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Statement of

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Commissioner
Bureau of Labor Statistics

before the

Joint Economic Committee

UNITED STATES CONGRESS

Friday, November 4, 2005

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to comment on the labor market data we released this morning.

Nonfarm payroll employment was little changed in October (+56,000), and the jobless rate was 5.0 percent. Payroll employment was flat in September (-8,000, as revised).

Before discussing the payroll survey data in detail, I would note that the October estimates were prepared using the same modified procedures that we introduced in September to better gauge employment developments in areas affected by Hurricane Katrina. We will continue to

evaluate our data collection and estimating procedures and will resume standard survey operations when it is appropriate.

You will recall that in our analysis of the September employment data, we concluded that the weakness was largely due to the job loss in areas devastated by Hurricane Katrina. This conclusion was based on an estimate of the change in payroll employment excluding all of the sample units in the disaster areas. That exercise showed that job growth outside the disaster areas was in line with the average monthly increase for the nation as a whole during the prior year (about 200,000). We did a similar exercise for October and concluded that the relatively weak increase was not attributable to the areas directly affected by Katrina. Rather, job growth in the remainder of the country appeared to be below trend in October. In addition, the direct impact of Hurricane Rita on the national employment data for October was judged to be minimal. It is possible, of course, that employment growth for the nation could have been held down by indirect effects of Hurricanes Katrina and Rita, for example, because of their impact on gas prices. (Hurricane Wilma made landfall after the October survey reference period.)

Turning to the national developments by industry, leisure and hospitality employment edged down in October. This followed a substantial decline in September, at least some of which was hurricane related. Employment in retail trade was basically unchanged in October after a large decline in September. In addition, there was little job growth in professional and business services in October; the number of jobs in its temporary help component showed little movement over the month.

A few major industries posted notable job gains in October. Employment in the construction industry rose by 33,000 over the month, compared with average growth of about 21,000 jobs per month during the first 9 months of the year. Some of the October gain reflects post-hurricane rebuilding and clean-up efforts. Employment in financial activities continued to increase, rising by 22,000; about half of this gain occurred in credit intermediation. Employment in health care and social assistance also continued to expand in October, rising by 23,000.

Elsewhere in the economy, employment in the information industry fell by 15,000 over the month, mostly because of a large decline in motion pictures and sound recording.

Factory employment edged up in October because of the return of aerospace workers from a strike. The manufacturing workweek rose by an unusually large amount, 0.4 hour; increases in the factory workweek occurred throughout most of the component industries.

Average hourly earnings of private production or nonsupervisory workers on private nonfarm payrolls rose by 8 cents in October to \$16.27, following a 2-cent increase in September. Over the year, average hourly earnings were up by 2.9 percent.

Looking at some major household survey indicators, the jobless rate was 5.0 percent in October. The unemployment rate basically has held steady since May of this year. Both the labor force participation rate and employment-population ratio were little changed in October, at 66.1 percent and 62.9 percent, respectively.

I'd also like to discuss some preliminary findings on the employment status of persons directly affected by Hurricane Katrina. Shortly after the hurricane struck, Bureau analysts, together with our colleagues at the Census Bureau, devised a short series of hurricane-related questions for inclusion in the October Current Population Survey. These questions were designed to identify and solicit information from survey respondents who had

evacuated from their homes, even temporarily, because of Hurricane Katrina.

It is important to note that the estimates based on these questions are not representative of all evacuees, but only those who were interviewed through normal household survey procedures. Some evacuees reside outside the scope of the survey, such as those currently living in hotels or shelters.

Based on information collected from CPS-sampled households, there were about 800,000 persons age 16 and over who had evacuated from where they were living in August due to Hurricane Katrina. About 300,000 of these persons had returned to the home from which they had evacuated, and the remaining 500,000 had not returned to their August residence.

Of the 800,000 evacuees, 55.7 percent were in the labor force in October, and their unemployment rate was 24.5 percent. The jobless rate among those who have not been able to return home (33.4 percent) was substantially higher than the rate for those who had returned to their August place of residence (10.5 percent). Again, these figures do not reflect the situation of persons still residing in shelters, hotels, or other places out of the scope of the household survey.

Even with their limitations, we believe that these data provide useful information about the employment status of those persons affected by Hurricane Katrina. As people make the transition to more permanent housing, the estimates may become more representative of the situation of all evacuees. We plan to keep these special Katrina-related questions in the survey at least through January 2006.

Summarizing labor market developments for October, nonfarm payroll employment was little changed over the month, and the unemployment rate was 5.0 percent.

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