

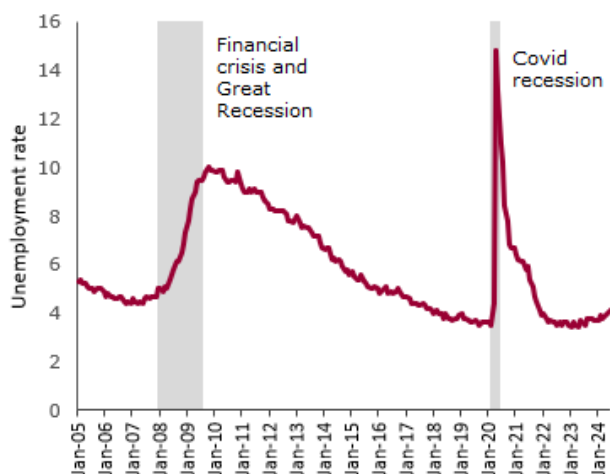


THE AMERICAN ECONOMIC ASSOCIATION

Committee on Economic Statistics: www.aeaweb.org/about-aea/committees/economic-statistics

A Cut in the CPS Sample Size Would Put Reliable Measurement of U.S. Unemployment at Risk

Incoming news about unemployment is closely watched by policy makers, business decision-makers, investors, and the general public, as it is a crucial determinant of people's economic well-being and a critical gauge of overall U.S. economic performance. The unemployment rate climbs when a recession starts and turns back down as recovery sets in.



Data on unemployment and other vital information about peoples' labor market experiences are collected via the Current Population Survey (CPS), a monthly survey of 60,000 households run by the Bureau of Labor Statistics (BLS) and Census Bureau. BLS Commissioner Erika McEntarfer [recently shared](#) that that budgetary pressures may necessitate a 5,000-household cut in the CPS sample size. Such a cut would put the reliability of CPS estimates at risk. The CPS sample size is set to keep the margin of error for month-to-month changes in the national unemployment rate at or below 0.2 percent – in other words, the sample size should be large enough so that an increase in unemployment from 6% to 6.2% has a 90% chance of reflecting an actual weakening in labor market, and not statistical noise.

Even without a sample cut, the CPS is at the brink of failing this requirement. The deterioration in the quality of more granular statistics (such as unemployment rates for sub-groups of the population or particular parts of the country) would be even more marked.

Compounding the problem, the CPS, like other household surveys, has faced declining response rates in recent years. Potential survey respondents increasingly ignore calls from unknown numbers or quickly end them. This makes it harder for the CPS to conduct enough interviews to avoid undetected biases and keep estimates at the required level of accuracy. BLS and Census have significant work underway to address this challenge, including shifting data collection to the internet. But a 5,000-household cut to the sample would recreate the risks to reliability their work aims to offset.

The American Economic Association's Committee on Economic Statistics views with alarm the immediate and future implications of the proposed 5,000-household cut in the CPS sample size. AEASat promotes access to timely, detailed, useful economic statistics provided by the Federal government and other sources for AEA's 17,500 members. Economic analyses and policy decisions require timely, accurate, nationally representative data on household employment conditions – for which **the CPS is the sole source**. Allowing the reliability of the CPS to erode would impair economic policymaking by the Federal Reserve and Congress, and undercut effective decision making by businesses, financial-market participants, state and local governments, community organizations, and the general public. Even in an environment of scarce budgetary resources, AEASat views maintaining the reliability of the CPS as a priority.