

Adjusting Q1 2020 Labor Productivity for COVID-19 Related Job Losses

Jay Stewart

Senior Research Economist

BLS/OPT/DPRPD

FESAC

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Outline

- Background and usual procedures
- Adjustments to preliminary estimate (5/7/20)
- Adjustments to revised estimate (6/4/20)



Background on Labor Productivity

- Labor Productivity = $\frac{\text{Output (BEA)}}{\text{Hours Worked (BLS)}}$
- Hours estimated by combining data from:
 - ▶ CES (W&S employment & PW hours)
 - ▶ CPS (self-employed & non-supervisory)
 - ▶ NCS (hours-worked-to-hours-paid ratio)
- Assume hours from surveys are representative of entire month



COVID-19-Related Job Loss

- The decrease in employment starting in the 3rd week of March was not reflected in the CES
- If we ignored these job losses, we would:
 - ▶ Understate the decline in total hours worked
 - ▶ Overstate the decline in productivity
- Adjustments require high-frequency data – weekly UI claims data



BLS's Approach

- Estimate March W&S employment week by week using CES data and data on UI claims
- Initial vs. change in continued claims (initial)
- Issues with initial UI claims data
 - ▶ Difficulties in filing claims
 - ▶ Claims for reduced hours (assumed not an issue)
 - ▶ People finding jobs (assumed not an issue)
 - ▶ Seasonal adjustment (we used NSA claims)
 - ▶ Industry detail (OEUS tabulations)





Adjustments to Prelim Q1

- No adjustments to AWH of W&S workers
- No adjustments to self-employed hours

- Week 1: Feb. CES employment plus trend growth in employment
- Week 2: Unadjusted CES employment

Adjustments to Prelim Q1 (cont.)

- Week 3: Week 2 employment minus initial UI claims for week ending March 21
- Week 4: Week 3 employment minus initial UI claims for week ending March 28
- Week “5” (March 29-31): Week 4 employment minus a fraction of initial UI claims for week ending April 4



Adjusted W&S Employment

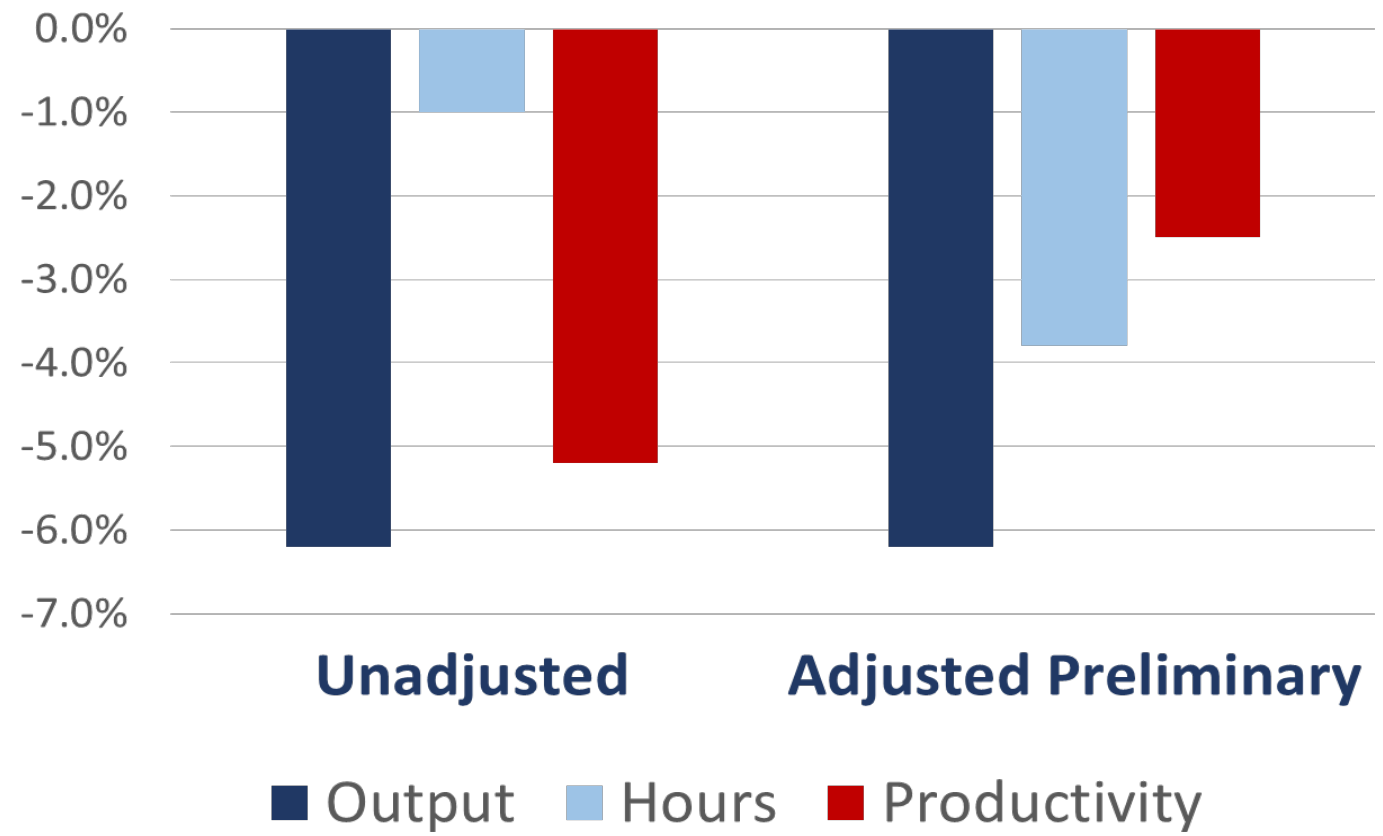
	March CES (Private)	2020 Q1 Preliminary
Week 1		129,817
Week 2	129,025	129,025
Week 3		126,930
Week 4*		118,756
Average Employment	129,025	126,132

*** Week 4 includes part of week "5".**



Impact on 2020q1 Productivity Growth

Annual average percent change from previous quarter





New Information for Revised Q1

- Revised distribution of initial UI claims
 - ▶ Separate distributions for weeks 3, 4, and “5”
- CES and CPS data for April allowed for interpolation
 - ▶ CES modified the birth-death model to better account for job losses due to closings



Adjustments to Revised Q1

- Same basic approach for W&S employment, except:
 - ▶ Benchmarked UI claims to the March-to-April decline in CES employment
 - ▶ Revised distribution of UI claims across industries
- Interpolated hours between March and April estimates:
 - ▶ Total hours of self-employed
 - ▶ AWH of W&S workers

Adjusted W&S Employment

	2020 Q1 March CES	2020 Q1 Prelim	March CES Rev	2020 Q1 Revised
Week 1		129,817		129,812
Week 2	129,025	129,025	128,865	128,865
Week 3		126,930		125,968
Week 4*		118,756		119,976
Week "5"#				117,340
Average	129,025	126,132	128,865	125,302

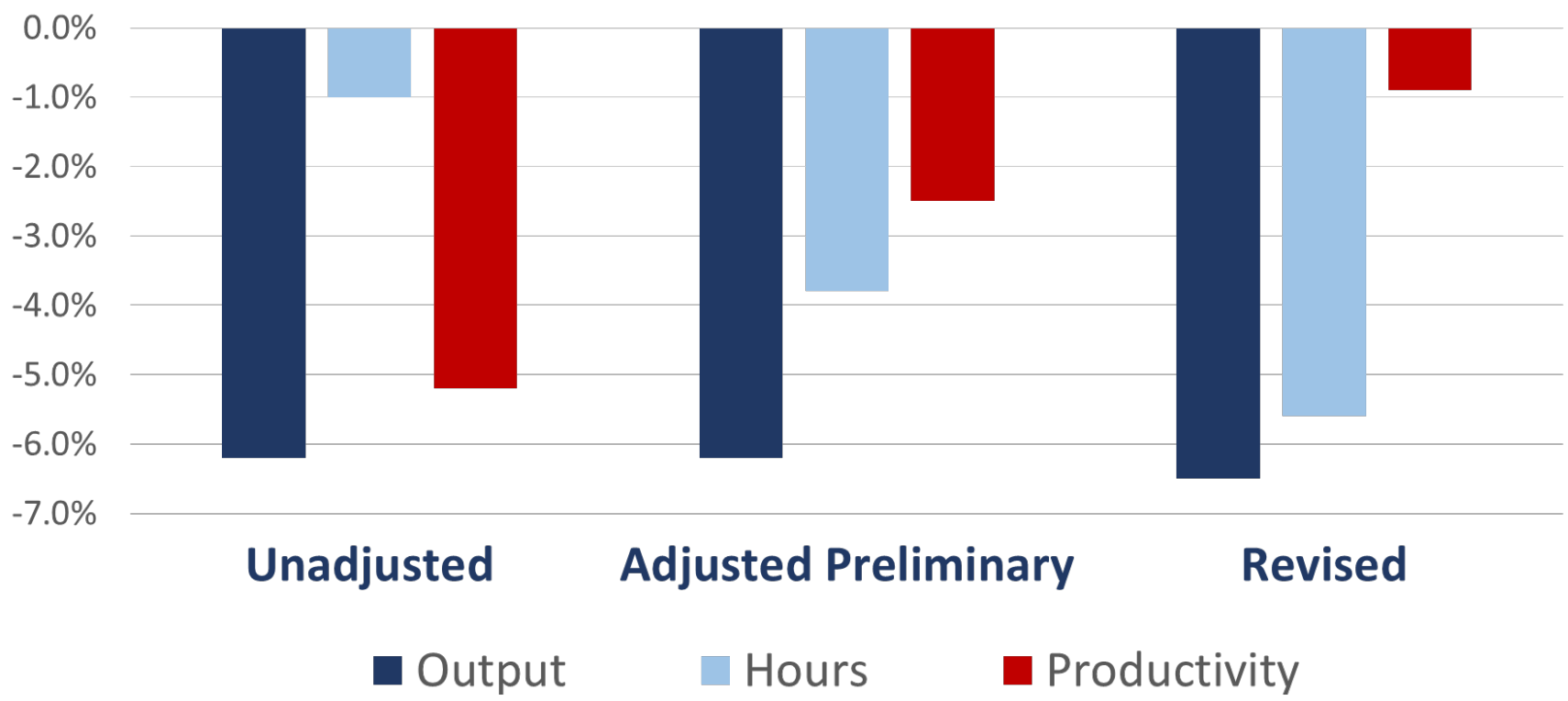
* Weeks 4 and "5" were combined for the preliminary estimate.

Week "5" received 3/7 weight.



Impact on 2020q1 Productivity Growth

Annual average percent change from previous quarter



Contact Information

Jay Stewart

Senior Research Economist

DPRPD/OPT

bls.gov/dpr/authors/stewart.htm

202-691-7376

Stewart.Jay@bls.gov