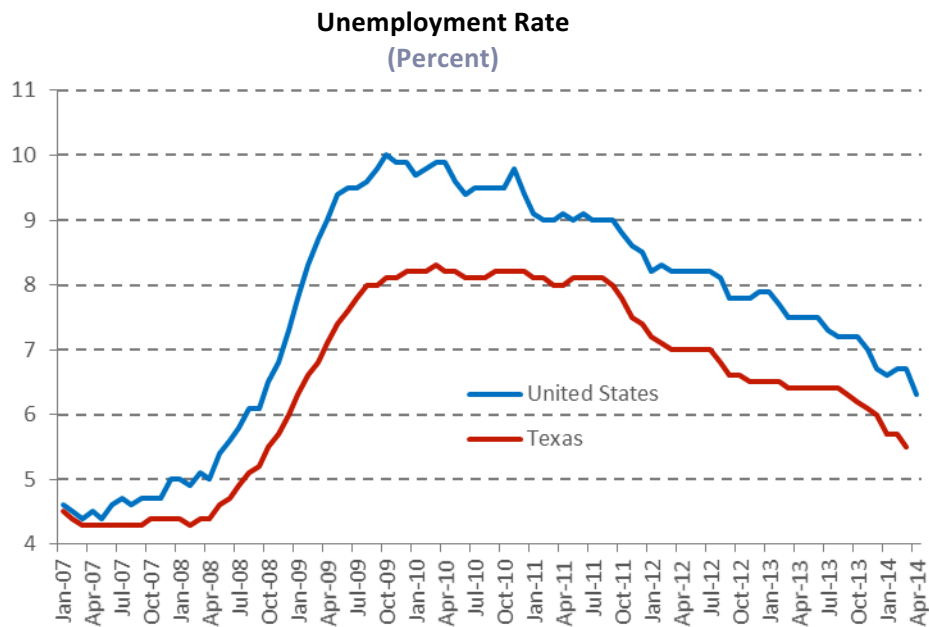


About this Reference Document

This document helps you understand and interpret a particular economic indicator that is part of the larger *Outlook for the Texas Economy*. Note that all data, charts, and explanations presented are from prior reports and thus are not current. Your feedback is always appreciated. Send comments and suggestions to info@recenter.tamu.edu.

Dr. Luis Torres and Wayne Day



Note: Seasonally adjusted.
Source: Bureau of Labor Statistics

The Bureau of Labor Statistics (BLS) compiles information on the country's employed and unemployed. Each month the U.S. Census Bureau conducts the Current Population Survey (CPS) for the BLS to measure the extent of employment. There are about 60,000 households in the survey sample, which has been conducted in the United States every month since 1940.

Persons are classified as unemployed if they do not have a job, have actively looked for work in the prior four weeks, and are currently available for work. Labor force measures are based on the civilian noninstitutionalized population 16 years old and older and include the employed and the unemployed. The remainder—those who do not have a job and are not looking for one—are counted as "not in the labor force." Many who are not in the labor force are going to school or are retired. Family responsibilities keep others out of the labor force. This category is not limited to people who don't desire employment; it includes those who do not have jobs and are interested in finding work (as signaled by the fact that they have looked for work sometime in the past year) but have given up looking because they do not believe there are jobs available.

Such people are classified in the survey as discouraged workers. This group typically is quite small in relative terms and exhibits a cyclical pattern similar to the unemployed.

To assess labor market conditions, the unemployment rate is widely used and is defined as the number of unemployed persons as a percent of the total labor force. High unemployment is associated with lower living standards and increases in poverty, causing both social and economic problems. In addition, high unemployment implies that the economy isn't using its resources and, therefore, is performing below its potential. High unemployment also costs the government money in terms of increased expenditures on social insurance programs and reduced tax receipts.

There are different types of unemployment, such as unemployment that results because it takes time for workers to search for the jobs that best suit their tastes and skills. So-called frictional employment is inevitable because the economy is always changing.

Structural unemployment results because the number of jobs available in some labor markets is insufficient to provide a job for everyone who wants one. Unemployment spells (uninterrupted periods of months in which an individual is unemployed) associated with frictional unemployment tend to be short; spells associated with structural unemployment can be quite long.

Unemployment rates are measured for states and local areas where the BLS is responsible for the concepts, definitions, technical procedures, validation and publication of estimates. State workforce agencies prepare estimates under agreement with the BLS. The state concepts and definitions are the same as those used at the national level.

As Texas continues to gain jobs, the Texas unemployment rate continues to decline. The state has gained more jobs at a much faster rate than has the country, causing the state unemployment rate to be lower than the national rate.

Source: Bureau of Labor Statistics

http://www.bls.gov/cps/cps_htgm.htm