

THE EMPLOYMENT SITUATION: MARCH 2008

HEARING

BEFORE THE

**JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES**

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

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THE EMPLOYMENT SITUATION: MARCH 2008

FRIDAY, APRIL 4, 2008

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, DC

The committee met at 9:30 a.m., in room 106 of the Dirksen Senate Office Building, the Honorable Charles E. Schumer (Chairman) and Congressman Baron Hill, presiding.

Senators present: Schumer and Brownback.

Representatives present: Hill.

Staff present: Christina Baumgardner, Heather Boushey, Stephanie Dreyer, Nan Gibson, Greta Goodwin, Colleen Healy, Annabelle Tamerjan, Chris Frenze, Bob Keleher, Jeff Schlagenhauf, and Jeff Wrase.

OPENING STATEMENT OF HON. CHARLES E. SCHUMER, CHAIRMAN, A U.S. SENATOR FROM NEW YORK

Senator Schumer. The hearing will come to order. I want to thank Commissioner Hall and his staff for being here.

Well today we got some bad news on the job front. The numbers 80,000 and 60,000 should be a shot across the bow to this Administration to get off its hands and start moving in terms of getting us out of the bad straits we are in in this economy.

These numbers are a shot across the bow. They are saying that the economy is getting soft. It is no longer just housing prices and credit, but jobs. And once you get the three together headed downward, there is real trouble in the economy.

Despite these job numbers, the Administration continues its Hoover-like attitude of doing nothing. We get no help on getting some relief in the mortgage foreclosure crisis. We get no help on restructuring our financial system in a way that meets the needs of the Twenty-first Century.

We get no help on crafting a stimulus package that can get the economy going—a second stimulus package dealing with infrastructure and unemployment and the kind of direct spending that is needed to augment the tax relief that we have passed.

And so these numbers hopefully will be a wake-up call to the Administration, a wake-up call to stop its Hoover-like trance of doing nothing, letting the free market govern in any way. We believe in free markets but we have learned over the last 100 years that there are ways to improve them.

I want to thank Baron Hill for chairing this hearing. I apologize. We have votes. I did not expect to be able to be here at all and thank the Commissioner for his work.

Congressman Hill.

[The prepared statement of Senator Schumer appears in the Submissions for the Record on page 17.]

**OPENING STATEMENT OF HON. BARON P. HILL, A U.S.
REPRESENTATIVE FROM INDIANA**

Mr. Hill [presiding]. Good morning everybody. I want to welcome Commissioner Hall and thank him for testifying here this morning on the March employment situation.

I have a vested interest in these dreary numbers we have recognized this morning, as I have seen firsthand how the recent economic downturns have affected my constituents in Bloomington, Indiana.

The General Electric Refrigerator Plant announced in February that it will close by the end of 2009, and it will result in the loss of 900 jobs for this area.

Job losses like this are occurring throughout the country as today's employment numbers highlight. The labor market news keeps getting worse, and today's report is no exception.

As a matter of fact, yesterday we were anticipating the loss of 60,000 jobs—some were estimating 50,000 jobs—and today we learned that it is 80,000 jobs.

March marks the third consecutive month of job losses for a total of 232,000 jobs lost in the first quarter of this year. We have not seen job losses like this for nearly 5 years.

Now this chart over here illustrates what is going on right now. The downward arrow indicates the loss of jobs in non-farm payrolls, and it is alarming. And it keeps on going down.

I agree with Senator Schumer that this Administration needs to get serious about trying to get this economy turned around.

On Wednesday, the Federal Reserve Chairman Ben Bernanke told this Committee that a recession is possible. We do not want that to happen. Maybe we are already in that, and so I think it is behooving to all of us that we as Members of Congress, along with the Administration, try to do something to prevent this from happening.

Yesterday brought news that the weekly unemployment benefit claims rose above 400,000, a level that typically signals that the labor market is already in recession.

The Federal Reserve and many private sector economists expect unemployment to climb throughout the year. We seem to be a long way from a healthy economy which usually adds 150,000 to 200,000 jobs each month, but the economy has lost 77,000 jobs per month on the average in the first quarter of this year.

The widespread job losses we are seeing are a clear indication to me that the economy is in trouble. For nearly 2 years now the manufacturing industry has shrunk. These trends adversely affect my State's economy as Indiana has a high proportion of manufacturing jobs compared to the rest of the country.

In Indiana we have seen an average unemployment period of 9 weeks. And as of the fourth quarter of 2007, 40 percent of unem-

ployed Hoosiers have now exhausted their unemployment benefits, the eleventh highest in the nation.

Congress should consider a proposal to provide an extension of unemployment benefits that would last an additional 13 weeks.

Republicans in Congress and this Administration have resisted that. Workers could receive these benefits—workers who could receive these benefits are those who have lost their job through no fault of their own. They have had the bad luck of working for a business that must lay off workers or close its doors due to the weakening economy, like the workers at the Bloomington General Electric plant.

Extending unemployment benefits to struggling workers should be a high priority. Wages are not keeping up with the rising cost of living. Sky high gas prices and rising health-care costs add to the pinch for families.

These elements have combined to create the lowest consumer outlook for the economy in 35 years. And on another chart here we can see that since October real earnings in this country are dropping dramatically at an alarming rate.

As I said earlier, this economy is in trouble and we better be doing something about it. I do want to thank Mr. Hall and his colleagues for being here to discuss today's labor statistics, and I look forward to the continued focus on labor market conditions by this Committee.

Now let me introduce our witness. Dr. Keith Hall is the Commissioner of Labor Statistics for the U.S. Department of Labor. As Commissioner he oversees the Bureau of Labor Statistics which is the principal fact-finding agency in the Federal Government in the broad field of labor economics and statistics.

Prior to becoming Commissioner, Dr. Hall was the chief economist for the White House Council of Economic Advisors for 2 years.

He has also served as the chief economist for the U.S. Department of Commerce. Before entering government, Dr. Hall was an economics professor on the faculties of both the University of Arkansas and the University of Missouri.

He received his Ph.D. in economics from Purdue University, a good old Indiana college. I'm glad that you went there.

I also want to acknowledge your colleagues Mr. Ronnes and Mr. Horrigan and thank them for joining us today.

Commissioner Hall, you may proceed with your testimony.

[The prepared statement of Representative Hill appears in the Submissions for the Record on page 18.]

STATEMENT OF HON. KEITH HALL, COMMISSIONER, BUREAU OF LABOR STATISTICS, ACCOMPANIED BY: PHILIP L. RONES, DEPUTY COMMISSIONER, BUREAU OF LABOR STATISTICS, U.S. DEPARTMENT OF LABOR, WASHINGTON, D.C.; AND MICHAEL W. HERRIGAN, ASSOCIATE COMMISSIONER FOR PRICES AND LIVING CONDITIONS

Mr. Hall. I thank you, Mr. Chairman. Thank you for this opportunity to discuss the March labor market data we released this morning.

Non-farm payroll employment continued to trend down in March and the unemployment rate rose from 4.8 to 5.1 percent.

Payroll employment edged down by 80,000 over the month bringing the decline over the past 3 months to 232,000. To put these recent changes into context I would note that labor market conditions started to weaken more than a year ago.

Average monthly job growth slowed from 175,000 in 2006 to 107,000 in the first half of last year, to 76,000 in the last half of last year to -77,000 for the first quarter of this year.

The unemployment rate remained at or near 4.5 percent during the first half of 2007 but rose steadily to 4.7 percent in the third quarter, 4.8 percent in the fourth quarter, and an average of 4.9 percent in the first quarter of this year.

Returning to the payroll employment figures for March, job losses occurred in construction, manufacturing, and employment services. Job growth continued in health care, food services, and mining.

The construction industry lost 51,000 jobs over the month with declines concentrated in residential and nonresidential specialty trade contracting. Since its peak in September 2006, construction employment has fallen now by 394,000.

Manufacturing employment decreased by 48,000 in March. Motor vehicle manufacturing employment was down by 24,000; this decline largely reflected the impact of a strike at an automotive parts maker. The resulting parts shortage triggered plant shutdowns and idled workers at non-striking motor vehicle factories.

Elsewhere in manufacturing there were job declines in several construction-related industries: wood products, furniture, and non-metallic minerals.

Both manufacturing hours and overtime were up by one-tenth of an hour.

In the service-providing sector, employment services shed 42,000 jobs in March. This industry group includes temporary help services. Over the past 12 months, employment services has lost 158,000 jobs, three-quarters of which were in temporary help.

Professional technical services employment was little changed for the third consecutive month compared with average monthly gains of 27,000 last year.

Elsewhere in the service-providing sector, employment growth continued in health care and in food services. Each industry added 23,000 jobs in March.

In the goods-producing sector, mining employment rose by 6,000 due to gains in oil and gas extraction and related support activities. Average hourly earnings for production and non-supervisory workers in the private sector rose by \$.05 in March and have increased by 3.6 percent over the past 12 months.

From February 2007 to February 2008 the Consumer Price Index for urban wage earners and clerical workers rose by 4.5 percent.

Turning to the labor market data from the survey of households, the number of unemployed and the unemployment rate both rose over the month. The jobless rate was 5.1 percent in March, up from 4.8 percent in February and up from 4.4 percent in March of last year.

Over the month the number of unemployed persons grew by 434,000 to 7.8 million. The number of unemployed persons who were job losers continued to trend up. Job losers represent 54 per-

cent of all unemployed persons in March, up from 48 percent 12 months earlier.

Other groups of unemployed persons include those entering the labor market for the first time, those re-entering after an absence, and those who voluntarily leave jobs.

About 1.3 million unemployed individuals had been searching for work for 27 weeks or more, little changed from a year earlier.

The number of persons in the labor force increased in March, reversing the decline in the prior month. The labor force participation rate has been at or near 66 percent since last spring. In March, 62.6 percent of the population was employed, down from a recent peak of 63.4 percent at the end of 2006.

The number of persons working part-time who prefer full-time employment showed little change over the month but has risen by 629,000 over the past 12 months.

In summary, payroll employment continued to trend down in March. Job losses have totaled 232,000 for the first 3 months of the year. The unemployment rate rose to 5.1 percent.

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

[The prepared statement of Commissioner Hall appears in the Submissions for the Record on page 18.]

Mr. Hill. Thank you, Dr. Hall.

The Chair wants to recognize Senator Brownback for an opening statement.

**OPENING STATEMENT OF HON. SAM BROWNBACK, A U.S.
SENATOR FROM KANSAS**

Senator Brownback. Thank you very much, Mr. Chairman, and Commissioner and witnesses. I appreciate very much you being here. We are all very interested in hearing about recent developments in the labor force.

Today's news that the economy lost 80,000 payroll jobs last month and the unemployment rate rose 5.1 percent is disappointing to all of us. This is not good news. This is bad news.

We will be working on what we can do to see that that not go further in a difficult way. I do want to get some questions to you as we get into a time period for questions whenever that might be appropriate to be able to ask what—do we see in trend lines here in the data that can let us know where this is going or what particular areas seem to be the weakest and where do we have the potential for strength. Those are the things I'm going to be curious about as well.

Mr. Chairman, thank you for letting me step in here. We had two votes on the Senate floor that I had to be at and so I look forward to the rest of the presentation and some questions.

[The prepared statement of Senator Brownback appears in the Submissions for the Record on page 19.]

Mr. Hill. I don't know if your other colleagues wish to make any statements or not?

Mr. Hall. [Nods in the negative.]

Mr. Hill. Let me ask the first question, Dr. Hall. When was the last time we have had three consecutive months of job losses?

Mr. Hall. The last time we had three consecutive months was between April and June in 2003 while the U.S. Labor market was still recovering from the 2001 recession.

Mr. Hill. Does 3 months of job losses mean that we're in a recession?

Mr. Hall. I would like to not offer an opinion on that primarily because of the role of the Bureau of Labor Statistics. Our mission is to produce relevant and accurate and objective economic statistics and objective analysis of the factors underlying the trends devoid of value judgments, assumptions, or opinions.

So I therefore feel constrained by my position from offering an opinion on particularly where the economy is going to go from now.

Mr. Hill. Let me ask it in a different way that may kind of let you off the hook. In discussions among yourself and other economists, what is the measurement by which most economists declare that we are in a recession? Do you know the answer to that question?

Mr. Hall. There is not a really strong rule of thumb. The generally accepted group that makes a declaration of a recession is a committee within the National Bureau of Economic Research, which is a private nonprofit research organization. They usually make a determination of a recession.

I can tell you first that a recession is generally defined as a decline in economic activity spreading across the economy that lasts for more than just a few months.

This committee typically, as a result, makes the determination retrospectively. So they do it fairly far down the line.

For example, the last two recessions they waited until eight straight months of job loss before they declared a recession. Other than that, I am not sure there are real strong rules of thumb.

Mr. Hill. Is the labor market in a recession right now?

Mr. Hall. The real answer to that would be if the labor market started to shed jobs, or continued to shed jobs for several months. We have had 3 months of that. We will have to wait and see where it goes from here.

I am not sure for example the committee would have an opinion yet as to whether the labor market has been in decline for long enough for it to be declared a recession.

Mr. Hill. Again, is there a defined length of time among economists who feel like that we can label this labor market in a recession?

Mr. Hall. There really isn't. There really isn't. You know, at this point there are lots of people who have an opinion on it, and they are quite often right fairly early on, but I don't know of a consensus rule of thumb on the labor market.

Mr. Hill. But would you be willing to offer that these statistics that we are hearing today and for the last couple of months spell trouble for our economy in this country?

Mr. Hall. It is certainly a serious concern.

Mr. Hill. Can you tell us where the job losses began and what industries are now seeing employment?

Mr. Hall. Sure. The residential construction industry began experiencing job losses in early 2006. More broadly, industries related

to the housing market have been shedding jobs for about the past 2 years, declining by nearly 800,000 over that period.

At the moment now the job losses are appearing broadly. In fact, just about every sector—there are exceptions—but just about every sector has had a slowdown in job growth and a number have actually had job loss at the moment.

In particular for industries that have not had job losses, that still appear pretty strong, it is pretty much health care and educational services that remain strong.

Mr. Hill. So we are increasing jobs in those sectors?

Mr. Hall. Yes.

Mr. Hill. What subsectors of the manufacturing industry have been hardest hit by the recent job losses?

Mr. Hall. Very recently it has been automotive, motor vehicles. Other than that, I think it is fairly broad in manufacturing. Manufacturing is an industry that has not actually had job gains. In fact we have not had a significant increase in jobs in manufacturing for a decade. So that has been an industry that has had long term job loss. What has happened recently of course is the job loss has increased.

Mr. Hill. Well let me ask you, you talk about the automobile sector having job losses, does that apply just to American-owned companies in the United States? Or are we talking about foreign-owned companies that are manufacturing in the United States as well?

Mr. Hall. Yes. I mean our data includes all manufacturing in the United States whether it is foreign-owned or domestic-owned. I do not know the breakout, whether the loss has been concentrated or not in particular companies.

Mr. Hill. OK. Let me give Senator Brownback the opportunity to ask a few questions here now as well.

Senator Brownback. Thanks, Mr. Chairman.

Thanks for the data and the information. We had Chairman Bernanke in earlier this week and he was talking about the growth in the export market that was taking place as one of the great sides of the economy.

Do you see any of that reflected in your employment data of either strength or less weakness in employment and export-oriented sectors?

Mr. Hall. I would say it is really hard for us to match job gains or losses in exports directly certainly on a month-to-month basis, so I really could not say.

Senator Brownback. You mentioned that the construction industry—when you say on month-to-month, do you see any trend lines on the export on a broader—on a longer basis on employment related to exports broader than a few months?

Mr. Hall. No, no, I really don't. It is the sort of thing where you can do some research and get some idea of what export-related employment might be, but it is not something we measure directly. So we have really no way of linking particular jobs to exports.

For example companies that export quite often will sell some domestically and some abroad, and it is very hard to separate it out.

Senator Brownback. I have been touring a number of places in my state and manufacturing industries had experienced a significant fall off of employment over the past several years but have

been experiencing some strength recently with the declining value of the dollar. I didn't know if that is happening across the country?

Mr. Hall. Well I guess I am saying it may be, but I am not aware of a trend in export-related employment.

Senator Brownback. The overall unemployment rate rose to 5.1 percent. Where was that rate a year ago? Where were we at a year ago? Do you recall? Do you have that in any of your data?

Mr. Hall. Yes I think I had it—Yes, 4.4 percent.

Senator Brownback. OK and so has it steadily risen during that period of time? Or did we see a major jump up in this first quarter of this year? What are you seeing on the numbers?

Mr. Hall. Well we have seen some month-to-month variation, but if you look at say quarterly averages of the unemployment rate, in the first half of the year the unemployment rate was—of last year, I am sorry—the unemployment rate was about 4.5 percent. Then in the third quarter it went 4.7. In the fourth quarter it went 4.8. And now this quarter it is 4.9. So it has been steady.

Senator Brownback. So there has been a steady deterioration since about the middle of last year?

Mr. Hall. That's correct.

Senator Brownback. So would we ascertain from that that the economic slowdown started roughly the middle of last year? Or you do not draw that kind of conclusions from this data?

Mr. Hall. Well I would certainly say the labor market weakness started over a year ago.

Senator Brownback. You were hesitant to use the word “recession,” but would you say we are in a recession relative to unemployment rates?

Mr. Hall. I would not want to make that judgment. You know again because if—the important thing about a recession is that it lasts for longer than just a few months.

Senator Brownback. Well the definition is two quarters of negative growth is what I have always understood the kind of classic definition of a recession is.

Mr. Hall. Yes. That was a rule of—that has been sort of a rule of thumb. That rule of thumb actually was broken the last recession. We never did have two consecutive quarters of decline.

I can tell you that the Business Cycle Dating Committee of the National Bureau of Economic Research, the ones that are actually—have as closest to an official declaration of a recession—they look at a lot of things. They cite particularly the labor market and personal income and industrial production as really important data that they look at in declaring a recession.

Senator Brownback. Now Chairman Bernanke talks about slow performance late last year, you know, the signs of a recession this year—I think he carefully tries to choose his words—but then looking at an upward growth in the economy in the second half of this year.

Do you do any soliciting of groups that you survey to see if they have employment projections or what they are anticipating to do looking down the next quarter, two quarters?

Mr. Hall. No, we do not, and the real reason is that we are too close to the data. We are the ones who produce the employment data, and we want to give every appearance and every reason for

people to trust us that we are just reporting the facts. So we stay away from trying to project data in any way.

The exception would be we do do some projections on long term, 10-year projections on occupations, but that is not really related to the business cycle.

Senator Brownback. OK. And the biggest falloff in employment has been the construction industry?

Mr. Hall. That is the one that has been declining the longest. And this month that was the biggest decline.

Senator Brownback. What of the 80,000 job loss was associated with the construction industry?

Mr. Hall. I think it was about to fifty, was it fifty-four? Fifty-one thousand.

Senator Brownback. Oh boy. So you are looking at well over 60 percent of the job loss is in the one industry alone, construction?

Mr. Hill. Yes, but there were several other industries that also had job losses that were made up by job gains in other industries.

For example, as I mentioned, education and health care had strong job growth. So there were other industries that had job losses that outweighed the increase in say health care and education.

Senator Brownback. What were the other major ones?

Mr. Hall. Well manufacturing this month was the second-biggest decline.

Senator Brownback. With how many job losses there?

Mr. Hall. I'm sorry, I should remember this. I just looked at it—a 48,000 job loss.

Senator Brownback. OK and what is behind them? What is the next one behind it?

Mr. Hall. Let me grab my data here really quickly. Professional business—professional and business services lost 35,000 jobs.

Senator Brownback. What is in that category? What is the big one in that category?

Mr. Hall. That includes employment services and temporary help. That particular sector in particular lost a number of jobs.

Senator Brownback. So that is telling us that companies are not putting on temps? Is that what you are saying to us?

Mr. Hall. Yes.

Senator Brownback. And that—I mean it seems to me that that would be one of the first moves the company would make. The first thing would be well we are not going to hire any temps this month.

Mr. Hill. Yes, that is part of why I think that is an important thing to note, that that is a concern.

Senator Brownback. So if you took construction and manufacturing together, what percentage of the job loss—was it well over 100 percent?

Mr. Hall. Right.

Senator Brownback. I mean if we are just looking at those numbers because it was offset by gains in education and health services?

Mr. Hall. Correct.

Senator Brownback. Those are the—the big losing areas are construction and manufacturing?

Mr. Hall. Yes.

Senator Brownback. And you don't provide any more granular data on manufacturing as to which sectors in manufacturing?

Mr. Hall. Well we have a split-out between durable and non-durable goods, for example.

Senator Brownback. The reason I am asking this is, you know obviously we are looking at a number of policy issues up here for what we can do to try to stimulate the growth, and I think everybody's key focus has been on the housing market and what we can do to stimulate the housing market, which would certainly be supported by your data. And then some people are—well I—certainly saying we cannot raise taxes in this environment because that is going to hurt the economy when it is clearly in difficulty.

So whether it is in durable or nondurable may really tell us something about the consumer nature of this.

Mr. Hall. Well we do have it split out where we have been breaking out housing-related industries. So we collect all the industries that are related to the housing market.

The housing-related industries together lost about 68,000 jobs this month.

Senator Brownback. 68,000 in all housing-related. So that would include your durable goods that you put into a house? Is that what you're telling me?

Mr. Hall. Yes, and it would include some services as well. It is everything from furniture to real estate services, to things like—

Senator Brownback. So that fall-off in the housing market is a key piece of this data. That is the big piece of this data?

Mr. Hall. Yes. But I would say though that the weakness is much broader than that. There is weakness well beyond just the housing-related industries. And there is now some job loss in industries that have nothing to do with housing.

Mr. Hill. Let me interject here for just for a minute, if—

Senator Brownback. I'm sorry, I thank you for letting me question—

Mr. Hill. No—and if you have more questions feel free to ask them.

But I want to make sure this math adds up here. We lost 80,000 jobs in March, correct?

Mr. Hall. Yes.

Mr. Hill. But you mentioned that we lost 51,000 in construction jobs in March?

Mr. Hall. Yes.

Mr. Hill. And 48,000 in manufacturing?

Mr. Hall. Yes.

Mr. Hill. And 35,000 in "others"?

Mr. Hall. Yes.

Mr. Hill. That adds up to 134,000 jobs.

Mr. Hall. Right. Now there is little overlap, for example, because some of the manufacturing is related to housing. And then, you know, we had some industries with job gains. So on net it came out to be a negative 80,000.

Mr. Hill. OK, how many jobs in the health and education field were gained?

Mr. Hall. 42,000 jobs.

Mr. Hill. 42,000 new jobs were gained?

Mr. Hall. Yes.

Mr. Hill. OK, that answers my question then.

Senator, feel free to ask more questions.

Senator Brownback. Thank you for letting me do this, and thank you for participating with me on this. I mean this really helps to try to figure what we ought to be targeting with this.

On the manufacturing side of the job loss, is this part of a long-term trend? Or is this part of, if you take out the housing market on this and the durable-good manufacturing, which I don't know if you do split that out that way, but is this just a continuation of a long-term trend? Or is this a part of the weakness in the economy?

Mr. Hall. It looks to me like it is part of the weakness in the economy. The long-term trend has been for manufacturing to shed a few jobs, but the job loss in manufacturing has accelerated as the general labor market weakness has increased.

Senator Brownback. OK, and it is primarily in durable goods in manufacturing? Or what is the breakout on that?

Mr. Hall. OK. Well, for example, just this month about 35,000 in durable goods, about 24,000 of that was in motor vehicles and parts. And in nondurable goods, it is about 13,000.

Senator Brownback. 13,000 in nondurable?

Mr. Hall. Right.

Senator Brownback. And what is it in automotive, 28,000?

Mr. Hall. About 24,000.

Senator Brownback. 24,000 of the 34,000 in durable?

Mr. Hall. Yes.

Senator Brownback. OK, so we have got a real weakness in the automotive sector continuing there? Correct?

Mr. Hall. Correct.

Senator Brownback. And that is showing up. And then what is the big piece in the nondurable?

Mr. Hall. To be honest, it is pretty broad. Everything from food manufacturing, textile mills, apparel, petroleum and coal products, plastic and rubber products, those all lost jobs within the non-durable goods sector.

Senator Brownback. Any thought as to why on those?

Mr. Hall. I don't, but it is certainly consistent with just the general weakening in the economy.

Senator Brownback. That people are just spending less money?

Mr. Hall. Yes.

Senator Brownback. So that the stimulus package which put forward toward consumers is one we would hope would go at that particular sector?

Mr. Hall. Exactly. Yes. And actually it would hopefully affect everything.

Senator Brownback. What about the financial activities sector? Because, you know, we had the big Bear Stearns bailout and the problems there. Are we seeing substantial job losses in that category?

Mr. Hall. Yes, the financial activities sector lost about 5,000 jobs. It is actually a bit weaker than that in the sense that that

is normally a sector that has pretty solid job growth. So has weakened to the point where I guess we lost 5,000 jobs this month.

Senator Brownback. So that one is more alarming than the number might portend because it has been a growth sector?

Mr. Hall. Yes.

Senator Brownback. OK. All right, thank you for breaking that out.

Any thoughts on policy issues that are helpful or harmful? I think everybody here wants to see what we can do that would be helpful, particularly in the job creation and sustaining roll.

Mr. Hall. I am afraid I am constrained by my job since the Bureau produces the data and we want to remain objective and just let the data speak for itself as much as possible. So I want to steer clear of talking about policy issues.

Senator Brownback. A wise man.

Thank you, Mr. Chairman.

Mr. Hill. Thank you, Senator.

Dr. Hall, we appreciate your testimony. Senator Brownback pointed to the fact that the unemployment rate rose 5.1 percent last month, and your testimony in answer to his question was that this was not a spike but more of a trend upwards.

Yesterday, the Department of Labor reported that last week applications for unemployment benefits rose above 400,000. Before this, we are learning that those who have applied for unemployment insurance have had their unemployment insurance expire because they have been out of a job for longer than what the law allows.

I know we do not like to define whether or not—with these statistics whether or not we are in a recession, but many economists consider this 400,000 mark as an indication that the labor market is in a recession.

Your comments?

Mr. Hall. In particular that data is a weekly series so it is highly volatile. It has got value, but to some degree it is sort of trumped I think by the payroll data. Once we report the payroll data like we are today, you have got sort of the same information that you got from the unemployment insurance claims.

Now to the degree this may imply something about next month's employment report, I don't know.

Mr. Hill. What share of the U.S. population has a job right now?

Mr. Hall. I have to look that one up. About 62.6 percent.

Mr. Hill. OK, and how long has it been since the share of Americans with a job was this low?

[Pause.]

Mr. Hall. I'm sorry but it will take me a minute to dig that out.

Mr. Hill. OK.

Mr. Hall. Since March of 2005.

Mr. Hill. March of 2005.

Senator Brownback in his remarks commented that we are trying to figure out what we should be doing from our end in order to stem the tide of all these negative statistics. Some have argued that we need to pass legislation to extend benefits to the long-term unemployed because the unemployment rate remains relatively low.

In the recessions of the early 1990s and early 2000, the unemployment rate was at 7 percent and 5.7 percent, respectively. It was at that time that Congress extended unemployment insurance benefits higher than it is today. As a matter of policy do you have any comment as to whether this is a wise approach that we should be looking at?

Mr. Hall. I think I am going to give a similar answer to what I did a minute ago. Since the Bureau of Labor Statistics is producing this data and we want to keep our reputation as being objective reporters of data, I am going to try not to give an opinion on policy issues.

Mr. Hill. You are good at not being pinned down, Dr. Hall.

Let me switch gears here a bit. The dollar is very low right now. It seems to me that because the dollar is low that exports ought to be going up. Are exports going up in this country?

Mr. Hall. We do not produce the export data but I think export growth has been fairly strong for a period, but I don't have that data right in front of me.

Mr. Hill. Do you have any data showing what kind of employment rate is tied to exports?

Mr. Hall. No, we do not.

Mr. Hill. OK. My understanding is that wage growth should be tied to the productivity of workers. Is it correct that output per hour in the nonfarm business sector has grown at a 1.9 percent average annual rate, but the real hourly compensation, pay-plus-benefits, of workers producing that output actually decreased 0.5 percent in the fourth quarter of 2007? Looking at this graph to my left, you can see that real earnings have dropped over the last several months.

Your comments?

Mr. Hall. Well those figures that you just quoted are correct. Would you like me to talk about productivity and wage growth a little bit? Is that what—

Mr. Hill. Yes, please.

Mr. Hall. Oh, sure. Historically there has been a pretty good link between productivity growth and real wage growth, in particular productivity growth and real hourly compensation, labor compensation which includes both wages and non-wage benefits. The numbers that you cite show that the gap between labor productivity and real compensation growth is actually wider than it usually is.

Now it is not unusual for this gap to get wide after a recession as part of the business cycle, but usually by this point that gap has closed. And this time it is not yet closed.

Mr. Hill. Is this a trend? And if it is, does this trend tell us anything about the state of the economy?

Mr. Hall. Well obviously I don't know what the trend is going to be like going forward. And, to be honest, I do not know what this is going to tell us about the economy if this gap does not close.

All I can tell you is that this gap has always closed pretty much between 1973 and say 2001. The gap has been pretty constant at a fairly narrow rate of something like a half a percentage point.

Mr. Hill. Since when did you say?

Mr. Hall. Since 1973 to 2001.

Mr. Hill. OK. Employers labor costs include not only wages and salaries but also benefits. When labor costs rise to increases in health insurance, how does that affect your measures of employee compensation?

Mr. Hall. Well we do have measures of employee compensation that include health insurance costs when the health insurance is provided by employers. So when the health-insurance costs go up, compensation does go up by our compensation measures.

Mr. Hill. OK, we are getting near the end of the questions that I have. I would invite Senator Brownback, if he has any further questions, before I end up this committee meeting to ask his questions.

Senator Brownback. Thank you, Mr. Chairman, and thank you for allowing me to ask so many.

I find this real interesting. In part of your report you are saying the duration of unemployment has shortened at this point in time from what it was a year ago. Is that correct?

Mr. Hall. Let me scramble for just a second and get the data here.

Senator Brownback. You are saying that the duration, the mean, the average duration of unemployment decreased in March of 2008 to 16.2 weeks from 16.8 weeks in the preceding month, and a year ago it was 17.2 weeks.

Mr. Hall. I am sure that is correct. I just want to find the data.

Senator Brownback. Well it just kind of jumped out at me because I had thought that would have gone differently but it would have a bearing on whether or not to extend unemployment benefits.

Mr. Hall. Yes. I think the thing that is probably indicating is that when job loss—when we start to lose jobs the duration goes down because you have newly unemployed people.

Senator Brownback. Ah, thank you. OK, so that that is a reflection of the bigger number of unemployment taking place, rather than that people are unemployed for a less period of time.

Mr. Hall. Correct.

Senator Brownback. All right. Thank you for explaining that because I looked at that and it seemed odd to me.

Thank you, very much.

Thank you, Mr. Chairman.

Mr. Hill. Thank you, Senator.

Consumer spending has remained stagnant in February. It was 0.1 percent in January. In your view does this trend portend for the labor market—in your view, what does this trend portend for the labor market in the months to come?

Mr. Hall. Well I kind of want to stay out of the business of forecasting the labor market. Again, because we produce the data I do not want to sort of try to guess what the data is going to be.

Mr. Hill. But there is a connection between consumer spending and this trend, right?

Mr. Hall. Oh, absolutely. Absolutely. And consumer spending actually has been weakening, and I think that has been part of this broader weakening in the labor market, is because consumer spending is going down. That's sort of why we are probably seeing

the job loss or job weakness extending beyond just housing-related industries.

Mr. Hill. I know of your reluctance to define whether or not we are in a recession, but if at some point that we declare that we are in a recession, how long does it take for employment to recover to its pre-recession peak?

Mr. Hall. The last four recessions, the average time was about 20 months. The most recent recession was unusually long. That took 39 months.

Mr. Hill. And how long do wages and other compensations take to recover?

Mr. Hall. Well in terms of the level, the level of wages is very quick. Because wage growth does not pause very much. That is only maybe a couple of quarters. But in terms of—not in terms of levels but in terms of growth of wages, in the last couple of recessions wage growth rates have never recovered actually.

Mr. Hill. OK. So based upon your analysis of today's report, I know you were not willing to say that we are in a recession, but does it appear that we may be in a difficult period for the labor market in the months to come?

Mr. Hall. I will say, I hope not.

Mr. Hill. You hope not?

Mr. Hall. Yes.

Mr. Hill. And that is all you will add?

Mr. Hall. Again, I do not want to forecast what our future data may look like.

Mr. Hill. I want to take a step back to the long-term unemployed. The number of long-term unemployed is still higher than it was at the beginning of the last recession. Is that correct?

Mr. Hall. That is correct.

Mr. Hill. OK. So, Dr. Hall, and your colleagues, we thank you very much for coming here this morning. Obviously the numbers that you have reported here today are not good, but we must as Members of Congress face the reality that this economy is sputtering along.

If you are unwilling to define it as a recession, I think it is fair to say that this economy is in trouble. Would you be willing to say that?

Mr. Hall. I would say that the labor market is certainly weaker than we would like to see it, and it has certainly been weakening.

Mr. Hill. Well, there are people suffering out there. I mean, we deal with these statistics but the statistics are statistics of real people and real pain out there among people who are struggling to make a living. Not only are they losing their jobs, but they are paying over \$3 a gallon for gasoline. Their health-care costs are going up. In my state, property taxes have been going up dramatically, and I believe that we should recognize that people are suffering out there and that the Congress needs to respond to try to provide some relief.

So with that said, let me thank you all for appearing here this morning. We appreciate your willingness to come, and we thank you for the data that you have provided to us this morning.

Mr. Hall. Thank you.

Mr. Hill. This committee is adjourned.

[Whereupon, at 10:18 a.m., Friday, April 4, 2008, the hearing was adjourned.]

Submissions for the Record



JOINT ECONOMIC COMMITTEE
SENATOR CHARLES E. SCHUMER, CHAIRMAN
REPRESENTATIVE CAROLYN B. MALONEY, VICE CHAIR



PREPARED STATEMENT OF SENATOR SCHUMER, CHAIRMAN

SCHUMER: TODAY'S JOBS REPORT IS A SHOT ACROSS THE BOW

Joint Economic Committee Holds Hearing with BLS Chairman on Employment Picture Showing 80,000 Jobs Lost in March and 232,000 in 2008

Today, the Bureau of Labor Statistics (BLS) released the monthly jobs report that showed a loss of 80,000 jobs in March and 232,000 jobs lost over the last three months. Sen. Charles E. Schumer, the Chairman of the Joint Economic Committee (JEC), released a statement on these bleak numbers and their impact on our economy. The JEC convened a hearing on the employment situation this morning with the BLS Commissioner, Keith Hall, chaired by Rep. Baron Hill (D-IN). Sen. Schumer's statement follows:

"Today's jobs report is a shot across the bow for the administration that has not acted in the face of serious economic troubles. Even with falling home prices, rising foreclosures, job losses, and no economic growth, we have an administration that refuses, in a Hoover-like way, to take off its ideological handcuffs and help the economy. It's no surprise that nearly 80% of Americans are pessimistic about the direction of our country right now."

"And the Bush administration continues to be a day late and a dollar short in responding to the economic realities we are facing. The President is traveling abroad this week, but in reality he's been on a year-long vacation from the country's economic problems. President Bush is literally and figuratively in Bucharest."

"Today's job report is alarming and much weaker than expected. We lost 80,000 jobs in March—the third straight month of losses—the first time in 5 years we've experienced such a string of job loss."

"As if the March news wasn't bad enough, we have also learned today that job losses for January and February were worse than reported. We now know that 60,000 more jobs were lost than the government data showed last month."

"Chairman Bernanke was here on Wednesday and he came as close to saying that we're in a recession as he has so far. He walked up to the door, knocked on it, and someone opened it—but he didn't walk in. It crystal clear to Americans that we're in a recession. The report of 80,000 jobs lost in March, and 232,000 jobs lost so far this year, is an elephant in their living rooms."

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

www.jec.senate.gov

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PREPARED STATEMENT OF REPRESENTATIVE BARON P. HILL

Good morning. I am honored that Chairman Schumer and Vice Chair Maloney have asked me to preside today.

I want to welcome Commissioner Hall and thank him for testifying here today on the March employment situation.

I have a vested interest in these numbers as I have seen first hand how the recent economic downturns have affected my constituents. In Bloomington, Indiana, the GE refrigerator plant announced in February that it will close by the end of 2009. This will result in a loss of 900 jobs for the area. Job losses like this are occurring throughout the country, as today's employment numbers highlight.

The labor market news keeps getting worse and today's report is no exception. The unemployment rate jumped to 5.1 percent in March and nonfarm payroll employment fell 80,000 jobs. March marks the third consecutive month of jobs losses, for a total of 232,000 jobs lost in the first quarter of this year. We haven't seen job losses like this for nearly five years.

On Wednesday, Federal Reserve Chairman Ben Bernanke told this committee that a recession is possible. Yesterday brought news that weekly unemployment benefit claims rose above 400,000, a level that typically signals that the labor market is already in recession. Indeed, the Federal Reserve and many private sector economists expect unemployment to climb throughout the year.

We seem to be a long way away from a healthy economy—which usually adds about 150,000 to 200,000 jobs each month—since the economy has lost 77,000 per month on average in the first quarter of this year. The widespread job losses we are seeing are a clear indication to me that the economy is in trouble.

For nearly two years now, the manufacturing industry has shrunk and since the beginning of 2006, motor vehicles and parts manufacturing alone has lost 172 thousand jobs. These trends adversely affect my state's economy, as Indiana has a high proportion of manufacturing jobs compared to the rest of the country. In Indiana we have seen an average unemployment period of 9 weeks. And, as of the fourth quarter of 2007, 40 percent of unemployed Hoosiers have now exhausted their unemployment benefits, the eleventh highest rate in the nation.

Congress should consider a proposal to provide an extension of unemployment benefits that would last an additional 13 weeks for those who have exhausted their regular six month benefits while looking for a new job. Workers who could receive these benefits are those who have lost their job through no fault of their own—they have the bad luck of working for a business that must lay off workers or close its doors due to the weakening economy, like the workers in the Bloomington GE plant. Extending unemployment benefits to struggling workers should be a high priority.

Wages are not keeping up with the rising cost-of-living. Sky-high gas prices and rising healthcare costs add to the pinch for families. These elements have combined to create the lowest consumer outlook for the economy in 35 years.

I want to thank Mr. Hall and his colleagues for being here to discuss today's labor statistics, and I look forward to the continued focus on labor market conditions by this Committee.

PREPARED STATEMENT OF KEITH HALL, COMMISSIONER, BUREAU OF LABOR
STATISTICS

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to discuss the March labor market data we released this morning.

Nonfarm payroll employment continued to trend down in March, and the unemployment rate rose from 4.8 to 5.1 percent. Payroll employment edged down by 80,000 over the month, bringing the decline over the last 3 months to 232,000. To put these recent changes into context, I would note that labor market conditions started to weaken more than a year ago. Average monthly job growth slowed from 175,000 in 2006 to 107,000 in the first half of 2007, to 76,000 in the last half of 2007, and to -77,000 for the first quarter of this year. The unemployment rate remained at or near 4.5 percent during the first half of 2007 but rose to 4.7 percent in the third quarter, 4.8 percent in the fourth quarter, and 4.9 percent in the first quarter of this year.

Returning to the payroll employment figures for March, job losses occurred in construction, manufacturing, and employment services. Job growth continued in health care, food services, and mining.

The construction industry lost 51,000 jobs over the month, with declines concentrated in residential and nonresidential specialty trade contracting. Since its peak in September 2006, construction employment has fallen by 394,000.

Manufacturing employment decreased by 48,000 in March. Motor vehicle manufacturing employment was down by 24,000; this decline largely reflected the impact of a strike at an automotive parts maker. The resulting parts shortage triggered plant shutdowns and idled workers at non-striking motor vehicle factories. Elsewhere in manufacturing, there were job declines in several construction-related industries—wood products, furniture, and nonmetallic minerals. Both manufacturing hours and overtime were up by one-tenth of an hour.

In the service-providing sector, employment services shed 42,000 jobs in March. This industry group includes temporary help services. Over the past 12 months, employment services has lost 158,000 jobs, three-fourths of which were in temporary help. Professional and technical services employment was little changed for the third consecutive month, compared with average monthly job gains of 27,000 in 2007.

Elsewhere in the service-providing sector, employment growth continued in health care and in food services; each industry added 23,000 jobs in March. In the goods-producing sector, mining employment rose by 6,000 due to gains in oil and gas extraction and related support activities.

Average hourly earnings for production and nonsupervisory workers in the private sector rose by 5 cents in March and have increased by 3.6 percent over the past 12 months. From February 2007 to February 2008, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) rose by 4.5 percent.

Turning to labor market data from the survey of households, the number of unemployed and the unemployment rate both rose over the month. The jobless rate was 5.1 percent in March, up from 4.8 percent in February and from 4.4 percent in March of last year. Over the month, the number of unemployed persons grew by 434,000 to 7.8 million. The number of unemployed persons who were job losers continued to trend up. Job losers represented 54 percent of all unemployed persons in March, up from 48 percent 12 months earlier. (Other groups of unemployed persons include those entering the labor market for the first time, those re-entering after an absence, and those who voluntarily leave jobs.) About 1.3 million unemployed individuals had been searching for work for 27 weeks or more, little changed from a year earlier.

The number of persons in the labor force increased in March, reversing a decline in the prior month. The labor force participation rate has been at or near 66.0 percent since last spring. In March, 62.6 percent of the population was employed, down from a recent peak of 63.4 percent at the end of 2006. The number of persons working part time who prefer full-time employment showed little change over the month but has risen by 629,000 over the past 12 months.

In summary, payroll employment continued to trend down in March, and job losses have totaled 232,000 for the first 3 months of the year. The unemployment rate rose to 5.1 percent.

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



PREPARED STATEMENT OF SENATOR SAM BROWNBACK

Thank you, Representative Hill, and thank you Commissioner Hall for appearing before this committee. We are all very interested in hearing about recent developments in our Nation's labor markets.

Today's news that the economy lost 80,000 payroll jobs last month and that the unemployment rate rose to 5.1% is disappointing all of us. However, the unemployment rate does remain low by historical standards.

I will be interested to hear the degree to which job losses remain confined primarily to the manufacturing and construction sectors or if weakness has spread to other sectors as well.

We often hear from the other side of the aisle that, somehow, the administration's policies are responsible for low growth in inflation-adjusted wages, high unemployment rates in some sectors of the labor markets, and anemic economic growth. Somehow, the administration's policies simply favor the rich, or look out for Wall Street, instead of Main Street. I have yet to hear from the other side, however, pre-

cisely what those policies are that are responsible for some of the slowdown in economic activity that we are currently observing. Is it low taxes that lead to slower economic activity or the discrepancy between productivity growth and wage growth? Is that the policy that is responsible for the economic slowdown?

You might even think, given budget proposals from the other side of the aisle, that allowing current tax policy to expire—which is the same thing as increasing taxes without taking votes—will help stimulate our economy. I wonder what set of economic principles lead those on the other side of the aisle to believe that the higher taxes and bigger government that they seek will give rise to more prosperity in the private sector. To the contrary, I believe that if we allow pro-growth tax policies that we instituted in 2001 and 2003 to continue, then we will allow the American people to keep more of their hard-earned income to use to provide for their families.

The economic lessons that I learned in school suggest that if we keep taxes low, and we work toward a leaner and more efficient government, then people have the proper incentives to work hard for their families because they can keep their hard earned income, choose how to use it for their families well being, and not have to send money to fund inefficient government spending.

I am anxious to hear about the status of our Nation's labor markets and look forward to Commissioner Hall's testimony.

