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Statement of

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Acting Commissioner
Bureau of Labor Statistics

before the

Joint Economic Committee

UNITED STATES CONGRESS

Friday, February 1, 2002

Mr. Chairman and Members of the Committee:

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

Nonfarm payroll employment fell by 89,000 in January following job losses that averaged 311,000 a month in the fourth quarter of 2001. Manufacturing and construction employment declined, while services employment was flat. The unemployment rate decreased by two-tenths of a percentage point to 5.6 percent after rising by the same amount in December.

Looking in more detail at the data from our survey of employers for January, job losses continued in manufacturing (-89,000), although at the slowest pace since September.

The largest decline occurred in transportation equipment (-28,000), as motor vehicle plants had temporary shutdowns and aircraft factories continued to lose jobs. Sizable employment declines also occurred in primary metals, fabricated metals, industrial machinery, and electronic equipment. On the other hand, job losses in manufacturing were not as widespread as they had been in the fourth quarter.

Construction employment held up unusually well last year. Unlike past recessions, when construction tended to be quite hard hit, the industry lost very few jobs during the last 8 months of 2001. In January, however, employment in the industry declined by 54,000, on a seasonally adjusted basis, despite unusually mild weather. The special trades and heavy construction components had the largest losses. An industry closely tied to construction--the landscaping component of agricultural services--also lost jobs.

Wholesale trade employment continued its declining trend. The industry has lost 145,000 jobs since November 2000.

Helping to offset these declines, retail trade employment rose by 62,000 after seasonal adjustment, as weak hiring for the 2001 holiday season resulted in fewer layoffs than usual in January. Putting this increase in perspective, employment fell by 241,000 on a seasonally adjusted basis in the last 5 months of 2001. The largest increases in January were in department stores, apparel

stores, and miscellaneous retail establishments (especially toy stores), where holiday hiring, and therefore post-holiday layoffs, are heavily concentrated.

Employment in finance, insurance, and real estate edged up by 9,000, as relatively low interest rates continued to spur growth in banks and mortgage brokerages.

Employment in the services industry overall was little changed as several component industries had offsetting movements. Business services employment fell by 24,000, reflecting a sizable decline in computer and data processing services. Employment in help supply services was little changed over the month, although the industry has been on a downward trend since September 2000. Job losses continued in the hotel industry, bringing the total decline to 124,000 since the start of the recession. However, employment in health services continued its strong growth trend, and social services also had a job increase.

Transportation and public utilities employment also was unchanged in January. Air transportation grew by 8,000 jobs after seasonal adjustment, as a very light holiday buildup in the air freight component resulted in fewer layoffs than usual. Employment related to airline passenger service continued to decline. The communications industry had job losses for the third consecutive month.

Both the total private sector workweek and the factory workweek edged down by a tenth of an hour to 34.0 and 40.5

hours, respectively. Factory overtime edged up by a tenth of an hour to 3.9 hours.

Average hourly earnings of production or nonsupervisory workers in the private sector were unchanged at \$14.59 in January. This followed a gain of 5 cents in December (as revised). Hourly earnings increased by 4.0 percent from January 2001.

Turning to some of the measures obtained from the survey of households, the number of unemployed persons fell and the unemployment rate returned to its November level of 5.6 percent, from 5.8 percent in December. The jobless rate for adult women declined in January after rising in December, while the rates for adult men, teenagers, whites, blacks, and Hispanics were essentially unchanged. Looking at other measures of labor underutilization, the number of part-time workers who would have preferred full-time work fell by 294,000 to 4.0 million. The number of persons outside the labor force who said they want a job rose by 163,000 to 4.8 million.

There was a decline of nearly a million in the labor force, reflecting drops in both employment and unemployment. However, I would caution against reading too much into a single month's estimate for any data series, particularly in a month such as January when there are large seasonal movements that can be difficult to adjust for precisely.

To summarize, the jobless rate in January reversed its December increase, dropping back to 5.6 percent. The number

of workers on nonfarm payrolls declined in January, but at a slower pace than in recent months. A seasonally adjusted employment increase in retail trade partially offset losses in manufacturing and construction, while most other industries were little changed.

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