

# SOUTHWEST LOUISIANA ECONOMIC INDICATORS

College of Business  
McNeese State University  
Dr. Brenda Birkett, Dean

H.C. Drew Center for Economic  
Development Information Services  
Dr. Douglas W. McNiel, Director

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## Revised Employment Statistics for Lake Charles MSA in Doubt

For purposes of reporting labor market statistics on employment and unemployment, the Louisiana Department of Labor and the U.S. Bureau of Labor Statistics have redefined the Lake Charles Metropolitan Statistical Area (MSA) to include both Calcasieu and Cameron Parishes. Beginning in January of 2005, employment statistics for the Lake Charles MSA (first released in March of 2005) refer to the combined labor markets of Calcasieu and Cameron Parishes. At the same time, the sampling methodology used to make the employment estimates was also revised.

Consequences of the revised methodology for estimating employment in the Lake Charles MSA are only beginning to become apparent. Some of those consequences are:

- Less labor market information for the Lake Charles MSA is now reported.
- The most recent data reported for January and February of 2005 indicate erratic monthly employment fluctuations in the Lake Charles MSA.
- Revised employment estimates for the Lake Charles MSA for the years 2003 and 2004 indicate contradictory (one might even argue implausible) trends when compared to the trends indicated for that period by the previous estimating methodology.

Because of unresolved questions about the plausibility of current and revised historical employment estimates for the newly defined Lake Charles MSA, this data has not been posted on the Drew Center webpage. Hopefully these questions will be resolved as more experience with the new estimating methodology is accumulated and analysts at the Louisiana Department of Labor and the U.S. Bureau of Labor Statistics have an opportunity to more carefully evaluate the results of the new estimating methodology.

### Nonfarm Employment—Fewer Categories, Erratic Trends

Each month the Louisiana Department of Labor, in cooperation with the U.S. Bureau of Labor Statistics, estimates nonfarm employment for the Lake Charles MSA. **Nonfarm employment** is defined as “employment by place of work that does not include the self-employed, unpaid family workers, domestics, or agriculture workers”. Estimates of nonfarm employment are obtained by surveying a sample of employers regarding the number of “full-time and part-time workers who were employed during the pay period including the twelfth of the month”.<sup>1</sup> A press release with statistics describing changes in

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<sup>1</sup> *Louisiana Workforce At A Glance*, published monthly by the Louisiana Department of Labor.

estimated nonfarm employment, statewide as well as for the eight major MSAs in Louisiana, generally appears in local newspapers during the first half of each month.

Nonfarm employment is estimated and reported for various occupational categories for each of the eight major Louisiana MSAs. More occupational categories are reported for larger MSAs than for smaller MSAs. As a result of the changes in the estimating and reporting methodology, the number of categories reported for the Lake Charles MSA diminished significantly for the period beginning in January of 2005. Some of the changes are summarized in the table that follows.

Categories of Nonfarm Employment Reported for Lake Charles MSA:	Before Jan 2005	After Jan 2005
Goods Producing:	■	■
Natural Resources and Mining	■	■ <i>Combined</i>
Construction	■	
Manufacturing	■	■
Service Providing:	■	■
Trade, Transportation, and Utilities	■	■
Information	■	
Financial Activities	■	
Professional and Business Services	■	■
Educational and Health Services	■	
Leisure and Hospitality	■	■
Other Services	■	
Government	■	■
Sum of Reported Categories Adds to Total Nonfarm Employment	<i>Yes</i>	<i>No</i>

As the table indicates, data for employment in construction occupations are now lumped together with natural resource and mining employment. Construction activities play a very important role in the economy of SW Louisiana. From 1996 to 2001, construction activities generated roughly 10,000 jobs per year in Calcasieu Parish alone. Between 2001 and 2004, construction jobs in Calcasieu Parish receded to about 8,500. But despite this decline, in the third quarter of 2004 construction activities generated over \$73 million in payroll in Calcasieu Parish. Only two other occupational categories generated more payroll dollars in Calcasieu Parish—health care occupations with a quarterly payroll in excess of \$74 million, and manufacturing occupations with a quarterly payroll in excess of \$141 million. The recent revisions in the labor market statistics reported for the Lake Charles MSA mean that it is no longer possible to track trends in construction employment.

Equally disappointing is the loss of separate data regarding employment in natural resource and mining occupations—for SW Louisiana this primarily means employment in activities related to exploration and recovery of oil and natural gas. With the recent record run-up in prices for crude oil and natural gas, SW Louisiana should be experiencing dramatically higher employment in natural resource and mining employment. However, between 1999 and December of 2004 Calcasieu Parish employment in this sector actually dropped by about 900 jobs. If the boom in energy prices eventually generates a recovery in this sector it will not be clearly identifiable from data reported after January 2005.

The table also shows that data for four categories of nonfarm “service providing” employment are no longer reported. These categories include information services

occupations (such as telecommunications), financial services occupations (such as financial institutions, insurance and real estate), educational and health services occupations, and the catch-all other services occupations. In Calcasieu Parish in late 2004, information services occupations generated about 1,500 jobs, financial services occupations generated about 3,600 jobs with an increasing three year trend, educational and health care occupations generated over 11,000 jobs with an increasing three year trend, and other services included about 3,000 jobs.

Clearly most significant is the loss of information about employment in the educational and health care occupations. In the third quarter of 2004, educational services occupations generated over \$43 million in payroll and the combined quarterly payroll of the educational and health care occupations was in excess of \$117 million in Calcasieu Parish alone. Educational and health services occupations were second in payroll generating importance only to manufacturing in Calcasieu Parish.

The loss of information about employment in health care and educational occupations is disappointing for several reasons. First, with the inexorable aging of the population it is important that the Lake Charles MSA continue to grow and expand as a regional health care center. The ability to monitor employment and payroll generated by health care occupations can be useful in promoting that growth. Second, educational institutions, particularly those that provide education and training beyond a high school degree, are vital to fostering economic growth and development. For example, Sowell is recognized throughout the State as a “shining star” for its record in responding to industry workforce development needs. Sowell’s future programs and enrollment are expected to expand dramatically as it evolves from a Technical to a fully accredited Community College. If Sowell’s expanded offerings provide opportunities for a larger portion of the population to bridge the gap between success in high school and four year degree programs, the number of graduates from McNeese State University might eventually expand as well.

Perhaps even more disturbing than the loss of the four categories of service employment is the result that the reported categories of services providing employment for the Lake Charles MSA will no longer sum up to the total of service providing employment. As a consequence, it is no longer possible to identify where estimated gains or losses in service providing employment are occurring.

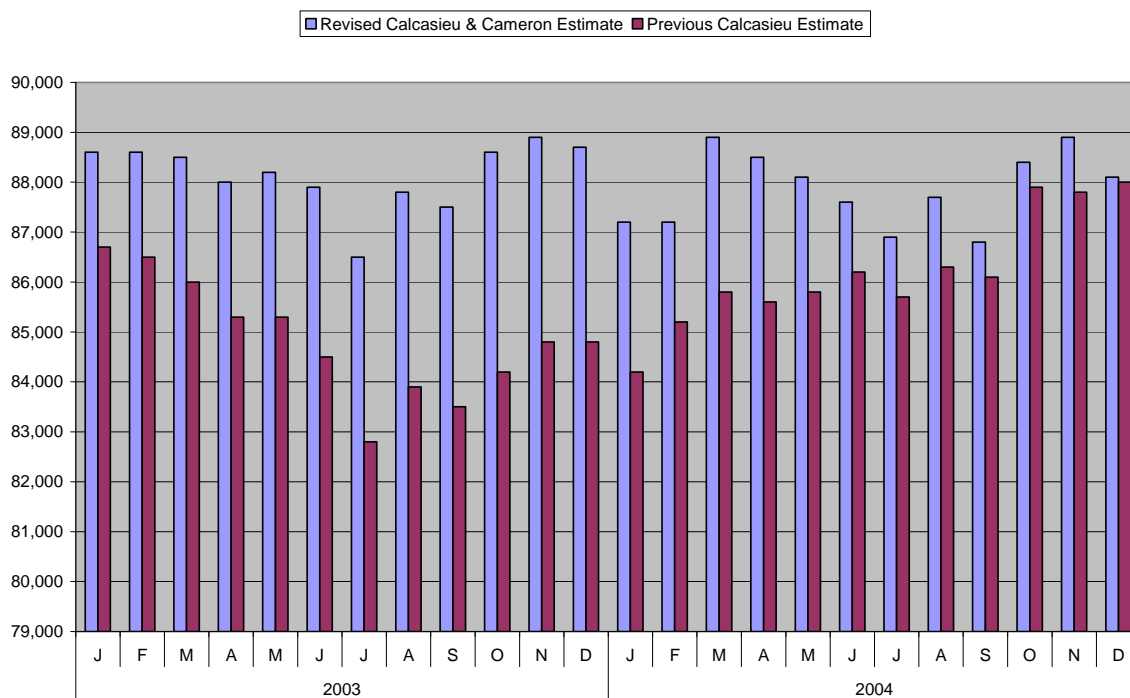
The employment statistics for January and February of 2005 illustrate this problem. Using the revised employment estimating methodology and reporting categories, the nonfarm employment statistics show a loss of 1,300 jobs between January and February of 2005. Does this seem a bit implausible? What is the likelihood that 1,300 people lost their jobs in the Lake Charles MSA in one month and it escaped the attention of the local news media? Where did these alleged job losses occur? According to the reported estimates, goods producing employment remained unchanged—200 jobs were gained in the newly combined category of “natural resources, mining and construction”, and 200 jobs were lost in manufacturing. The entire 1,300 jobs were lost in service providing employment—500 jobs were lost in “trade, transportation, and utilities”, 100 jobs were lost in “professional and business services”, and the remaining 700 jobs were lost in one or more of the four service producing employment categories that are no longer reported. Since over half of

the estimated job losses cannot be traced to specific occupational categories, it is much more difficult to evaluate the credibility of the revised estimating methodology.

### Inconsistencies Between Newly Revised and Previous Estimates

The chart below compares the revised estimates of nonfarm employment for the Lake Charles MSA including both Calcasieu and Cameron Parishes which are based on the new estimating methodology (blue bars), with the previous estimates of nonfarm employment before the methodology was revised and the Lake Charles MSA included only Calcasieu Parish (dark purple bars). If the two data series were consistent, the difference between the blue bars and the dark purple bars might be viewed as nonfarm employment in Cameron Parish. Obviously the two data series are not consistent, since that would imply that nonfarm employment in Cameron Parish was virtually wiped out in the last half of 2004.

### Comparison of Nonfarm Employment Estimates



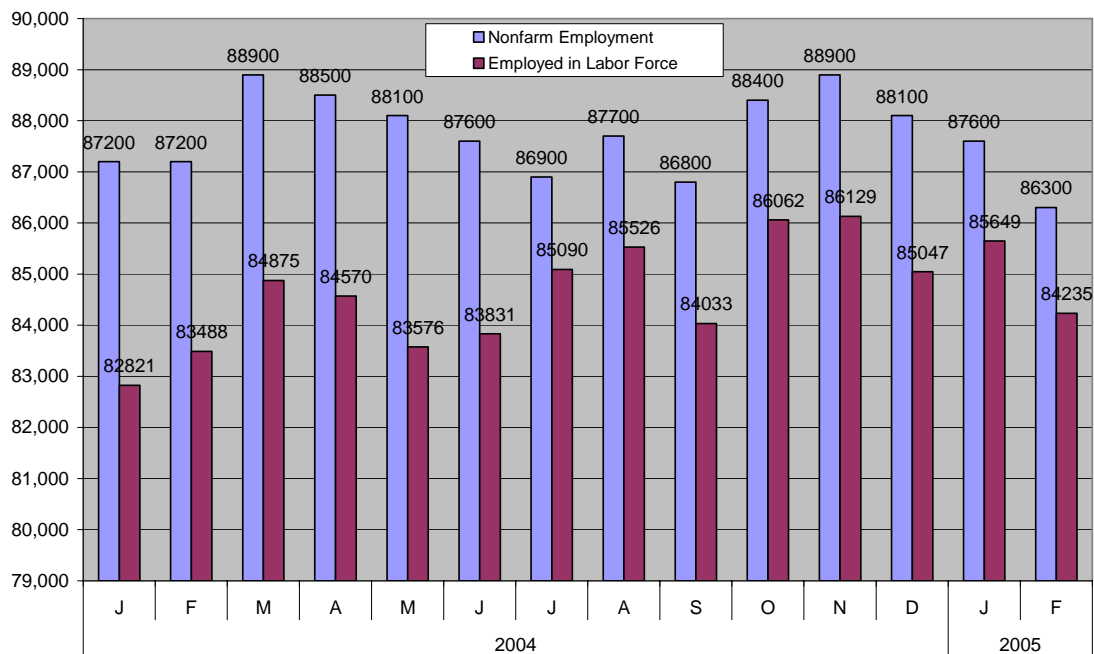
What else is inconsistent between the two data series? The previous estimates (dark purple bars) portray a picture of declining employment in Calcasieu Parish during the first half of 2003, followed thereafter by steadily increasing employment that continued throughout 2004 (which ended with a particularly strong fourth quarter). These trends are consistent with independent data showing taxable sales in Calcasieu Parish fell by 5% in 2003 and then came roaring back to register an increase of over 10% in 2004. On the other hand, one must be skeptical of the revised estimates (blue bars) which portray more erratic employment trends throughout 2004 that would appear to be inconsistent with stronger spending activity indicated by the dramatic growth in taxable sales in Calcasieu Parish during that period.

## Differences Between “Nonfarm Employment” and “Employed in the Labor Force”

In addition to estimates of nonfarm employment, the Louisiana Department of Labor and the U.S. Bureau of Labor Statistics also provide monthly estimates of the size of the civilian labor force which includes “that portion of the population age sixteen or older which is either employed or unemployed and actively seeking employment”. The estimate of the number of **employed in the labor force** includes “members of the labor force who worked for pay or profit, or had a job from which they were temporarily absent because of illness, vacation, labor dispute, or other reasons not reflecting a shortage of work, or who worked fifteen hours or more as unpaid workers in an enterprise operated by a member of the family”.

Intuitively, one might expect estimates of the total number of “employed in the labor force” to exceed estimates of total nonfarm employment since the latter does not count those who are self-employed, unpaid family workers, domestics, or agriculture workers. Contrary to that intuitive expectation, however, the recently revised estimates for the Lake Charles MSA generate the opposite outcome. The comparison in the chart that follows shows that the revised estimates for “nonfarm employment” exceed the estimates of the total “employed in the labor force” for the last 14 months—the only period for which comparison data is currently available. The excess of nonfarm employment over total employed in the labor force ranges from 4,379 in January of 2004 to 2,065 in February of 2005.

**Comparison of Nonfarm Employment Estimate  
and Employed in Labor Force Estimate**



Is it plausible for estimates of “nonfarm employment” to exceed estimates of the total “employed in the labor force”, or is this an inconsistency resulting from the revised nonfarm employment estimating methodology? The answer to this question is ambiguous.

The **nonfarm employment** estimate is based on a survey of business establishments that counts the number of jobs at each establishment, while the **number of employed in the labor force** estimate is based on a survey of households (which is inflated by the most recent population estimates) that counts the number of employed individuals. Differences in the scope of the two surveys mean that a person with multiple jobs will be counted several times in the nonfarm employment survey of businesses, but only once in the employment survey of households. The nonfarm employment survey of businesses also includes wage and salary workers under the age of 16, while the employment survey of households does not. These considerations mean that it is possible for estimates of “nonfarm employment” to exceed the estimates of the total “employed in the labor force” despite the fact that agricultural workers, the self-employed, workers in private households, unpaid family workers, and workers on unpaid leaves are included in the latter and excluded from the former.

Interestingly, for the Lake Charles, Lafayette, Monroe, and New Orleans MSAs, the recently revised estimates of “nonfarm employment” are greater than the estimates of “employment in the labor force”. For the Baton Rouge and Houma MSAs the opposite result occurs. Analysts with the Louisiana Department of Labor think these outcomes are linked to the new sampling methodology for estimating nonfarm employment, but at this time the underlying reasons are not understood. The LDOL analysts indicate that as more historical data is accumulated they should be better able to analyze and understand why this is happening.

Estimates of nonfarm employment for March 2005 will be released in early May. Until more progress is made toward understanding the inconsistencies noted above, the Drew Center will postpone posting the revised nonfarm employment estimates for the Lake Charles MSA since a more thorough scrutiny of the results from the revised methodology for estimating nonfarm employment in the Lake Charles MSA appears to be warranted.

*Editor’s note—don’t blame the messengers. The Louisiana Department of Labor is not responsible for the revised methodology for estimating nonfarm employment or the reduced reporting categories for the Lake Charles MSA. These decisions are made by the U.S. Bureau of Labor Statistics. Analysts in the Research and Statistics Unit of the LDOL have been very responsive in trying to answer questions about the revised methodology, and with more time they should eventually be able to address at least some of the issues raised by a closer examination of the recently revised employment statistics for the Lake Charles MSA..*

The **Southwest Louisiana Economic Indicators Reports** are distributed electronically through the **H.C. Drew Center for Economic Development Information Services** in the College of Business at McNeese State University in Lake Charles, Louisiana.

Visit the Drew Center webpage for more detailed information depicting recent economic trends in Southwest Louisiana—including Calcasieu, Cameron, Allen, Beauregard, and Jefferson Davis Parishes.

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