

ECONOMIC CONDITIONS in New Hampshire



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A tale of two employment surveys – The gap between payroll and household surveys grows

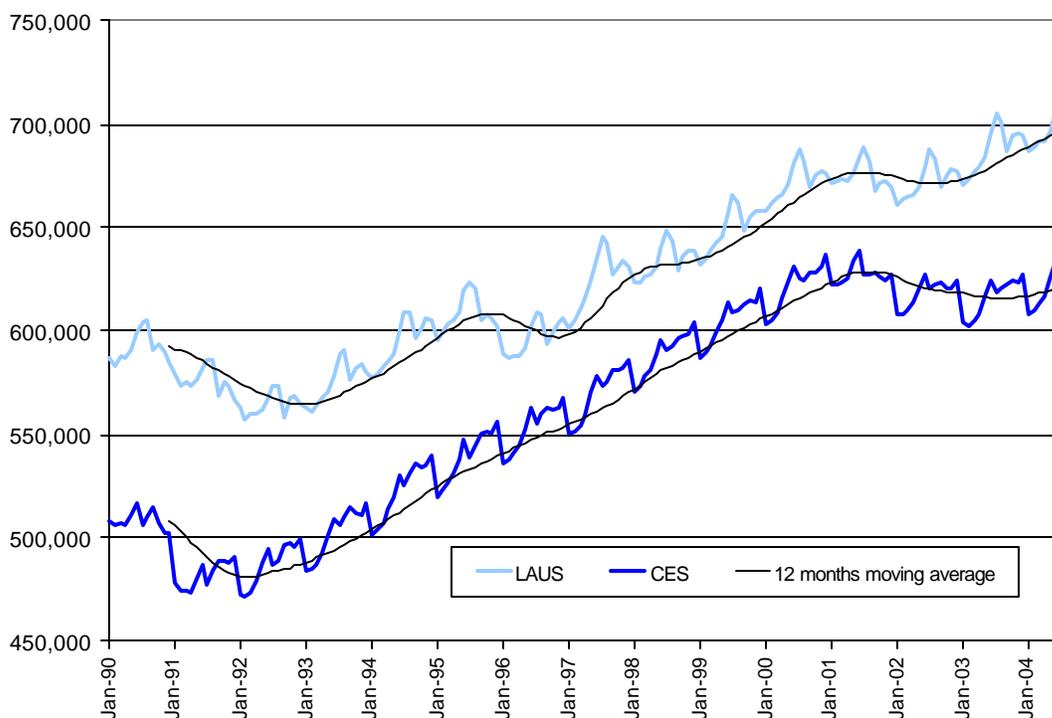
The June 2004 edition of *Economic Conditions in New Hampshire* included an article explaining the difference between Local Areas Unemployment Statistics (LAUS) employment numbers and Current Employment Statistics (CES) employment numbers.

Since the 2001 recession there seems to be a growing gap between the CES and LAUS employment data. This trend is true for both New Hampshire and the nation. Nationwide, employment has fallen by 1.2 million since the start of the recession according to the payroll

survey (CES) and, in contrast, the household survey (Current Population Survey-CPS) indicates that employment has risen by 1.9 million since the start of the recession. In New Hampshire, from March 2001 to July 2004, CES employment shows a decline of 2,400 and LAUS (the different states equivalent to the nationwide CPS) employment shows an increase of more than 26,000. What characteristics of the labor market have changed that could explain this difference? Is it a characteristic of the 2001 recession or does the 1991 recession show a similar pattern?

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The gap between the payroll and household surveys widened during the 1991 and 2001 recessions.



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A similar widening of the gap was true with the 1991 recession so they have that in common. However, in the recovery period in 1992-1993 the two surveys' estimates grew closer and continued to do so throughout the 1990's. This has not happened yet following the most recent recession, although the CES employment has started to increase slightly. Right now CES and LAUS are at least not "trending" in different directions.

Another difference between the two recessions is that the widening gap during the 1991 recession was caused by a huge decline in the CES employment relative to the decline in LAUS employment.

Even though many nonpartisan experts agree that the payroll survey (CES) is

the more accurate of the two surveys, the growing gap is an interesting phenomenon to evaluate. The payroll survey (CES) is based on a much larger sample and it is benchmarked to the universe of covered employment yearly. However, the household survey (CPS) includes estimates for the self-employed. These numbers may increase during or even after a recession as many that lost their jobs couldn't find new ones and went into business for themselves. Some of these entrepreneurial self-employed may be the potential building blocks for future businesses. Also in the current recovery period, businesses have been more hesitant about hiring new employees on a permanent basis and hired contract workers instead. These contract workers would be picked up in the household survey (CPS), but not in the payroll survey (CES).

Annette Nielsen

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