

# Have government labor data become unreliable?

**Published:** 2 days ago**Stephanie Aliaga**  
Research Associate

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Recent government data have pointed to an extremely strong labor market, as evidenced by January's blowout jobs report, a spike in December JOLTS job openings and very low weekly jobless claims. In contrast, private market gauges, such as Challenger layoffs and the ADP jobs report, and anecdotal messages from companies point to easing hiring conditions. As investors attempt to parse through the labor data and its implications for monetary policy, this divergence has led to greater scrutiny of the accuracy of the government data.

The 517,000 surge in January payrolls came on the heels of an annual benchmark revision and an unusually warm winter. Along with concerns about whether seasonal adjustments are keeping up with evolving seasonal patterns, the decline in the survey's response rate raises further questions about the reliability of employment data. Indeed, the Bureau of Labor Statistics (BLS) has undergone increased challenges in conducting its surveys with response rates declining broadly over the last decade, now at just 45% and 31% for the current employment survey (CES) and JOLTS, respectively.

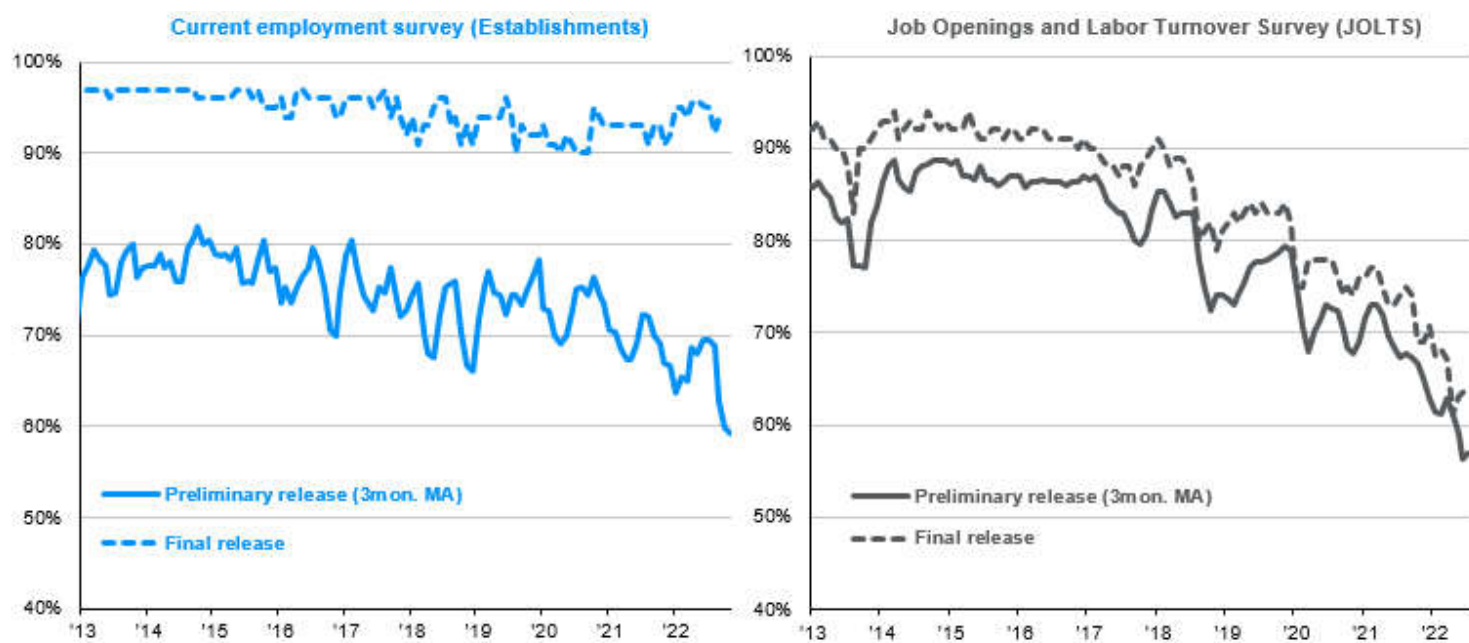
A low response rate could mean the BLS's samples don't accurately represent the labor economy, but it doesn't tell us the full story. Unfortunately, it is impossible to discern the impact of a low response rate on the quality of the estimates without further information on the reasons for missing responses or if the low response rates are concentrated in certain sectors or industries. However, as we've learned from political surveys during recent elections, falling response rates do increase the danger of bias in the data.

Another issue is the widening difference in responses between the preliminary and final releases, which can lead to large backward revisions. In the establishment survey, response rates for the preliminary release have been declining, but by the time the BLS releases its final estimates, the rate among the active sample improves to an annual average of 94%<sup>1</sup>. The JOLTS survey is more worrisome, as the response rate for the active sample only improves to 64% from 58% between releases, and both rates have trended downwards significantly. This lower rate combined with a much smaller sample size (21,000 vs. 651,000 establishments in the CES) increases the risk of bias in the JOLTS survey.

In general, these concerns remind us that the government's monthly jobs report should be seen as just one piece of the broader labor market mosaic. While JOLTS response rates have declined, when paired with the Indeed survey on job openings, the trend in JOLTS still closely aligns with the private sector data. Other data sources also indicate a tight labor market that is beginning to roll over. The NFIB survey of small businesses reported a 4%-points increase in the share of small businesses reporting job openings they could not fill, but the net share of respondents planning to create new jobs in the next 3 months has rolled over. Importantly, we don't think the labor market is as robust as January's employment headline suggested, particularly given seasonal adjustment issues, but the broader labor market mosaic still shows a normalizing labor market that is gradually easing upward pressure on wages.

## BLS survey response rates have declined over the past decade

Response rate



Source: BLS, J.P. Morgan Asset Management. Data availability is as of January 2023 (CES) and September 2022 (JOLTS).

<sup>1</sup>This refers to the “collection rate” provided by the BLS, which excludes refusals. Refusals are establishments that have been delinquent in responding for over 6 months despite attempts by the BLS at contact. The gap between the overall response rate and the collection rate likely reflects a growing number of refusals in the BLS survey collection efforts. Data on response rates and collection rates are provided by the Office of Survey Methods Research.

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