

---

Advance copies of this statement are made available to the press under lock-up conditions with the explicit understanding that the data are embargoed until 8:30 a.m. Eastern Standard Time.

---

Statement of

Kathleen P. Utgoff  
Commissioner  
Bureau of Labor Statistics

Friday, February 6, 2004

Nonfarm payroll employment increased by 112,000 in January and has risen by 366,000 since August 2003. In January, there were job gains in construction and several service-providing industries. While manufacturing employment continued to trend down, the rate of job loss has slowed considerably in recent months. The unemployment rate, at 5.6 percent, was little changed over the month but is down from its recent peak of 6.3 percent in June 2003.

Within the goods-producing sector, construction employment was up by 24,000 in January, after seasonal adjustment. Construction employment continues to be buoyed by strength in the housing market. Since March, the industry has added 147,000 jobs.

Manufacturing employment edged down in January (-11,000). From September through January, manufacturing job losses have averaged 20,000 a month, compared with an average decline of 62,000 for the first 8 months of 2003. Within durable goods, employment in fabricated metal products has increased by 14,000 since September. In January, employment also rose in nonmetallic mineral products, communications equipment, and computer and peripheral equipment. These job gains were more than offset, however, by small losses in other durable goods industries and most nondurable goods industries. The average workweek in manufacturing rose by 0.3 hour in January to 40.9 hours, following a decrease of 0.2 hours in December. Factory overtime was unchanged over the month at 4.6 hours.

Several service-providing industries had employment gains over the month; the largest was in retail trade (+76,000). Some retail industries, such as general merchandise stores, sporting goods and hobby stores, and miscellaneous retail stores, did not do as much hiring for the holidays as usual and thus did not shed as many jobs after the holiday season. As a result, employment in these industries increased in January (after seasonal adjustment) but is little changed from October. On the other hand,

continued employment growth in building material and garden supply stores (+14,000 in January) likely reflects underlying strength in the housing market.

Within transportation, the return of workers from a strike contributed to an employment gain (+9,000) in warehousing and storage. Wholesale trade employment trended upward for the third consecutive month (+11,000 in January). Nearly all of the net gain over this period has been in durable goods distribution.

Among health care industries, employment in outpatient care centers and hospitals rose in January. Within the leisure and hospitality sector, employment in food services and drinking places continued its long-term growth trend (+28,000 in January).

Some service-providing industries lost jobs in January. Employment in the temporary help services industry was down for the first time since April 2003. The information sector lost 10,000 jobs over the month. Accounting and bookkeeping services employment decreased by 18,000, largely offsetting gains in November and December.

Employment in financial activities was flat in January. The securities industry continued to add jobs; employment has risen by 23,000 since August. The downward trend in employment continued among insurance carriers.

Average hourly earnings for production or nonsupervisory workers rose by 2 cents in January after a 1-cent gain the prior month. Over the 12 months ending in January, hourly earnings increased by 2.0 percent.

I would like to note that these payroll survey figures reflect the incorporation of our annual benchmark revisions. (As previously announced, we have moved up the introduction of these revisions from June to February.) Each year, we adjust our sample-based survey estimates to full universe counts of employment, derived principally from administrative records of the unemployment insurance tax system.

The impact of the revisions in the March 2003 reference month is a downward adjustment of 122,000, or about one-tenth of one percent of the total nonfarm employment level. This percentage adjustment is smaller than the average for the past decade. Estimates for payroll employment for the post-benchmark period, April 2003 forward, also have been revised to incorporate the new benchmark levels as well as revised seasonal adjustment factors and updated estimates from business birth-death models.

Turning now to our survey of households, the unemployment rate was little changed in January at 5.6

percent. Civilian employment rose by 496,000 (after accounting for an adjustment to the population estimates), and the employment-population ratio edged up to 62.4 percent.

Beginning in January 2004, household survey data reflect updated population controls. As part of its annual review of intercensal population estimates, the U.S. Census Bureau determined that a downward adjustment should be made to the household survey population controls. This adjustment stems from revised estimates of net international migration for 2000 through 2003. The updated controls resulted in a decrease of 560,000 in the estimated size of the civilian noninstitutional population 16 years of age and over for December 2003. Official population and labor force estimates for December 2003 and earlier months will not be revised.

A comparison of December 2003 data based on the old versus new controls shows that the population decrease caused reductions in the labor force (-437,000), employment (-409,000), and unemployment (-27,000). The total unemployment rate, labor force participation rate, and employment-population ratio, however, were not affected.

In light of the revisions to both the payroll and household survey estimates, this is an opportune time to

summarize the recent trends in employment as measured by the two surveys. From the trough of the recession in November 2001 through January 2004, payroll employment decreased by 716,000. Over the same period, total employment as measured by the household survey increased by about 2.2 million (after accounting for the changes to that survey's population controls).

Part of this discrepancy results from the different definitions of employment used in the surveys. For example, the household survey includes the self employed and farm workers; the establishment survey does not. When the household survey estimates are adjusted for the major differences between the surveys that we can quantify, the increase since the end of the recession is about 1.7 million.

There are other differences between the two surveys that are more difficult to quantify. We know, for example, that some independent contractors are not reported as self employed in the household survey but rather as wage and salary workers. Such differences limit our ability to fully reconcile the employment measures from the two surveys.

Aside from definitional differences, BLS continues to investigate a number of possible explanations for the large

disparity in employment growth as measured by the surveys. With regard to the household survey, for example, we know from past research that difficulties inherent in estimating population growth can lead to under- or over-statements of employment growth. One of the most challenging components of population growth to gauge is immigration. The Census Bureau remains engaged in efforts to improve these estimates.

An issue often raised with regard to the establishment survey is that it might lag in recording a substantial portion of the job growth generated by new business formation. We do not believe that is the case. The payroll survey sample includes establishments of all sizes, and the monthly data include a model-based estimate for net employment growth from the birth and death of establishments. That estimate is derived from the current month's sample and from historical trends. The relatively small March 2003 benchmark revision announced today, as well as comparisons to second quarter 2003 data, show that the monthly establishment survey estimates tracked the count of jobs derived from the unemployment insurance system very closely.

BLS will continue to examine the possible sources of the discrepancy between the two surveys and to search for ways to test potential explanations.

To summarize the labor market data for January, nonfarm employment rose by 112,000 with increases in construction and several service-providing industries. The unemployment rate, at 5.6 percent, was little changed over the month but was down from its recent peak of 6.3 percent in June 2003.