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Statement of

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Commissioner
Bureau of Labor Statistics

before the

Joint Economic Committee

UNITED STATES CONGRESS

Friday, October 8, 2004

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to discuss the September employment and unemployment statistics that we released this morning.

Nonfarm payroll employment continued to trend up in September, increasing by 96,000. The unemployment rate was unchanged at 5.4 percent. Since August 2003, payroll employment has increased by 1.8 million. About 900,000, or half of that gain, occurred in March, April, and May of this year. Employment gains in the last 4 months have totaled 405,000.

I know that many people have speculated about the effect of the recent hurricanes on the September payroll employment data. Four hurricanes struck the U.S. during August and September: Charley in mid-August, Frances early in September, Ivan in mid-September, and Jeanne late in the month. This month, BLS and our State partners made extra efforts to obtain data from our survey respondents in the hurricane-affected states. As a result, our total response rate, even in the affected states, was as good as or better than it normally is for first publication. Still, our ability to gauge the impact on September's job growth is limited for reasons that I will discuss in a moment.

First, let me note how our payroll survey treats employment in businesses that are affected by weather events. For weather conditions to reduce the estimate of payroll employment, employees have to be off work for an entire pay period and not be paid for the time missed.

BLS' review of the sample data for September in the hurricane-affected areas indicates that there was a negative impact on employment in those areas. We will know more about the local effects when the official state estimates are available in 2 weeks.

There were negative employment effects on those firms that were unable to operate or were operating at a reduced

capacity during the survey period. However, other firms expanded their employment in response to the storms. There were clean-up and rebuilding efforts following Hurricanes Charley and Frances. In addition, some firms adjacent to the hard-hit areas likely added workers to help accommodate evacuees from Hurricane Ivan.

Overall, we do not believe that the net result of these factors materially changes the national employment situation for September, but we cannot precisely quantify the weather effects.

In September, job gains occurred in a few service-providing industries. Employment in professional and technical services rose by 24,000. Since August 2003, this industry has added 205,000 jobs. Temporary help employment was up by 33,000 in September. Employment in real estate and rental and leasing services grew by 15,000, following an increase of 11,000 in August. Utilities added 2,000 jobs over the month.

Within health care services, employment in doctors' offices rose by 8,000 in September. Other health care industries, however, showed little or no employment growth over the month.

Telecommunications employment fell by 9,000 in September. Since March 2001, the telecommunications industry has shed 302,000 jobs.

In the goods-producing sector, manufacturing employment edged down in September, reflecting small but widespread declines among component industries. Employment was little changed over the month in both construction and mining.

Average hourly earnings rose by 3 cents over the month and have increased by 2.4 percent over the year. Average hours for private production or nonsupervisory workers were unchanged in September. Manufacturing hours declined by one-tenth of an hour. Factory overtime was unchanged.

Turning now to measures from our survey of households, the unemployment rate held at 5.4 percent in September. This is down from its most recent high of 6.3 percent in June 2003; most of this decline occurred in the second half of last year. The labor force participation rate was 65.9 percent in September; it has been at or near this level since late last year. Most other household survey measures showed little or no change over the month.

Before closing, I would like to mention the upcoming benchmark revision to the payroll survey. Each fall, we announce the preliminary estimate of the next benchmark

revision to payroll employment. The benchmark revision is a standard annual procedure that adjusts the payroll survey's sample-based employment estimates to incorporate universe employment counts derived largely from unemployment insurance tax reports.

Preliminary tabulations of first quarter 2004 employment from state unemployment insurance tax reports indicate that the estimate of total nonfarm payroll employment will require an upward revision of approximately 236,000, or two-tenths of one percent, for the March 2004 reference month. This is slightly below the historical average for benchmark revisions over the past decade, which has been plus or minus three-tenths of one percent.

In summary, payroll employment continued to trend up in September, and the unemployment rate was unchanged at 5.4 percent.

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