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Statement of

Lois Orr  
Acting Commissioner  
Bureau of Labor Statistics

Friday, January 4, 2002

Good morning. I appreciate this opportunity to comment on the December employment and unemployment statistics that we released this morning.

Nonfarm payroll employment fell by 124,000 in December, following job losses that averaged about 400,000 a month in October and November. Since the recession began in March, payroll employment has fallen by 1.4 million. The December decline reflected continued losses in the private sector (-187,000), particularly manufacturing, retail trade, air transportation, and help supply. These losses were partially offset by employment gains in several services industries and in government. The unemployment rate, at 5.8 percent in December, continued its upward trend and has increased by 1.9 percentage points since October 2000.

Looking in more detail at the December data from our survey of employers, job losses continued in manufacturing

(-133,000). The largest drops occurred in electronic equipment, industrial machinery, and transportation equipment, but almost every manufacturing industry contributed to the employment decline. In contrast to the negative employment news, the factory workweek rose by 0.4 hour to 40.7 hours and factory overtime rose 0.2 hour to 3.9 hours.

During 2001, manufacturing shed 1.3 million jobs, or about 7 percent of its workforce. A number of manufacturing industries lost more than 1 in 10 of their workers during the year, namely furniture, primary metals, industrial machinery, electrical equipment, textiles, apparel, and leather.

In December, a large decline in retail trade employment after seasonal adjustment (-77,000) was led by general merchandise stores and miscellaneous retail establishments (such as toy stores and jewelry stores), both of which fell short of their typical holiday hiring. These declines were tempered somewhat by job gains in auto dealerships and furniture and home furnishing stores. During 2001, retail trade added 200,000 jobs by July, but losses since then have left employment down by 73,000 over the year.

Transportation and public utilities employment fell by 36,000 in December. Air transportation, which continues to be affected by weakened demand for business and leisure travel and parcel delivery, lost 26,000 jobs. There were also sizable losses in communications and public utilities.

Employment in finance, insurance, and real estate was little changed as continued gains in mortgage brokerages nearly offset declines in security brokerages and real estate. Wholesale trade employment continued to decline (-10,000), although at a slower pace than in the prior 3 months.

Job growth in services and government partially offset the many declines in December. Services employment grew by 72,000 following losses totaling 248,000 in the prior 2 months. Health services (especially hospitals and home health care) and private education had the largest employment gains in December. Over the year, employment in these industries rose by 304,000 and 112,000, respectively. In contrast, help supply had another large job loss (-55,000) in December. This industry, which supplies workers to other industries, has shed 688,000 jobs since September 2000, or 19 percent of its employment.

Besides services, the only other large upward movement in December came from government, in which job gains from the various components totaled 63,000. In state and local governments, employment in the education and non-education components increased; both state and local education had quite strong growth in 2001 compared with 2000.

Construction employment was little changed in December. While the number of construction jobs generally declines substantially during recessions, the industry has shown relatively little job loss since the recession began in March.

Average hourly earnings of production or nonsupervisory workers in the private sector rose 7 cents over the month to \$14.61 in December. This followed another gain of 7 cents in November and 2 cents in October. Hourly earnings increased by 4.1 percent in 2001, compared with 4.3 percent in 2000.

Looking at some of the measures obtained from the survey of households, the unemployment rate edged up to 5.8 percent in December from 5.6 percent in November, as revised. The jobless rate for adult women rose in December, while the rates for other major worker groups were little changed. The number of part-time workers who would have preferred full-time work (4.3 million) edged up in December and rose by 1.1 million during 2001.

Finally from the household data, the proportion of the population with a job edged down to 63.0 percent. This ratio was 64.5 percent in December 2000.

Before concluding, I would like to note that this is the month in which we update our seasonal adjustment factors and make revisions to previously published seasonally adjusted household survey estimates going back 5 years. All of the seasonally adjusted household data in today's news release reflect these revisions.

To summarize, the jobless rate continued to trend upward in December and the number of workers on nonfarm payrolls continued to shrink. Manufacturing and help supply services continued to be especially hard hit. On the other

hand, employment continued to increase in health services, social services, mortgage banking, and public and private education.

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