

FOR DELIVERY: 9:30 A.M., E.D.T.
FRIDAY, JUNE 7, 2002

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 Daylight Time.

Statement of

Lois Orr
Acting Commissioner
Bureau of Labor Statistics

before the

Joint Economic Committee

UNITED STATES CONGRESS

Friday, June 7, 2002

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to comment on the May employment and unemployment data that we released this morning.

Both the unemployment rate, at 5.8 percent, and nonfarm payroll employment, at 130.7 million, were little changed in May. In 2001, the unemployment rate trended up, particularly following the terrorist attacks in September. Thus far this year, however, the trend has been less clear.

Over the month, the jobless rate for blacks fell a full percentage point to 10.2 percent, and the rate for

Hispanics declined by nearly a percentage point to 7.0 percent. Even though the unemployment level was about unchanged, the number of long-term unemployed (those jobless 27 weeks and longer) continued to rise over the month, by 142,000. The number of long-term unemployed, at 1.6 million, comprised about 20 percent of total unemployment in May, nearly twice its proportion a year earlier.

Turning to the data from our establishment survey, nonfarm employment was little changed in May (+ 41,000). Manufacturing employment declined by a monthly average of 112,000 during the year ending in January 2002. Since then, losses have slowed, and, for April and May, the average decline was down to 21,000. In May, job losses continued in computer equipment, electronic equipment, instruments, textiles, apparel, paper products, and printing and publishing. The factory workweek was unchanged at 40.9 hours, and factory overtime edged up by 0.1 hour to 4.3 hours.

Following a large job loss in April, construction employment was flat over the month. Since March 2001, the number of construction jobs has declined by 3.6 percent, substantially less than the declines posted in recent labor market downturns.

Within the service-producing sector, employment in services rose by 68,000 in May, the third consecutive monthly job gain, following a year with no net job growth. Help supply employment rose by 25,000 in May, and has risen by 126,000 over the past 3 months. It had declined by 806,000 during the prior year and a half. Engineering and management services also showed strength in May, adding 23,000 jobs. Health services employment rose by 16,000 over the month, about the same as in April, but at a far slower pace than in the prior year. For the 12-month period ending in March, job growth had averaged 26,000 per month. Employment in hotels and lodging places posted a large decline in May, the second consecutive month of job losses.

Retail trade employment was little changed in May, despite a loss of 33,000 jobs in eating and drinking places. Offsetting some of this decline, several retail industries posted small job gains. Employment in each of the other major private-sector industries--wholesale trade, transportation and public utilities, and finance, insurance, and real estate--was unchanged in May.

Within government, employment rose by 31,000 in local government, mostly in education, and declined by 12,000 in the noneducation component of state government.

Average hourly earnings for production or nonsupervisory workers in the nonfarm private sector rose by 3 cents in May to \$14.70. Wage gains have been somewhat smaller so far this year than during 2001. Over the year, average hourly earnings were up 3.2 percent.

In accordance with our standard practice, the payroll survey figures this month incorporate regularly scheduled annual benchmark revisions. The benchmarking process involves revising our sample-based employment estimates with information from a full universe count of employment derived from unemployment insurance tax records for March 2001.

The March 2001 benchmark revision was a downward adjustment of 123,000 or one-tenth of one percent. Subsequent months also revised downward, to incorporate a number of other adjustments. By April 2002, the last month of the revision period, the employment level was 501,000 or four-tenths of one percent lower than the previously published unadjusted level. There is no benchmark source for hours and earnings data, but these series also may be affected by the benchmark process because of changes in the industry employment weights and the introduction of new seasonal factors.

The downward adjustment of 123,000, or about one-tenth of one percent of the total nonfarm employment level, is slightly less than the average revision for the prior 10-year period. Payroll employment estimates for the post-benchmark period, April 2001 forward, have been revised to incorporate the new benchmark levels as well as revised seasonal adjustment factors, bias factors, birth/death models, and annual sample updates.

In addition to the routine benchmark revision, all estimates for transportation and public utilities and the finance, insurance, and real estate industry from April 2000 forward have been revised to incorporate a new sample design. The employment estimates for retail trade from April 2001 forward also incorporate the new sample design. These industries are the third group of industries to convert to a probability-based sample under a 4-year phase-in plan for the Current Employment Statistics survey sample-redesign project. The phase-in will conclude in June 2003 with the introduction of the services industries and the conversion to the North American Industrial Classification System (NAICS).

In summary, payroll employment remained essentially flat for the third month in a row, and the unemployment

rate, at 5.8 percent in May, was little changed over the month.

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