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Statement of

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Deputy Commissioner
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before the

Joint Economic Committee

UNITED STATES CONGRESS

Friday, October 7, 2005

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 was little changed (-35,000) in September, and the unemployment rate increased from 4.9 to 5.1 percent. September labor market developments reflected both the impact of Hurricane Katrina and ongoing job market trends. Over the 12-month period prior to September, nonfarm employment increased by an average of 194,000 per month, and the unemployment rate trended down from 5.4 to 4.9 percent.

Before looking at the data in greater detail, I'd like to briefly review the extraordinary efforts the Bureau of Labor Statistics, the Census Bureau, and our state partners undertook to obtain information from our sample establishments and households in the areas affected by Hurricane Katrina.

The hurricane struck the Gulf Coast on August 29, prior to the reference periods for our September surveys. The severity and scope of the damage led us to carefully evaluate our data collection and estimation procedures. As a result, we modified some aspects of survey operations and we announced those changes about 2 weeks ago. We did not alter the concepts or definitions for either survey. In the payroll survey, employed persons are those who receive pay for any part of the pay period that includes the 12th day of the month. Therefore, people who were on payrolls in the aftermath of Hurricane Katrina were counted as employed even if they were absent from work. In the household survey, employed persons include those who are temporarily absent from their jobs, whether they are paid or not. To be classified as unemployed, persons must be actively seeking work and be available to take a job.

In the establishment survey, BLS and our state partners worked especially hard to contact respondents in

hurricane-affected areas in September. We also modified our estimation procedures so that businesses that were closed following the storm, as well as firms that were still operating, would be better represented in the estimates. In the household survey, Census Bureau interviewers worked under difficult conditions to interview sample households in the Gulf Coast. (Interviews were not conducted in two parishes in the New Orleans area that were under mandatory evacuation orders.) These extra steps undoubtedly helped us get a better picture of the national labor market situation for September.

Turning to the data from our payroll survey, one way to roughly gauge the impact of the hurricane on job growth in September is to compare the over-the-month employment change with the monthly average for the prior year. The change reported for September--a loss of 35,000 jobs--is about 230,000 less than the average monthly gain over the previous 12 months. Using this simple approach to gauge the hurricane impact assumes that, in the absence of the storm, employment growth would have followed its recent trend. To test that assumption, we constructed a rough estimate of the change in payroll employment from August to September excluding all of the sample units in the disaster areas. This exercise showed that total nonfarm employment

would have increased by an amount in line with the prior year's average. We will know more about the hurricane's impact when local employment estimates become available later this month.

As we look at the official September data for specific industries, I would note that job losses in the storm-related areas may have been offset or exacerbated by developments in the rest of the country. In September, retail trade employment overall was down by 88,000. There was a particularly large employment decline in food and beverage stores (-30,000); much of this decline reflects industry restructuring and associated store closures unrelated to the hurricane. In leisure and hospitality, the job total fell by 80,000 in September, in part due to the hurricane. There were large losses in food services and drinking places (-54,000) and in amusement, gambling, and recreation establishments (-19,000).

Employment in professional and business services increased by 52,000 over the month, with a large gain in temporary help services (32,000). The employment increase in temporary help services for September was more than twice as large as the average monthly gain for the prior 12 months. It is possible that some of the September growth

was due to the hiring of workers to assist in post-hurricane recovery efforts.

Health care added 37,000 jobs over the month, continuing its long-term growth. Employment also continued to trend up in financial activities.

In the goods-producing sector of the economy, construction added 23,000 jobs in September, equal to the average monthly gain for the prior year. Manufacturing employment was down by 27,000 in September; much of the decline reflected a strike in the aerospace industry that took 18,000 workers off payrolls.

Turning to some of the major labor market indicators from our household survey, the number of unemployed persons rose by 270,000 over the month and the jobless rate increased from 4.9 to 5.1 percent. Most of the increase in unemployment occurred among job losers. The labor force participation rate held at 66.2 percent in September.

In summary, payroll employment was little changed in September, and the unemployment rate rose to 5.1 percent. It is clear that Hurricane Katrina adversely affected labor market conditions in September. However, we cannot quantify precisely the overall effects of the disaster and its aftermath on the September employment and unemployment

figures. We hope to get additional insight as more data become available.

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