

FOR DELIVERY: 9:30 A.M., E.S.T.  
FRIDAY, MARCH 9, 2001

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Statement of

Katharine G. Abraham  
Commissioner  
Bureau of Labor Statistics

before the

Joint Economic Committee

UNITED STATES CONGRESS

Friday, March 9, 2001

Mr. Chairman and Members of the Committee:

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

The unemployment rate was unchanged at 4.2 percent in February, and payroll employment rose by 135,000. Since early last fall, the growth in payroll employment has slackened. In the 5 months since September, the average monthly increase in payroll employment has been 103,000. In contrast, during the first 9 months of last year, payroll employment had grown by 187,000 a month, on average. The key features of the February data, in my view, are the

continued reduction in manufacturing employment and hours, the more-than-offsetting job gains in services and some other industries, and the over-the-month rise in average hourly earnings.

Manufacturing employment fell by 94,000 in February. This follows a decline of about the same amount in January and brings total factory job losses since last June to 371,000. The decline in February was widespread throughout manufacturing. Even the electronic components industry had a small job loss over the month; employment in this industry has been on an upward trend since the spring of 1999. The only manufacturing industry with a sizable over-the-month increase was motor vehicles, but that gain (13,000) was only a fraction of the loss that occurred in January (48,000). On net, auto industry employment has fallen by 77,000 since June.

Both manufacturing hours and overtime also continued on downward trends in February. Since June, the average factory workweek has declined by a full hour, and overtime has fallen by 0.8 hour. The factory workweek is now at its lowest level since the spring of 1991, except for 2 months when winter storms caused sharp, temporary reductions in hours.

Weakness in manufacturing may have affected some other industries. For example, wholesale trade--an intermediary between manufacturers and customers--has lost 22,000 jobs since November. This is the largest such decline in the industry since early 1993. Employment in help supply services, which is dominated by temporary help firms that provide workers to manufacturing as well as other industries, was little changed in February but has fallen by 200,000 since April. Help supply had experienced dramatic job growth during most of the economic expansion that began in the spring of 1991.

Employment in the services industry as a whole rose by 95,000 in February. Health services had the largest job increase among the services industries, as employment in hospitals continued to benefit from recent changes in Medicare payment schedules. Employment also rose in social services, computer services, and private education. Public education accounted for a large share of the rise in government jobs over the month.

Retail trade employment rose by 37,000 in February, after seasonal adjustment, following 2 months of very small gains. Mortgage banking continued to add jobs due to high levels of refinancing activity. Following a very large gain in January, construction added 16,000 jobs in February.

Since October, employment in the industry has increased by 37,000 a month, on average. In the 12 months prior to October, the average monthly increase was only 23,000.

Average hourly earnings were up 7 cents in February; the over-the-year increase was 4.1 percent. This was the fourth month in a row that the over-the-year increase was 4 percent or above. Throughout most of 1999 and 2000, the over-the-year gains had remained in the 3.5- to 3.8-percent range.

As I mentioned at the beginning of my statement, the unemployment rate was unchanged in February at 4.2 percent. The jobless rate for blacks, which had risen in January, returned to its fourth-quarter level of 7.5 percent. In February, the number of newly unemployed (those unemployed less than 5 weeks) and the number of unemployed job losers who were not on temporary layoff both rose for the second month in a row. Other cyclical indicators from our survey of households, such as the number of people working part time despite their preference for full-time work and the number of people outside the labor force who have stopped looking for work, have shown no clear sign of an upward trend.

In summary, the sharp downturn in manufacturing employment and hours continued in February. Still, overall

payroll employment continued to rise, and the unemployment rate remained relatively low. Finally, earnings gains appear to have picked up in recent months.

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