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“Gauging Employment: Is the Professional Wisdom Wrong?”
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The two standard monthly measures of employment growth, one from a survey of payrolls and the other from a survey of households, often differ substantially, and the payroll measure is widely regarded as the more reliable. This paper questions that preference and concludes it is not supported by the data. Reviewing a number of nonsampling problems inherent in the two series, the paper argues that the biggest problem may be the payroll series' need to account for the birth and death of business establishments. The paper then examines how well each employment measure tracks contemporaneous changes in output and unemployment. As a further test, it also compares simple aggregate employment functions using the two series. On balance, all these tests suggest that averaging the employment change from the two series provides the best estimate; further tests show that this average outperforms either series alone.

JEL codes: C53, E24, J21