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Update A Monthly Overview of Economic Trends

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Employment Up?

The ancients who cut open chickens to discern trends and forecast the future may have had an advantage over modern analysts. They only had to look into the chicken. Normally, you can trust one chicken's anatomy to be consistent with all other chickens. The ancient seers did not have to use contemporary data series.

Regular readers of this *Update* know that we have two series of employment numbers: those which are reported to the government by business establishments and those which are reported by households.

We do not expect the two series to correspond perfectly because they are reporting different things. Establishments report how many jobs exist. Households report how many people are working. To confuse everyone, both series are usually called "employment."

If a person has two jobs, he or she is counted twice by the establishment survey and only once by the household survey. If many people held two jobs, we would expect the number of jobs to exceed the number of persons working. But not all establishments report employment. Self-employed workers, for example, are not covered by the establishment series. Thus, if you quit your job at the factory and are not replaced, and then start your own business at home, the number of persons working does not change, but the number of jobs falls. If you are replaced at the factory by someone who was previously not working or was unemployed, the number of jobs stays the same and the number of persons working rises.

Normally, the number of persons working (household data) exceeds the number of jobs (establishment data) (see figure 1). From January 1994 to June of this year, the number of jobs in Indiana rose by 183,600 and the number of persons employed (household data) by 226,800. This record of Indiana's job growth (7.0%)

trails the nation, which advanced by 9.6% in the same period. However, growth in the number of persons employed (8.2%) was well above the nation's achievement of 6.5%. Are we doing better or worse than the nation? Don't try to answer that question.

In the past few months, the Indiana data (and that of Kentucky as well) have been subject to question. When we take the average of the first six months of 1995 and the same period for 1996, we get some strange results (see figure 2).

In the United States, the number of persons employed has increased by 1% while the number of jobs advanced by 1.8%. The two numbers are moving in the same direction. This same pattern is found in Illinois, Michigan, and Ohio. But Indiana and Kentucky show a different pattern. According to the data provided by the U.S. Bureau of Labor Statistics, these two states show advances in the number of jobs and declines in the number of persons employed.

These results are counter-intuitive. They require some very slick fabrication to make up a convincing story, if we were so inclined. Behind these data, is an unexplained drop in the ratio of employment to population for Indiana in the monthly *Current Population Survey*. Why should Indiana experience a sudden decline in that ratio? Is this a trend? Does it have some easy economic, sociological, or methodological explanation? If so, we have not heard it.

For the moment, we can not believe that the number of people working in the state has fallen by approximately 18,500 in the past year while there seem to be 56,000 new jobs. We have yet to find the chicken innards that explain this inconsistency in the numbers.

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Figure 1. Employment in Indiana

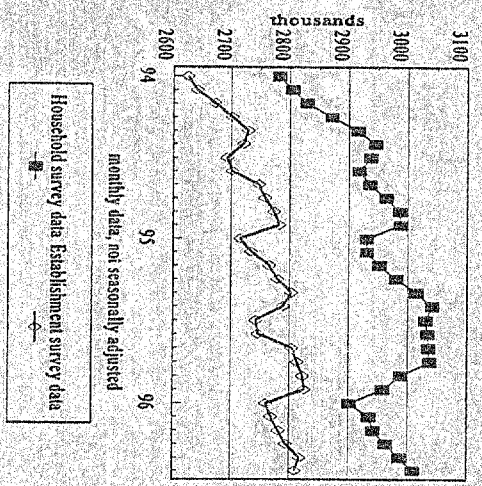


Figure 2. Percent Change in Employment 1995 to 1996 (data are averages for first six months of each year)

