COVID-19:
UNEMPLOYMENT UPDATE

MISCLASSIFICATION OF EMPLOYED INDIVIDUALS

On Friday, June 5th, the Bureau of Labor Statistics (BLS) reported a national unemployment rate of 13.3%, a decrease of 1.4 percentage points from April 2020. As noted by BLS and several news sources, a larger number of workers were misclassified as employed, resulting in a lower than actual unemployment rate. The following describes how BLS collects unemployment data, COVID-19 survey related changes, and their impact on the unemployment rate since the pandemic started in March.

Unemployment Data Collection. Data on unemployment are collected monthly as part of the Census Bureau and BLS' Current Population Survey (CPS), which surveys 60,000 U.S. households (105,000 people ages 16 or over). In the survey, individuals are classified as employed, unemployed, or not in the labor force – based on their answers to a series of questions about their activities during the survey reference week (for the June 5th report, the reference week was May 10-16). The table below lists definitions for each employment category.

Employed if:
• Did any work as a paid employee;
• Worked in their own business;
• Worked without pay for at least 15 hours in a family business; or
• Temporarily absent from work as a result of sickness, bad weather, a vacation, a strike, or personal reasons (including childcare)

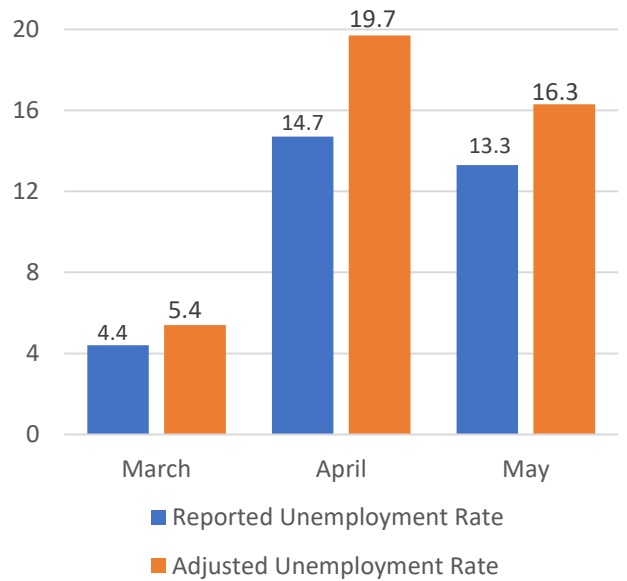| Unemployed if: |
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| • Not employed and are looking for work in the past 4 weeks and are available to work; or |
| • Did not work, but are on temporary layoff from a job with the expectation that they will be recalled (whether they are looking for work or not) |

Out of the Labor Force if:
• People who are not working and who don't meet the criteria to be counted as unemployed (includes students, retirees, and those who stay home to take care of family members).

COVID-19 & Data Collection Changes. In March, BLS instructed survey interviewers to classify persons absent from work due to COVID-19-related business closures as unemployed or unemployed on temporary layoff. However, BLS noted that not all workers were classified as such in March, April, and May CPS surveys. Many were instead classified as employed by absent from work. If these workers were correctly categorized as unemployed, the resulting unemployment rate would be several percentage points higher than reported. BLS and the Census Bureau are investigating why this misclassification continues to occur. However, according to usual BLS practice, data from household surveys are accepted as recorded. To maintain data integrity, BLS does not take actions to reclassify survey respondents.

Impact of the Employment Misclassification. BLS noted the misclassification of unemployed workers in its Employment Situation Reports issued monthly since March. The chart shows the national unemployment rate as reported by BLS and the adjusted national unemployment rate had workers been properly classified. As shown, without the misclassification of workers, BLS estimates that the unemployment rate would have been 1% to 5% higher compared to reported rates. The rate would have approached 20% in April, before declining 3% in May, to about 16.3%.

Estimated Increase in Unemployment Rate Absent Misclassification of Unemployed Workers

Source: BLS March, April, & May 2020 Employment Situation Report
https://www.bls.gov/bls/news-release/empsit.htm#2020

Sources

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