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Statement of

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Commissioner
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before the

Joint Economic Committee

UNITED STATES CONGRESS

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Mr. Chairman and Members of the Committee:

I appreciate this opportunity to comment on the February employment and unemployment data that the BLS released this morning. I look forward to working with you and the other Committee members during the next 2 years. Since this is my first opportunity to testify before the Joint Economic Committee in this new Congress, I have tried to put this month's labor market developments into the longer-term context of the recent economic downturn.

Nonfarm payroll employment fell by 308,000 in February, after seasonal adjustment. Since the recent employment peak in March 2001, payroll employment has declined by 1.9 million. The vast majority of that loss (1.6 million) occurred in 2001. In 2002, payroll employment turned toward slow growth around midyear, but losses returned late in the year.

The widespread declines in February reflected continued weakness in manufacturing and substantial job losses in construction, retail trade, services, and transportation. The unemployment rate, which is obtained from a separate survey, was 5.8 percent in February, little different than the January estimate and similar to the rates that prevailed throughout much of 2002.

Looking at the details of the February data from our survey of employers, monthly employment declines continued in manufacturing (-53,000). Factory job losses have been nearly continuous since April 1998 and have totaled nearly 2.5 million; most of the losses have occurred since the recession began in March 2001. Last month, job losses were widespread in manufacturing, with continued declines in industrial machinery, electronic equipment, fabricated metals, furniture and fixtures, and chemical products. Since November 2000, electronic equipment and industrial

machinery have accounted for about two in every five jobs lost in manufacturing.

A sharp employment decline of 48,000 in construction followed a gain of half that magnitude in January. Since March 2001, the number of construction jobs has declined by 3.8 percent, substantially less than the declines posted in most other labor market downturns. Over the month, the relatively small mining industry shed another 3,000 jobs; since September 2001, job losses have totaled 24,000.

Within the service-producing sector, retail trade employment declined by 92,000 in February. Eating and drinking places (-85,000) accounted for most of the decline. In retail trade overall, which has a holiday buildup and layoff pattern, it is probably best to compare the February figure with last July, before seasonal hiring began. From that perspective, retail employment is down by 163,000, about half coming from losses in eating and drinking places.

Employment in services had grown throughout most of 2002, but fell by 86,000 in February, the largest monthly job loss since the fall of 2001. Amusement and recreation services and hotels and lodging places each fell considerably short of their normal February hiring. Industries that showed modest job growth included

engineering and management services, legal services, and health services, although health services recorded its smallest increase since 1999.

Over the month, transportation employment declined by 29,000. Since January 2001, job losses in the industry have totaled nearly 300,000. The string of job losses in communications that began in May 2001 continued, with a decline of 7,000 in February.

Mortgage banking, an industry that has bolstered employment in finance for the last few years, added 8,000 jobs in February. Since January 2001, employment in this industry has risen by 122,000, reflecting high levels of refinancing activity and strength in the housing market.

In February, average hourly earnings for production and nonsupervisory workers rose 11 cents to \$15.08. When combined with an unusual decline in January, the 2-month average is fairly close to its recent pace, which has seen hourly earnings grow by 3.2 percent over the year.

Looking at some of our measures obtained from the survey of households, the February unemployment rate of 5.8 percent was about the same as in January and within the 5.6-to-6.0-percent range that prevailed throughout 2002.

In February, 8.5 million persons were unemployed, a 2.8 million increase since the fall of 2000. As

unemployment grew over this period, the number of long-term jobless tripled. In February, about 1.9 million persons had been jobless for 27 weeks or longer and comprised about 22 percent of total unemployment.

In summary, the labor market experienced renewed weakness in February, as payroll employment declined sharply. Job losses were widely distributed across industries. The unemployment rate was 5.8 percent, similar to the rates that prevailed throughout much of 2002.

My colleagues and I now would be glad to answer your questions.

**Note on the impact of the call-up of military
reservists on the employment data.**

According to information released by the U. S. Department of Defense, about 150,000 reservists had been called into active duty as of mid-February. BLS is unable to quantify the impact of this call-up on its employment figures. With regard to the payroll survey:

- In concept, persons on active military duty for the entire survey reference period are not included on employer payrolls.
- Some reservists would have held jobs not covered by the payroll survey--such as the self employed or those in agriculture--and others may not have held jobs at all.
- Many of the reservists have been called up quite recently. Any who worked at all for their regular employer during the survey reference period would have been counted on the employer's payroll.
- If reservists are replaced by new workers on an employer's payroll, there would be no net change in the number of jobs counted. If reservists are

not replaced, a net decline in the employer's job count would result.

With regard to the household survey, the Current Population Survey only measures the civilian noninstitutional population. Also, the population levels to which the labor force estimates are controlled are not adjusted to reflect the call-up of reservists. As a result, the survey will not register the impact of these call-ups.