

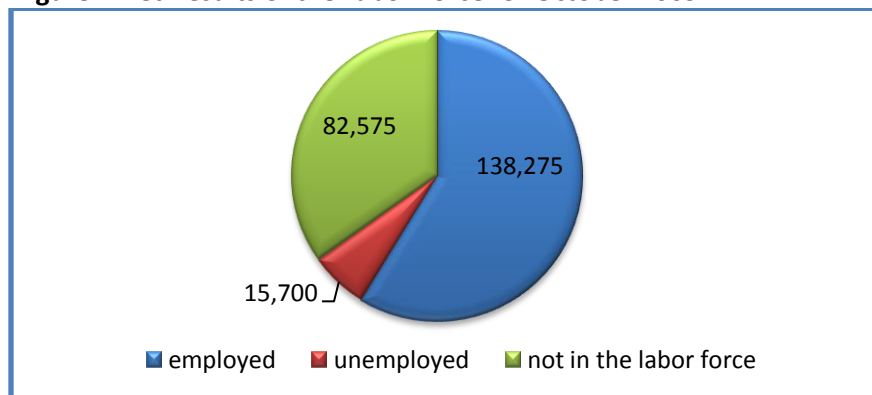


Labor Force Flows:

The unemployment rate and total employment are often reported by the media as important indicators of the state of the economy. A single statistic such as the unemployment rate does not reflect the very large flows of people into and out of the three main labor market categories: unemployed, employed and not in the labor force. The unemployment rate from one month to another could remain unchanged while large numbers of people lost their jobs and an equally large number of people found jobs. This FAQ describes those labor market flows.

Figure 1 displays the number of people employed, unemployed and not in the labor force in the US in October 2009. The sum of these three categories makes up the civilian non-institutionalized population 16 years old and older. This sub-set of the population is the starting point for most labor force statistics and is further described in the FAQ titled "What is the Labor Force?"

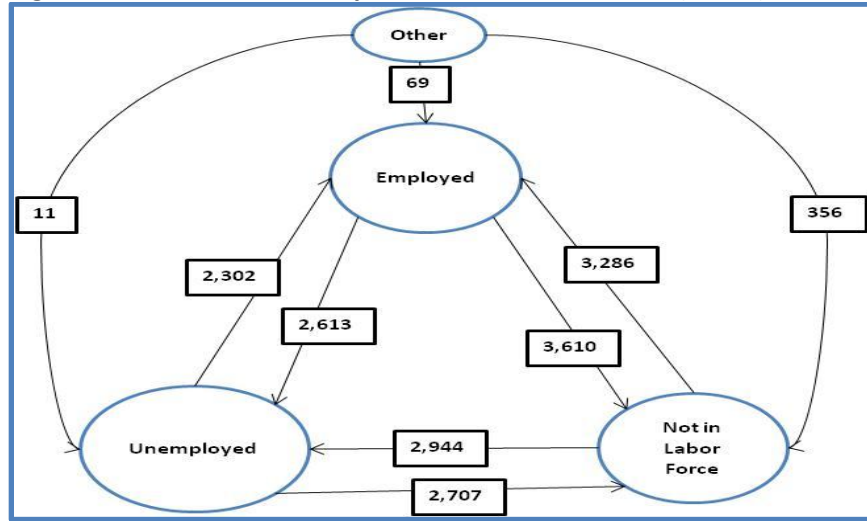
Figure 1 Net Results of the Labor Force for October 2009.



Source: Bureau of Labor Statistics, www.bls.gov/news.release/pdf/empsit.pdf

Figure 1 is a static or snapshot view of the labor force and those not in the labor force at a point in time. A more dynamic view can be obtained by examining the flows into and out of these categories. The Current Population Survey (CPS) is a monthly survey of households conducted by the Bureau of Census for the Bureau of Labor Statistics. The CPS provides monthly data on both the size of the labor force categories and flows into and out of these categories. The CPS labor force flow data may be found at: http://www.bls.gov/cps/cps_flows_recent.pdf. Figure 2 summarizes these flows from September to October 2009.

Figure 2: Gross CPS Flows September to October, 2009 (1000s)

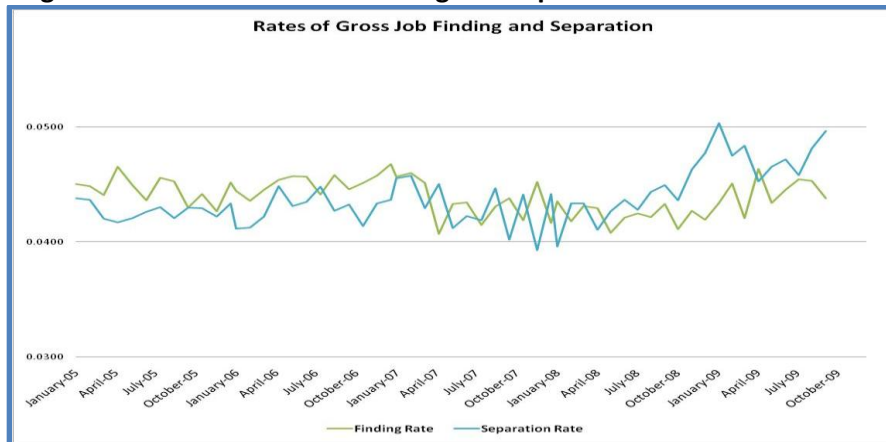


Source: Figure created with data from the Bureau of Labor Statistics www.bls.gov/cps/cps_flows_recent.pdf

Figure 2 illustrates just how fluid the labor market is. From September 2009 to October 2009, the unemployment rate increased from 9.8 percent to 10.2 percent – a .4 percentage change. At the same time, 2.3 million people who were unemployed became employed and 2.6 million people who had jobs in September did not have those jobs in October. In addition, 3.2 million people flowed from not in the labor force to employed, while 3.6 million flowed out of employment and into not in the labor force.

A different perspective on labor market flows is provided in Figure 3 which shows the job finding and separation rates for the US from January 2005 until October 2009. The job separation rate is the percent of those who were employed in a given month who lost their jobs. The job finding rate is the percent of the unemployed who found jobs during the month.

Figure 3: Rates of Gross Job Finding and Separation



Source: Calculated with data from the Bureau of Labor Statistics http://www.bls.gov/cps/cps_flows_history.pdf