CURRENT POPULATION SURVEY.

- Monthly survey of about 50,000 households conducted by the Bureau of the Census for the Bureau of Labor Statistics.
- The survey has been conducted for more than 50 years.
- primary source of information on the labor force characteristics of the U.S. population.
- Scientifically selected to represent the civilian noninstitutional population.
- Respondents are interviewed to obtain information about the employment status of each member of the household 15 years of age and older.
- Estimates obtained from the CPS include employment, unemployment, earnings, hours of work, and other indicators.
- Supplemental questions to produce estimates on a variety of topics including school enrollment, income, previous work experience, health, employee benefits, and work schedules are also often added.

**Labor Force Measures.**

**Civilian noninstitutional population.**

- 16 years of age and older
- residing in the 50 States and the District of Columbia
- not inmates of institutions (e.g., penal and mental facilities, homes for the aged)
- not on active duty in the Armed Forces.

**Employed persons.**

All persons who during the reference week,

- did any work at all (at least 1 hour) as paid employees, worked in their own business, profession, or on their own farm, or who worked 15 hours or more as unpaid workers in an enterprise operated by a member of the family,
- all those who were not working but who had jobs or businesses from which they were temporarily absent because of vacation, illness, bad weather, childcare problems, maternity or paternity leave, labor-management dispute, job training, or other family or personal reasons, whether or not they were paid for the time off or were seeking other jobs.
- Each employed person is counted only once, even if he or she holds more than one job. For purposes of occupation and industry classification, multiple jobholders are counted in the job at which they worked the greatest number of hours during the reference week.

Included in the total are employed citizens of foreign countries who are temporarily in the United States but not living on the premises of an embassy. Excluded are persons whose only activity
consisted of work around their own house (painting, repairing, or own home housework) or volunteer work for religious, charitable, and other organizations.

Unemployed.

- Anyone who had no employment during the reference week and were available for work, except for temporary illness AND made specific efforts to find employment some time during the 4-week-period ending with the reference week.
- Persons who were waiting to be recalled to a job from which they had been laid off need not have been looking for work to be classified as unemployed.

Labor force.

All persons classified as employed or unemployed in accordance with the criteria described above.

Unemployment rate.

number unemployed/labor force

Labor Force Participation rate.

labor force/civilian non-institutionalized population

Employment-population ratio.

Employed/civilian non-institutionalized population

Not in the labor force.

all persons in the civilian noninstitutional population who are neither employed nor unemployed.
### July 2000 Data
(Numbers are in 1000s)

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civilian noninstitutional population</td>
<td>209,727</td>
</tr>
<tr>
<td>Civilian labor force</td>
<td>140,399</td>
</tr>
<tr>
<td>Participation rate</td>
<td>66.9</td>
</tr>
<tr>
<td>Employed</td>
<td>134,749</td>
</tr>
<tr>
<td>Employment-population ratio</td>
<td>64.2</td>
</tr>
<tr>
<td>Unemployed</td>
<td>5,650</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>4.0</td>
</tr>
<tr>
<td>Not in labor force</td>
<td>69,329</td>
</tr>
</tbody>
</table>
THE CONSUMER PRICE INDEX (CPI)

CPI in year $t = 100 \times \frac{\text{cost of bundle in } t}{\text{cost of bundle in base year}}$

In base year, CPI=100.

If CPI for year $t = 150$, prices are 1.5 times higher in year $t$ than in base year.

Problems with price indexes:

- How to choose bundle?
- Bundle changes over time.
- Quality of goods changes over time.

Estimates are that CPI overstates growth in cost of living by 1 to 1.5 percent per year.

REAL VERSUS NOMINAL VARIABLES.

- Nominal values reflect current prices.
- Real values reflect base year prices.

To convert a nominal value into a real value:

Real value in year $t = 100 \times \frac{\text{Nominal Value in year } t}{\text{CPI in year } t}$

ADJUSTING FOR COST OF LIVING DIFFERENCES ACROSS REGIONS:

Comparable salary in city $j = \frac{\text{salary in city } k \times \text{city } j \text{ CPI}}{\text{city } k \text{ CPI}}$. 
Labor Demand

Changes in wages (move along D-curve)
  - scale effect
  - substitution effect

Changes in other factors (shift D-curve)
  - demand for product
    - scale effect, no substitution effect
  - supply of other inputs (e.g. capital)
    - scale effect and substitution effect

Market, Industry, and Firm Demand.
  - different ways of measuring labor demand.

Long run versus short run demand.

substitution effects tend to be larger in the long run, making labor demand more elastic in the long run.

LABOR SUPPLY

Labor supply curve.

Market supply curve: upward sloping.

Firm supply curve: horizontal in competitive market.

Factors shifting labor supply:
  - population.
  - alternative opportunities (other employment, nonemployment)
  - taxes
  - non-pecuniary aspects of job (fringes, risk, night shifts, etc.)
EQUILIBRIUM

If wage is below equilibrium: shortage.
If wage is above equilibrium: surplus (unemployment).
Shortages put upward pressure on wages. Surpluses put downward pressure on wages.

RENTS IN LABOR MARKETS.

A worker receives an economic rent when she is paid above her reservation wage (the wage below which the worker would quit the job in question).
In a labor supply diagram, the area between the equilibrium wage rate and the labor supply curve represents the amount of economic rent.