemp. rate</u>
1967	0.5	1.1	0.6	0.6	0.3	0.9	3.8
1968	0.4	0.9	0.6	0.7	0.2	0.8	3.6
1969	0.4	0.8	0.5	0.7	0.2	0.8	3.5
1970	0.8	1.4	0.7	0.8	0.3	1.4	4.9
1971	0.9	1.9	0.7	0.9	0.4	1.9	5.9
1972	0.7	1.8	0.7	0.9	0.4	1.2	5.6
1973	0.5	1.4	0.8	0.8	0.4	1.1	4.9
1974	0.8	1.6	0.8	0.9	0.5	1.1	5.6
1975	1.8	2.9	0.9	1.1	0.5	1.3	8.5
1976	1.1	2.7	0.9	1.0	0.5	1.5	7.7
1977	0.9	2.3	0.9	0.9	0.5	1.5	7.0

Source: Unpublished BLS tabulations.

The "other" category of entrants to the labor force who are not looking for temporary work and have not just left school also shows a downward trend over the decade--it actually contributed less to unemployment in the deep recession year, 1975 (1.3 percentage points) than in the previous mild recession year, 1970 (1.4 percentage points). Unemployment in this category has declined relative to the total unemployment rate in spite of the strong influx of women into the labor force during this period. Apparently many of them are looking for work in the sectors where job opportunities have remained favorable. The category of people looking for temporary work has likewise not been a contributor to the general strong rise in unemployment

over the period. In 1977, 0.9 percentage point of unemployment were classified in the temporary work category, the same as in 1971.

Most of the serious worsening of unemployment over the decade has appeared in the category of job losers, though job leavers have made a contribution as well. Simple departure from jobs, because employers decided that workers were no longer needed, because jobs came to an end by earlier mutual agreement (a phenomenon that the CPS regrettably does not measure), or because workers decided jobs were no longer suitable, have become more frequent over the period, and new jobs have become harder to find. Though the matter cannot be pursued here, it is worth mentioning that most of the increase in unemployment of this kind has occurred among young, better-educated workers who are looking for jobs as professional, technical, or clerical workers. The contribution to unemployment from operatives, laborers, and service workers, and from older and less-educated workers in general, has declined markedly over the decade.

Potential Modifications of the Definition of Unemployment

In the list of the major issues in the definition of unemployment at the outset of this paper, the first was the treatment of workers who have jobs but are not at work. The official definition counts as unemployed those who are on layoff or are about to start work, but excludes those who are ill, on vacation, on strike, or unable to work because of bad weather. Possible alternatives are:

1. Make unemployment synonymous with joblessness by excluding everyone who holds a job, including those on layoff.
2. Exclude those who are about to start work.

3. Include not only everyone counted by the CPS but also those who are unable to work because of bad weather.

Recently the Bureau of Labor Statistics has begun to publish the first alternative, under the name of "job seekers." The job-seeking rate is essentially the total unemployment rate less the contribution of layoffs (see the first column in Table 2). It is about 0.8 percentage point lower than the official unemployment rate on the average and has significantly smaller cyclical fluctuations. For example, the job-seeking rate rose from 4.8 percent to 6.7 percent from 1974 to 1975, while the unemployment rate rose from 5.6 to 8.5 percent.

The exclusion of people who are about to start work would have a much smaller effect. In 1977, an average of 125,000 workers, or 0.14 percent of the labor force, were counted as unemployed because they were about to start work. Though exclusion of this group would make a good deal of sense, it would have little practical effect. Many of the people in this category are students who have found summer jobs but have not started work because they are still in school. Since students who are still in school and are looking for summer work are now excluded from the unemployed, it would only be consistent to exclude those who have already found work.

The inclusion of workers with jobs but not at work because of bad weather would have little effect as well. In May 1974, only 54,000 workers fell in this category.¹ Although the category swells in winter months, its average over the year is probably not enough to add even one tenth of a percentage point to the unemployment rate.

¹This and other statistics for May 1974 and May 1975 come from a tabulation of the public use tapes from the CPS, carried out by Martin Van Denburgh.

The second major issue is the identification of people who are truly unemployed but who are unable to find work. The CPS accepts any affirmative answer to the question about job-seeking activity as sufficient to classify a person as unemployed. By far the most common answer is also probably the least suspicious as an indicator of serious effort to find work: "checked with employer directly," which was listed by 4.2 million of the 5.9 million job seekers on the average in 1977. The two least convincing answers, "checked with friends and relatives" and "other" were listed by 0.8 million and 0.4 million, respectively. Many of these people also were reported as using some of the other job-seeking methods as well, so it is likely that a total exclusion of the doubtful replies would lower the unemployment rate by somewhat less than one percentage point. Clearly, the CPS procedure for identifying genuine job-seeking activities should be improved. It would be better to ask about physical activities such as trips and telephone calls rather than the vague "checked with" question.

Very few workers who are identified as looking for work by the household are excluded from the official measure of unemployment because of a lack of job-seeking activity. Their total number in May 1974 was 178,000. Extending the definition of unemployment to include this group would raise the unemployment rate by about 0.2 percentage point. Recall that the instructions to the CPS interviewers are to minimize this category.

The third issue is the treatment of people who are looking for work but are not actually available for work. This category reaches its seasonal peak in May, when close to a million high school and college students are looking for work to begin in June. The exclusion of this group from unemployment was one of the recommendations of the Gordon Committee. Adding them back to the unemployment rate would raise it by around one tenth of a

percentage point. Another potential reason for unavailability is temporary illness. Workers in this category are included among the unemployed in the official definition but their number is trivial: 44,000 in May 1974. The definition also counts people who are said to be unavailable because they already have jobs (which is virtually contradictory in view of the design of the questionnaire), but they are even scarcer: 15,000 in May 1974. On the other hand, people are excluded from unemployment if they are unavailable for "other" reasons--there were 107,000 in this category in May 1974.

The final issue is the treatment of people whose work is explicitly temporary and who are between jobs. The importance of "wanted temporary work" as one of the reasons for unemployment suggests that the number of such workers who are counted as unemployed is quite large, but the deficiencies in the CPS procedures mentioned in earlier sections obscures the precise magnitude of this kind of unemployment. It would certainly be desirable to modify the CPS questions so as to get a clearer measure of the role of temporary work in unemployment. It is unclear at this stage how or whether the definition of unemployment ought to be changed to take account of temporary work.

The Major Activity of an Unemployed Worker

The first question in the CPS questionnaire, "What was X doing most of last week?", can be used to classify the population by major activity in the survey week. In the case of unemployment, this classification provides a good deal of independent information about the nature of unemployment because almost no use is made of the answer to the first question in the official method for counting the unemployed (the answer is used only to resolve inconsistencies in answers to other questions). The designers of the CPS

did not wish to rely on the household's perception of unemployment, but instead asked the more detailed sequence of questions about job-seeking activities discussed earlier in this paper.

The classification by major activity can be used in two ways. First, it will show how important the more detailed questions about unemployment are in reclassifying workers who are considered unemployed by the household into other categories. In particular, the tests for specific job-seeking activities and availability for work should cause some people who are considered unemployed to be counted as out of the labor force in the official data. In fact, though, the overwhelming majority of those whose major activity in the survey week is looking for work are counted as unemployed:

Percent distribution of individuals whose major activity
in the survey week was looking for work, May 1974

Working	4 percent
Employed but not at work	1 percent
Unemployed	88 percent
Not in the labor force due to no job-seeking activity	4 percent
Not in the labor force because of unavailability	3 percent

Again, neither the activity nor availability tests have large effects on the count of the unemployed.

The second use of the major activity is to see how households view the status of those workers who are actually classified as unemployed in the official tabulation. This gives rise to a rather surprising finding: Less than half of those officially counted as unemployed have as their major activity "looking for work." Following is the percent distribution among major activities of the individuals officially classified as unemployed in May 1974:

Working	0 percent
With a job but not at work	7 percent
Looking for work	35 percent
Keeping house	24 percent
Going to school	20 percent
Unable to work	0 percent
Retired or other	14 percent

Presumably the great majority of the seven percent who have jobs but are not at work are on layoff and would also be considered unemployed by the household, even though job-seeking is not their major activity.

The key unemployment question, "Has X been looking for work during the past four weeks?" brings in a large number of people for whom some other activity absorbed more of their time than did looking for work. Many are keeping house, going to school, or are more or less retired. In part this shows that the unemployed try to make good use of their time until a job comes along. In part it also shows that unemployment is difficult to define and measure among groups facing marginal decisions between work on the one hand and household duties, education, or retirement on the other. Current procedures inevitably tend to classify many of these people as unemployed, not because they are out of work in the usual sense, but because they did look into some possibility of work in the four weeks before the survey. The sheer number of people who are added to the unemployment count beyond those for whom job seeking is their major activity is impressive:

	<u>Unemployment in thousands</u>	
	<u>May 1974</u>	<u>May 1975</u>
Adults		
Official unemployment	3106	6834
Number of people whose major activity is looking for work	1387	2814
Teenagers		
Official unemployment	1284	1727
Number of people whose major activity is looking for work	344	507

In May 1975, when the official unemployment rate was 9.0 percent, only 4.0 percent of the labor force were looking for work as their major activity.

Conclusions and Recommendations

The procedure in use in the United States can be summarized without serious injustice as follows: people are counted as unemployed if they are not working and if they are on layoff or they have done anything in the four weeks before the survey to look for work. This is a broad definition, in that almost everybody whose major activity is looking for work, according to the household, is counted as unemployed, and millions of others besides. The application of different criteria for unemployment to the data from the existing CPS would not markedly change the unemployment count unless the basic procedure itself were changed, for example, by dropping those on layoff or requiring that job-seeking be the major activity in the survey week. Both of these changes would be extreme.

This study of the data has come to two important conclusions about weaknesses in the CPS questionnaire. First, the role of temporary employment cannot be clarified because of the defective question about the reason

for unemployment. The question should be modified so that the alternatives are "lost job," "left job," "temporary job came to an end," and "entered labor force." Then a second question should ask if the job currently being sought is temporary. These changes would significantly improve knowledge of the sources of unemployment. It would not by itself have any effect on reported unemployment.

The second and more difficult problem is the measurement of job-seeking activity. The procedure currently in use is quite unsatisfactory because it permits almost meaningless activities like "checked with friends and relatives" and "other" to count a person as unemployed. The responses on the questionnaire ought to be replaced by concrete activities such as "made telephone calls" and "made a trip." The four-week period over which activities are measured also may be too long. Reducing it to, say, one week would help solve the problem of counting as unemployed people who are no longer intending to work, but would be inappropriate in markets where job-seekers can register with unions or agencies and let employers come to them. Perhaps the four-week period could be retained for these activities and a one-week period be applied to telephone calls and visits. In any case, the instructions to the interviewers about the activity question should be changed to alert them to cases where people are not unemployed at the time of the survey even though they did a little job seeking in the recent past. Any changes in the procedures for measuring job-seeking activities would have important effects on the reported level of the unemployment rate and would raise problems of historical comparability.

References

- (1) President's Committee to Appraise Employment and Unemployment Statistics, Measuring Employment and Unemployment, 1962.
- (2) U.S. Department of Commerce, Bureau of the Census, Current Population Survey Interviewers Reference Manual, revised periodically.