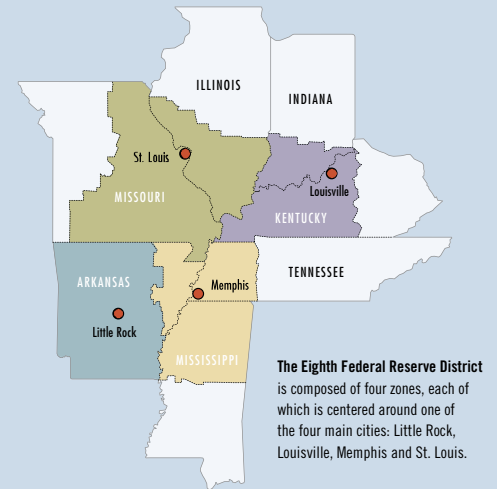


A New Picture of Metro-Area Employment in the Eighth District

By Michael R. Pakko and Howard J. Wall



On March 11, the Bureau of Labor Statistics (BLS) released its latest annual benchmark revisions to the payroll employment data for metro areas in the United States. These revisions, which are often substantial, reflect updated information from a comprehensive count of employment, also done by the BLS. (See the sidebar for a discussion of the revision process.) For several of the metro areas in the Eighth Federal Reserve District, the newly released data suggest job growth that was less robust than had been reported initially.

Among the four major metro areas in the District, only Louisville experienced an upward revision in the estimated levels of total nonfarm payroll employment for the end of last year. Employment in Louisville in December 2007 is now estimated at 633,300 jobs, up from the previous estimate of 629,600 (an increase of 3,700 jobs). For Little Rock, the new data represent a downward revision of approximately 2,100 jobs. The Memphis revision shows 3,700 fewer jobs. For St. Louis, the level of employment was revised downward by a whopping 19,900.

The revisions also change the picture of the recent performance of local economies. The table presents the pre- and post-revision estimates of employment growth in 2007 for all 18 metro areas that lie predominantly within the Eighth District. The benchmarking involves data revisions going back 21 months; so, year-over-year changes represent revised data for December 2007 and for December 2006.

Job growth in 2007 for Louisville is now estimated to have been 6,900 (1.1 percent),

Metro Area Employment Growth, 2007

DECEMBER 2006 TO DECEMBER 2007				
LARGE METRO AREAS	Original Estimate as of January 2008		Revised Estimate as of March 2008	
	Thousands	Percent Change	Thousands	Percent Change
Little Rock-N. Little Rock, Ark.	7.2	2.1	5.2	1.5
Louisville, Ky.-Ind.	1.8	0.3	6.9	1.1
Memphis, Tenn.-Ark.-Miss.	10.1	1.6	5.4	0.8
St. Louis, Mo.-Ill.	24.5	1.8	2.0	0.1
SMALL AND MEDIUM METRO AREAS				
Fayetteville-Springdale-Rogers, Ark.	4.9	2.4	0.9	0.4
Fort Smith, Ark.-Okla.	2.0	1.6	1.7	1.4
Hot Springs, Ark.*	0.6	1.6		NA
Pine Bluff, Ark.*	0.0	0.0		NA
Texarkana, Texas-Ark.	1.2	2.1	0.7	1.2
Bowling Green, Ky.	0.9	1.4	1.8	2.9
Elizabethtown, Ky.*	0.3	0.6		NA
Evansville, Ind.-Ky.	2.1	1.2	1.4	0.8
Owensboro, Ky.*	0.6	1.2		NA
Jackson, Tenn.	0.9	1.4	0.3	0.5
Jonesboro, Ark.*	0.5	1.0		NA
Columbia, Mo.	0.4	0.4	1.0	1.1
Jefferson City, Mo.	0.5	0.6	1.5	1.9
Springfield, Mo.	5.0	2.5	5.2	2.6

SOURCE: Bureau of Labor Statistics

*Series discontinued by BLS as of March 11, 2008

nearly four times what was indicated by the initial estimates released in January. For Memphis, the estimated job gains are now 5,400 (0.8 percent), a reduction of nearly one-half from the initial estimate. For Little Rock, job growth was revised down from 7,200 (2.1 percent) to 5,200 (1.5 percent). Despite the downward revisions, current data suggest that in all three of these metro areas

employment grew at least as fast as it did for the United States as a whole (0.8 percent).

In contrast, new estimates for the St. Louis metro area indicate that job growth was substantially weaker than for the country as a whole. As of January 2008, St. Louis job growth for last year was estimated to have been 24,500 (1.8 percent), but the new estimate shows job growth of only 2,000

The Story Behind the Drastic Revisions in Jobs Data

So, how is it that the pictures of the local economy can change so much?¹ The payroll employment in a metro area—the number of jobs—is provided by the Current Employment Statistics (CES) program of the Bureau of Labor Statistics (BLS). According to the BLS, each month it surveys about 160,000 businesses and government agencies, representing approximately 400,000 individual work sites around the United States. Although the survey covers hundreds of thousands of employers, these employers make up only a small percentage of all businesses and work sites in the country. (According to the BLS, there were more than 8.8 million such establishments in the United States in June 2006.)

To calculate a comprehensive measure of metro area employment, the BLS needs to estimate the number of establishments in the area. This is the primary reason for the sometimes-large revisions to the CES data: the difficulty in estimating the number of establishments. When the economy is in recovery, for example, new firms might be setting up and hiring workers very quickly. The BLS doesn't find out about the new firms or jobs until the unemployment insurance records are updated, which can take several months or more. This lag is compounded by the fact that small firms, which provide the bulk of jobs, might need to provide unemployment insurance information only once a year rather than monthly or quarterly, as is required of larger firms.

To estimate the number of establishments, the BLS relies on the Quarterly Census of Employment and Wages (QCEW). The QCEW is a tabulation of employment information for workers covered by state and federal unemployment insurance programs.

Because of its comprehensive nature, data from the QCEW cannot be produced as quickly as data from the CES: Initial data are released six to seven months after the end of a quarter and are subject to subsequent revision. To fill in the blanks, the BLS estimates the number of establishments using the QCEW as a benchmark.

Each year, the BLS establishes new benchmarks, using updated data from the QCEW. Because of the lags and revisions to the QCEW data, the yearly benchmarking affects employment data from the CES going back 21 months. This is why the estimates just released have affected the yearly employment changes for 2006 and 2007. Note also that the estimates for job growth in 2007 will change again in March 2009 because much of the data for 2007 will be affected by the benchmark revisions that will occur then.

¹ The recent history of benchmark revisions is provided by Michael R. Pakko and Howard J. Wall in "Post-Casting Employment in the Eighth Federal Reserve District: Revised Data for Metro Areas," CRE8 Occasional Report No. 2007-01, March 2007. See <http://research.stlouisfed.org/regecon/op/CRE8OP-2007-001.pdf>.

(0.1 percent). The largest revisions were for leisure and hospitality (–6,800) and for trade, transportation and utilities (–4,600), although downward revisions were the norm across sectors.

Data from some of the District's smaller metro areas were also subject to substantial revision. Job growth in Fayetteville–Springdale–Rogers, Ark., was originally estimated

to have been 4,900 jobs in 2007. The revised data show only 900 more jobs. Smaller downward revisions were also recorded for Fort Smith, Evansville and Jackson. Data were revised upward for the metro areas of Bowling Green, Columbia, Jefferson City and Springfield.

Revised data for five of the smaller metro areas in the District are not available.

In fact, beginning with the March 11 data release, the Bureau of Labor Statistics has discontinued its employment series for these metro areas, along with 60 other small metropolitan areas across the country.

Although downward adjustments predominated in this year's benchmark revisions of Eighth District job growth, none of the metro areas experienced declines in employment. For the 13 metro areas that were subject to revision, total employment growth in 2007 was lowered from the initial estimate of 61,500 down to 34,000 new jobs. **Ω**

Michael R. Pakko and Howard J. Wall are both economists at the Federal Reserve Bank of St. Louis. Joshua Byrge, a research analyst at the Bank, provided substantial research assistance. For more on Pakko's work, see <http://research.stlouisfed.org/econ/pakko/index.html>. For more on Wall's work, see <http://research.stlouisfed.org/econ/wall/index.html>.

For more discussion and analysis of the Eighth District Economy, visit the web site of the Center for Regional Economics—8th District (CRE8). Go to <http://research.stlouisfed.org/regecon/district.html>. There, you will find the St. Louis Fed's new *Burgundy Book*, which provides localized summaries of District conditions as reported by our contacts in the business community, along with the latest government data releases.