

**THE EMPLOYMENT SITUATION: DECEMBER 2013**

---

---

**HEARING**

BEFORE THE

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

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

—————  
JANUARY 10, 2014  
—————

Printed for the use of the Joint Economic Committee



U.S. GOVERNMENT PRINTING OFFICE

86-840

WASHINGTON : 2014

---

For sale by the Superintendent of Documents, U.S. Government Printing Office  
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800  
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

JOINT ECONOMIC COMMITTEE

[Created pursuant to Sec. 5(a) of Public Law 304, 79th Congress]

**HOUSE OF REPRESENTATIVES**

KEVIN BRADY, Texas, *Chairman*  
JOHN CAMPBELL, California  
SEAN P. DUFFY, Wisconsin  
JUSTIN AMASH, Michigan  
ERIK PAULSEN, Minnesota  
RICHARD L. HANNA, New York  
CAROLYN B. MALONEY, New York  
LORETTA SANCHEZ, California  
ELIJAH E. CUMMINGS, Maryland  
JOHN DELANEY, Maryland

**SENATE**

AMY KLOBUCHAR, Minnesota, *Vice Chair*  
ROBERT P. CASEY, JR., Pennsylvania  
MARK R. WARNER, Virginia  
BERNARD SANDERS, Vermont  
CHRISTOPHER MURPHY, Connecticut  
MARTIN HEINRICH, New Mexico  
DAN COATS, Indiana  
MIKE LEE, Utah  
ROGER F. WICKER, Mississippi  
PAT TOOMEY, Pennsylvania

ROBERT P. O'QUINN, *Executive Director*  
NILES GODES, *Democratic Staff Director*

# CONTENTS

## OPENING STATEMENTS OF MEMBERS

Hon. Kevin Brady, Chairman, a U.S. Representative from Texas .....	1
Hon. Amy Klobuchar, Vice Chair, a U.S. Senator from Minnesota .....	3

## WITNESSES

Hon. Erica L. Groshen, Commissioner, Bureau of Labor Statistics, U.S. Department of Labor, Washington, DC; accompanied by Dr. Michael Horrigan, Associate Commissioner for Prices and Living Conditions, Bureau of Labor Statistics; and Mr. Thomas J. Nardone, Jr., Associate Commissioner for Employment and Unemployment Statistics, Bureau of Labor Statistics .....	5
--	---

## SUBMISSIONS FOR THE RECORD

Prepared statement of Hon. Kevin Brady .....	22
Prepared statement of Hon. Erica L. Groshen .....	22
Questions for the record from Representative Coats to Commissioner Groshen .....	23
Letter dated February 26, 2014, from Commissioner Groshen to Representative Coats .....	25
Letter dated January 29, 2014, from Commissioner Groshen to Senator Klobuchar .....	27
Letter dated January 30, 2014, from Commissioner Groshen to Representative Hanna .....	29
Letter dated January 27, 2014, from Commissioner Groshen to Representative Paulsen .....	31



## THE EMPLOYMENT SITUATION: DECEMBER 2013

FRIDAY, JANUARY 10, 2014

UNITED STATES CONGRESS,  
JOINT ECONOMIC COMMITTEE,  
*Washington, DC.*

The committee met, pursuant to call, at 9:34 a.m. in Room G-50 of the Dirksen Senate Office Building, the Honorable Kevin Brady, Chairman, presiding.

**Representatives present:** Brady of Texas, Duffy, Amash, Paulsen, Hanna, Carolyn B. Maloney, Sanchez, Delaney.

**Senators present:** Klobuchar.

**Staff present:** Ted Boll, Hank Butler, Gail Cohen, Al Felzenberg, Niles Godes, Paige Halen, Colleen Healy, Patrick Miller, Robert O'Quinn, and Andrew Silvia.

### OPENING STATEMENT OF HON. KEVIN BRADY, CHAIRMAN, A U.S. REPRESENTATIVE FROM TEXAS

**Chairman Brady.** Good morning, everyone, Vice Chair Klobuchar, Members of the Committee, and Commissioner Groshen. Good morning, and welcome to the New Year.

This is Commissioner Groshen's first appearance before the Joint Economic Committee. On behalf of the millions of Americans who cannot yet find jobs, we are hopeful and we hope that you can bring us better news in the future.

I would like to recognize Tom Nardone, who is retiring from the Bureau of Labor Statistics after 37 years of service. He has been "Mr. Numbers" for the Commissioner and this Committee over the last several years.

Tom, we thank you for your dedicated service and wish you the very best in your future endeavors—which, by the way, sound wonderful.

Payroll job growth was, unfortunately, incredibly weak last month. December saw a gain of only 87,000 private sector jobs and 74,000 nonfarm jobs.

The unemployment rate did fall by 0.3 percentage points to 6.7 percent. However, this drop was largely due to falling labor force participation. More than a half a million Americans left the labor force last month. Consequently, the labor force participation rate dropped to 62.8 percent, tying a 36-year low.

While it sounds impressive to boast that the U.S. economy added 8.2 million private-sector jobs over the past 46 months, economic growth in an average recovery during the past half century has been 50 percent larger than in the Obama recovery. As a result of

this growth gap, America today is missing a whopping 4.5 million jobs along Main Street—and I don't think that is acceptable to anyone.

Consider this: the best—the best—monthly private sector jobs report of the Obama recovery is lower than the equivalent of the average private jobs report of the Reagan recovery. In other words, not a single month of the current recovery matches even the equivalent of an average month of the Reagan recovery. And that is disappointing. We all know we have got to do better.

We should be encouraged that the unemployment rate has declined from its peak of 10 percent in October, 2009, to 6.7 percent today. However, that is nowhere near the 5 percent level the White House promised the American people when the controversial \$800 billion stimulus was rushed through Congress on a party-line vote.

Now unfortunately the decline in the unemployment rate is largely due to falling labor force participation. If you look at it, if the labor force participation rate had not declined since President Obama took office, the unemployment rate would be nearly 11 percent. Another disappointing jobs indicator: a smaller percentage of Americans are employed today than when the recession ended over four-and-a-half years ago.

The American people are deeply dissatisfied with the President's leadership on the economy. We need solutions that get Washington out of the way so Main Street businesses can start hiring with confidence again.

Raising the minimum wage and forcing small businesses to pay nearly \$5,000 more per worker won't increase hiring. Washington mandating the equality of income won't increase hiring. Extending emergency unemployment programs won't increase hiring because what the long-term unemployed really need and are crying for are new jobs.

The emergency unemployment program is designed for extraordinary circumstances when America's unemployment rate is high and going higher. As the White House reminds us, the unemployment rate has declined in all 50 states and is at the lowest since 2008.

So you ask why are the President and the Senate seemingly turning their backs on job creation? Why doesn't the Senate pick up and pass, and the President sign into law, any of the dozens of jobs bills the House has already approved, including the Keystone XL pipeline which would create thousands of well-paying middle-class jobs.

It is not helpful, either, that the White House continues to delay bipartisan unemployment reforms the President signed into law two years ago to make it easier for states to match local workers with local jobs and conduct drug testing for applicants seeking jobs that require those tests.

We all know it is an election year, and some in Washington are trying to change the conversation from the disappointing economy and the bungled roll-out of the troubled Affordable Care Act. I just hope my colleagues on both sides of the aisle remember that the measure of America's compassion is not how long we provide unemployment benefits, but how soon we get people into good-paying jobs. That should be Washington's focus.

Commissioner Groshen, welcome again, and I look forward to your testimony.

I recognize the Vice Chair.

[The prepared statement of Chairman Brady appears in the Submissions for the Record on page 22.]

**OPENING STATEMENT OF HON. AMY KLOBUCHAR, VICE  
CHAIR, A U.S. SENATOR FROM MINNESOTA**

**Vice Chair Klobuchar.** Thank you very much, Chairman Brady, and thank you for holding this hearing today.

I also want to thank Mr. Nardone for his 37 years of numbers, of experience crunching numbers for us so we can do our jobs. And also, welcome, Dr. Horrigan.

I am pleased we are having this hearing on the monthly employment situation, and I look forward to hearing from all of you today, not just on the past month but really on the past year. This would be a good time to talk about the past year.

These hearings are an opportunity to dig more deeply into the numbers and have a chance to get a more complete understanding of the employment data.

I want to make a couple of overall comments first about the economy. As we know, the economy has grown for 10 straight quarters, with GDP growing at a 4.1 percent annual rate in the third quarter of 2013. Each month, an average of 182,000 jobs were added on average last month, and that would include last month's numbers.

Consumer spending, which accounts for about 70 percent of economic activity, was the strongest it has been in nearly two years. And as a home state for Target and Best Buy in Minnesota, we like that consumers are getting more confidence in buying things.

Critical industries like housing are recovering. Housing starts were up almost 23 percent in November. Home prices in 20 leading cities have increased by nearly 14 percent over the past 12 months.

Manufacturing, which is of course the engine of innovation, has rebounded, adding 568,000 jobs since February of 2010.

Exporting, which Chairman Brady and I were just talking about, is another bright spot. Exports are growing in each of the past four years, exceeding the pre-recession peak.

While all this is good news and shows that the economy has improved greatly since the worst of the downturn when, I remember in January of 2009 we lost more jobs in a single month, more than there were people in the State of Vermont. We have seen great improvement since then. We all know, as the Chairman has pointed out, that there is still more work to do.

Five years later, though, we are still adding jobs. And if you look at the chart here, it is showing 46 consecutive months of private-sector job growth. It is not exactly where we want to be, but we still have seen 46 straight months of private-sector job growth.

In that time, 8.2 million private-sector jobs have been created since the downturn.

The number of unemployed workers per job opening has decreased from nearly 7 in July of 2009 to less than 3 approaching the pre-recession level of roughly 2 unemployed workers for every job opening.

In 2013, the recovery in the labor market continued to strengthen with the private sector adding 2.2 million jobs during the course of the year, including the 87,000 jobs in December. But because of the drop in government employment, total nonfarm payrolls increased by only 74,000, which is a number we are talking about today.

The unemployment rate, currently 6.7 percent, is down more than a percentage point from last December when it was 7.9 percent. In my State, the unemployment rate is at 4.6 percent. The truth is that for most workers the job market is better today than it has been for a number of years.

Commissioner Groshen, I do look forward to your assessment of the labor market in 2013.

Despite the recent progress and the drop in the national unemployment rate to its lowest level in five years, long-term unemployment is still a very real problem. Nearly 4 million Americans, over one-third of unemployed workers, have been out of work for more than 6 months. Long periods of joblessness do significant damage to our Nation's productivity, as we discussed at our Long-Term Unemployment Hearing last year. In fact, Chairman Bernanke came yesterday to speak to some of the Senators, looking back at his term, and he talked about the fact that there has been significant economic progress but he sees the challenges ahead being productivity and also the income disparity issue.

I know that we are making progress on an agreement to provide a one-year extension of unemployment benefits to people who have been out of work for more than six months in the United States Senate. That is a bipartisan bill sponsored by Senator Jack Reed and Senator Heller, Republican of Nevada. Extending unemployment insurance benefits will ensure that the 1.3 million workers whose benefits were cut off on December 28th will get the support that they need, allowing them to pay their rent and fill their gas tanks as they continue their job search.

Earlier this week I released a JEC report laying out the economic case for continuing Federal Unemployment Insurance. It showed that the long-term unemployment rate is nearly twice what it was—nearly twice what it was—when Congress allowed Federal Unemployment Insurance to expire after the recessions of 1990 to 1991 and 2001. And you can see that chart of the level at which we had long-term unemployment in past cases, where the unemployment was allowed to expire.

So I would like to hear about the data you have, Commissioner Groshen, on long-term unemployment. The report also showed that in several states high long-term unemployment is masked by a lower overall unemployment rate. For example, Florida has an unemployment rate below the national rate, but 46 percent of its unemployed have been jobless for more than 6 months.

This leads us to look at things like ramping up our job training. I can tell you in my State 60 percent of our manufacturers say they have openings for jobs where they cannot find workers with quite the right skills. And I think this is something that is a bipartisan issue.



Senator Hoeven, Republican of North Dakota, and I have a bill about investing in effective workforce training. And there are a number of other ideas out there.

So I would say overall today's employment report shows that we still have recovery in the labor market. The economy proved resilient in 2013. The numbers are not, as I have said many times, where we want to have them, but we continue, when you look back at the entire year to that average gain of about 182,000 jobs a month, we have seen significant change that shows we are heading in the direction of being a country that does not just churn money but a country that makes stuff, invents things, exports to the world, and most importantly has a strong private-sector job economy.

Thank you, very much. I look forward to your testimony.

**Chairman Brady.** I would like to welcome the 14th Commissioner of the Bureau of Labor Statistics, Erica Groshen.

Prior to joining BLS she was a Vice President of the Research and Statistics Group at the Federal Reserve Bank of New York. She also served on advisory boards for BLS and the U.S. Census Bureau.

She has been a Visiting Assistant Professor of Economics at Barnard College, at Columbia University, and a Visiting Economist at the Bank for International Settlements in Basel, Switzerland.

She earned a Ph.D. in Economics from the Harvard University, and a Bachelor's Degree in Economics and Mathematics at the University of Wisconsin Madison.

Commissioner, welcome, and we look forward to your testimony.

**STATEMENT OF HON. ERICA L. GROSHEN, COMMISSIONER, BUREAU OF LABOR STATISTICS, U.S. DEPARTMENT OF LABOR, WASHINGTON, DC; ACCOMPANIED BY: DR. MICHAEL HERRIGAN, ASSOCIATE COMMISSIONER FOR PRICES AND LIVING CONDITIONS, BUREAU OF LABOR STATISTICS; AND MR. THOMAS J. NARDONE, JR., ASSOCIATE COMMISSIONER FOR EMPLOYMENT AND UNEMPLOYMENT STATISTICS, BUREAU OF LABOR STATISTICS, WASHINGTON, DC**

**Commissioner Groshen.** Mr. Chairman and Members of the Committee:

Thank you for recognizing Tom's public service and retirement, and for the opportunity to discuss the employment and unemployment data that we released this morning. I must say that you had very prescient timing in choosing a very interesting report for me to discuss.

So the unemployment rate declined from 7.0 to 6.7 percent in December, and nonfarm payroll employment edged up by 74,000 jobs.

Monthly job gains averaged 182,000 jobs in 2013, about the same as in 2012. In December, employment rose in retail trade and wholesale trade but fell in the information industry.

Incorporating the revisions for October and November, which increased employment by 38,000 on net, monthly job gains have averaged 172,000 over the past 3 months.

Retail trade added 55,000 jobs in December. Job gains occurred in food and beverage stores which added 12,000; clothing stores, which also added 12,000 jobs; general merchandise stores, which

added 8,000 jobs; and motor vehicles and parts dealers, which added 7,000 jobs. Retail trade employment increased by an average of 32,000 per month in 2013.

Wholesale trade employment rose by 15,000 in December. Over the past year, wholesale trade added an average of 8,000 jobs per month.

Employment in professional and business services continued to trend up in December, adding 19,000 new jobs. This industry has added 637,000 jobs over the past 12 months. Within this industry, temporary help services added 40,000 jobs in December. In contrast, accounting and bookkeeping services lost 25,000 jobs over the month.

Manufacturing employment continued to trend up in December, adding 9,000 jobs. Manufacturing added 77,000 jobs in 2013, compared with an increase of 154,000 jobs in 2012.

Employment in the information industry decreased by 12,000 jobs in December. This reflected a decline in motion picture and sound recording of 14,000 jobs. Employment in the motion picture industry can be very volatile from month to month. Over the year, employment in information has shown little net change.

Construction employment edged down in December, losing 16,000 jobs. However, in 2013 the industry added an average of 10,000 jobs per month.

Employment in nonresidential specialty trades contractors declined by 13,000 in December, possibly reflecting unusually cold weather in parts of the country.

Health care employment changed little in December, with a decrease of 6,000 jobs. Over the past year, job growth in this industry has slowed to an average of 17,000 per month, compared with an average monthly gain of 27,000 in 2012.

In December, employment in most other major industries changed little.

Average hourly earnings of all employees on private nonfarm payrolls edged up by 2 cents in December. Over the past 12 months, average hourly earnings have risen by 42 cents, or 1.8 percent. From November 2012 to November 2013, the Consumer Price Index—a measure for inflation—for All Urban Consumers, the CPI-U, rose by 1.2 percent.

Turning now to our survey of households, the unemployment rate decreased by 0.3 percentage points in December to 6.7 percent. Over the year, the unemployment rate declined by 1.2 percentage points, and the number of unemployed persons fell by 1.9 million.

In December, there were 3.9 million unemployed persons who had been jobless for 27 weeks or more. This was little changed over the month, but down by 894,000 over the past year.

The labor force participation rate declined to 62.8 percent in December. And over the year, this rate has declined by 0.8 percentage point. The employment to population ratio, at 58.6 percent, was unchanged in December, and over the past 12 months. In fact, this measure has held at or near this level since late 2009.

Among those neither working nor looking for work in December, 2.4 million were classified as marginally attached to the labor force, and this is little changed from a year earlier.

These individuals wanted a job, were available for work, and had looked for a job within the past 12 months. The number of discouraged workers, which is a subset of the marginally attached who believed that no jobs were available for them, was 917,000 in December, down by 151,000 from a year earlier.

In summary, the unemployment rate declined from 7 percent to 6.7 percent in December, and nonfarm payroll employment edged up by 74,000.

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

[The prepared statement of Hon. Erica L. Groshen appears in the Submissions for the Record on page 22.]

**Chairman Brady.** Thank you, Commissioner. As you know, the unemployment rate fell pretty dramatically. Do you see this as—would you describe it as an encouraging sign of a sustainable recovery?

**Commissioner Groshen.** This is one—this is one month's number. Of course you don't want to get hung up on one particular number. But most of the change in the unemployment rate, about two-thirds of it probably, was due to falling labor force participation, which is—

**Chairman Brady** [continuing]. People simply giving up on the market, the workforce?

**Commissioner Groshen.** Well the interesting thing is that when we looked at flows, it looked like most of the flows into non-participation were from employment rather than from unemployment. But generally speaking, it is not as robust a sign as if the fall in unemployment had come from creation of a lot of jobs.

**Chairman Brady.** Do you think that drop, and the reasons for it, is a troubling indicator, or a concerning indicator?

**Commissioner Groshen.** Um, well I guess it depends on the question you are asking. It is certainly not a sign of strength.

**Chairman Brady.** When we look at, in your report you make the case that here we are four-and-a-half years after the Recession ended and there are still fewer payroll jobs than when the Recession began, which is creating a dramatic gap in jobs in America. So at the rate of the 180,000 jobs a month that has occurred over the last two years, how long will it take before America is simply back to even in payroll jobs?

**Commissioner Groshen.** In total payroll jobs, it would take about seven months, into July. For private-sector payrolls, it would take about four months, to April.

**Chairman Brady.** Okay, so we are looking at mid-year before we get back to break-even on the pre-Recession payroll—

**Commissioner Groshen.** That's right.

**Chairman Brady.** Good. The numbers of 74,000 and 87,000 private-sector jobs were disappointing I think for most of us who want to see a much stronger recovery, far below the consensus for the report. From an economic standpoint, I am told that numbers that small are statistically insignificant in the sense of what you read.

What in your report—where were the areas—I think you mentioned retail, information, perhaps wholesale—what areas last month were statistically significant that you can tell us about?

**Commissioner Groshen.** The 55,000 jobs created in retail trade were statistically significant.

**Chairman Brady.** And that was in food and clothing, predominantly?

**Commissioner Groshen.** Widespread in retail trade. So quite a few of the subsectors.

Wholesale, the wholesale trade increase of 15,000 jobs was also statistically significant.

**Chairman Brady.** Is there any insight into that number?

**Commissioner Groshen.** Well a lot of that was in electronic trading. So these are services provided to firms that are buying products, and they do it electronically. So they do not actually take possession of the products that they purchase on behalf of other firms, but they facilitate the purchase of these products by firms.

**Chairman Brady.** Right.

**Commissioner Groshen.** The other sector that had growth that I want to call your attention to is not a super sector but it is very important is the temporary help services industry. That added a statistically significant 40,000 new jobs. That is often a harbinger of further growth.

**Chairman Brady.** Right. Thank you.

Vice Chair Klobuchar.

**Vice Chair Klobuchar.** Thank you very much. Thank you, Commissioner.

This morning's report shows job growth not exactly where it was expected, but I think we do know that December marks the 46th consecutive month of private-sector job growth. During this time, more than 8.2 million private-sector jobs have been added.

What employment trends did you see in 2013 as a whole in the last year? And how would you characterize the state of the labor market this year?

**Commissioner Groshen.** Okay. Well, yes, well overall today's report is not strongly encouraging. There was growth. And month-to-month variation is normal in our measures. So it is not entirely surprising. I don't think we should—

**Vice Chair Klobuchar.** So you are just basing your assessment on December? I was asking about—

**Commissioner Groshen.** About the entire year, yes.

So over the year, what we have seen is steady, modest growth mostly in the services. We do still have a ways to go to return to pre-Recession conditions, but we have seen growth in the industries that we talked about, primarily in professional and business services, in health care, in leisure and hospitality that are some of the areas where we've had the strongest growth.

**Vice Chair Klobuchar.** One number I did want to ask about for December, you made some reference to the construction number, and you talked about the severe cold. I am aware of this since people keep citing the number that northern Minnesota was colder than Mars for a period of time last week.

[Laughter.]

And so what was the—

**Chairman Brady.** We tweeted that a lot, by the way, just so you know.

**Vice Chair Klobuchar.** Oh, I see Representative Duffy. That was probably true of northern Wisconsin, as we know from the Green Bay Packers game, but I won't go into that.

So could you talk about that construction number and how the cold could have affected it?

**Commissioner Groshen.** Right. So over the year we have added 122,000 jobs in construction. And the average—let me take a quick look here—okay, but this particular month most of the decline was in nonresidential specialty trade. And when we looked into this further, we found that most of these declines were concentrated in the Northeast and the Midwest, and those were the areas that had lower temperatures than normal over the past month.

**Vice Chair Klobuchar.** But overall there's been 122,000 jobs added in construction?

**Commissioner Groshen.** Yes.

**Vice Chair Klobuchar.** When you mention the regional issues, I remember in the past that at these hearings we've discussed that. Do you see any regional trends overall, not just construction, with the numbers for 2013?

**Commissioner Groshen.** I'm not sure.

**Vice Chair Klobuchar.** You can get back to me with that in writing.

**Commissioner Groshen.** Yes, I'm going to let Tom look this up for me.

[The response from Commissioner Groshen to Senator Klobuchar appears in the Submissions for the Record on page 27.]

**Vice Chair Klobuchar.** All right, and how about Veterans unemployment? Do we know where that is?

**Commissioner Groshen.** Yes. Okay, Gulf War Era II Veterans had an unemployment rate of 7.3 percent in December. And this is down from 10.8 percent a year earlier. In December 2013, there were 2.9 million Gulf War Era II Veterans, and they served anywhere in the world since September 2001.

In December 2013, the unemployment rate for Veterans aged 18 to 24 was 15.6 percent, which is little different because these sample sizes are so small. This is a little different from the 11.4 percent unemployment rate for non-Veterans of that age.

Veterans overall make up about 4.6 percent of unemployed persons as of December.

**Vice Chair Klobuchar.** Okay. I do remember. We have been working hard in various ways on this issue because of the fact that for awhile we were having extraordinarily high unemployment rates with Veterans, and I know we have seen some improvement.

**Commissioner Groshen.** Okay, so let me get back to the regional question. Looking at the November numbers, which is the latest for which we have unemployment rates, the states with the highest unemployment rates, seasonally adjusted, are Nevada at 9 percent; Rhode Island at 9 percent; Michigan at 8.8 percent; Illinois at 8.7 percent. And the other ones were kind of in that rate: District of Columbia, California, Mississippi, Kentucky, Tennessee, Arizona, New Jersey, they top out, the top group, at 7.8 percent.

The states with the lowest unemployment rates are North and South Dakota at 2.6 percent and 3.6 percent, respectively; Nebraska at 3.7 percent; Utah at 4.3 percent; Hawaii, Iowa, Vermont, Wyoming, all at 4.4 percent. Here comes Minnesota at 4.6 percent. And then Kansas and New Hampshire at 5.1 percent.

**Vice Chair Klobuchar.** All right, I am not going to go into an analysis of that because it does not seem to be in a particular region, but I think it does have something to do with what industries are in those states, or what type of employment are in those states. And that is something that you have mentioned by what you are seeing with growth in certain areas and not growth in others.

**Commissioner Groshen.** Also the aftermath of the housing crisis.

**Vice Chair Klobuchar.** Exactly. And as I have pointed out, we have seen some pretty dramatic improvements in just the past year in that area.

So I appreciate it. Thank you, very much.

**Commissioner Groshen.** You're welcome.

**Chairman Brady.** Thank you.

Representative Hanna.

**Representative Hanna.** Thank you. Thank you for being here.

Commissioner, the labor participation rate is pretty well at an historic low. And if we took that into consideration based on the Bureau of Labor Statistics, the actual unemployment rate would be closer to someplace between 10 and 11, closer to 11 percent.

I want to talk about that in the context of the jobs that you have said have been created: food, merchandise, retail, wholesale, service-oriented jobs, and relate that back to what Senator Klobuchar talked about, which is something that is generally referred to as a skills gap.

Do you have an idea of what that looks like in the real world? We talk about our lack of capacity to provide people to the employment that is available that are higher tech, higher, more technologically oriented jobs, and what that means, and what we should be doing differently than we are.

**Chairman Brady.** If you could hit the microphone, please?

**Commissioner Groshen.** Sorry. You are getting perilously—you are getting really into the realm of policy right here, and here I want to remind you that the BLS and other statistical agencies don't engage in policy analysis. With all due respect, that's your job.

**Representative Hanna.** Right.

**Commissioner Groshen.** We, um, in particular we don't study and make determinations about whether policies are achieving their goals, or propose policies to achieve those goals, because such work could raise questions about our neutrality and our impartiality.

**Chairman Brady.** Commissioner, if I could stop you there, I may have misheard Representative Hanna's question, but I think it was: How does the growth that you're seeing in certain of these significant industries tie into the labor participation rate, which is, we've all agreed, is at a very low rate.

**Commissioner Groshen.** It's not obvious what connection there is between laborforce participation and where growth is occurring. I don't think I have an answer for that.

**Representative Hanna.** So clearly there's an increasing number of people dropping out of the workforce, and I accept your notion that that's not necessarily where you're going with the Bureau

of Labor Statistics. But as an economist you must have an opinion about that. Would you like to talk about that? Maybe not?

**Commissioner Groshen.** Well, so I have to, you know, right now my job is as Commissioner and I really think it is most important for me to uphold the principles and practices of statistical agencies.

But I can talk a little bit about where growth has been occurring, and what we've seen in terms of industry wage growth is that by and—much of the growth when you divide it up by broad industries, much of the wage growth has been in the lower wage industries.

When you divide it up by occupations, which is a different kind of way to divide up job growth, there you see growth in high-wage—more growth in high-wage occupations and low-wage occupations than you see in the middle of the distribution.

**Representative Hanna.** Thank you for that. I yield back.

**Chairman Brady.** Commissioner, can I ask one question, because again I want to be clear. In your testimony you said the employment rate, or labor participation rate was principally due not to people dropping out but people leaving jobs. And Mr. Hanna's question was—

**Commissioner Groshen.** Oh, okay. Yes, I may have misunderstood.

**Chairman Brady** [continuing]. You know, in those growth industries, clearly there probably is a relationship between which industries you are seeing contributing to the labor participation rate. I think that is what he's trying to get to; not a policy issue, more of an insight into this.

**Commissioner Groshen.** Okay, so we can look into that for you. That is something that we see. We do track flows, so I think we can do that.

[The response from Commissioner Groshen to Representative Hanna appears in the Submissions for the Record on page 29.]

**Chairman Brady.** Great. Representative Delaney.

**Representative Delaney.** Thank you, Mr. Chairman. And, Commissioner, welcome.

**Commissioner Groshen.** Thank you.

**Representative Delaney.** And I want to tie my comments into some of the comments my friend, Mr. Hanna, just made.

Could you expand upon this disaggregation of the employment statistics around low-, middle-, and high-skilled workers? What trends that we've observed in the last year, and perhaps in the last several years, with respect to those categories?

**Commissioner Groshen.** All right, let's see what I'm going to look at. I'll take a quick look by education, yes. I'm going to look at—we're taking a look at what's happening to unemployment rates by education.

**Representative Delaney.** Sure.

**Commissioner Groshen.** Okay? We have seen declines in unemployment rates by education for all of the categories: for less-than-high school, for high school graduates, for some college and associate degrees. They have all declined.

The largest decline has been for less-than-a-high school diploma, and that is partly a factor because it increased also the most during the recession.

**Representative Delaney.** But that is getting into employment attainment based on educational attainment and the correlation there. I am more getting at the growth in jobs based on the skill profile of the jobs.

**Commissioner Groshen.** Uh-huh.

**Representative Delaney.** So you made the observation that we have seen growth in high-skilled jobs—

**Commissioner Groshen.** Um-hmm.

**Representative Delaney** [continuing]. And low-skill jobs—

**Commissioner Groshen.** Yes.

**Representative Delaney** [continuing]. And a lack of growth in these middle-skill jobs, which implies a barbell of our economy, which is something that I have tried to be very focused on in the last year or two because I think it reflects a broader trend about how highly specialized our economy is becoming and the implications of that.

But do you have any data to show the materiality of the growth of high- versus low- as compared to middle-skill jobs?

**Commissioner Groshen.** So I don't have a single measure of skill, but I can tell you which major occupational groups had the most wage growth—I'm sorry, most employment growth.

So in the 2012 to 2013 timeframe, we added 669,000 jobs in management, professional, and related occupations.

**Representative Delaney.** And that's the numerator. What's the denominator of jobs in those areas?

**Commissioner Groshen.** Uh, this is not a—oh, I'm sorry. So that was a 1.2 percent—

**Representative Delaney.** Growth.

**Commissioner Groshen** [continuing]. Growth.

**Representative Delaney.** Okay, got it.

**Commissioner Groshen.** And in natural resource construction maintenance occupation, there was 1.8 percent growth. Sales and office occupations, 3/10ths of a percent growth. Production, transportation, and material moving occupations, a decrease of a tenth of a percent. And in service occupations, an increase of 1.8 percent.

**Representative Delaney.** Got it. Do you broadly categorize jobs in these categories of high, middle, or low skilled? Or do you not disaggregate the data, generally speaking, that way?

**Commissioner Groshen.** Generally, we do not.

**Representative Delaney.** Got it.

**Commissioner Groshen.** I have, though—

**Representative Delaney.** No, I understand, because that is somewhat of a subjective or qualitative assessment.

**Commissioner Groshen.** Right. And it may be in the bottom part of these distributions, or in the top part, yes.

**Representative Delaney.** Do you observe any—as we've seen the rate of growth of health care has slowed significantly over the last several years, has that—does that correlate to growth of jobs in the health care sector?

**Commissioner Groshen.** We are still adding, although not in this past month, but generally we've been adding jobs in the health



care sector. It has just been—the pace has slowed over the past year.

**Representative Delaney.** So you do see correlations between health care expenditures and growth in the health care sector?

**Commissioner Groshen.** I haven't done that correlation.

**Representative Delaney.** Got it. Okay, thank you.

**Commissioner Groshen.** Yes.

**Chairman Brady.** Thank you.

Representative Paulsen.

**Representative Paulsen.** Thank you, Mr. Chairman, and thanks also for being here today to testify.

You know, it goes without saying that today's employment report has some disappointing news. As you mentioned, it's not strongly encouraging. The numbers are well below what the country needs to add on a monthly basis—130,000 need to be added per month just to keep up with population growth. So I'm sure you'd agree we have a long way to go on the road to recovery.

We are still well over a million jobs short of where we were in December of 2007 at the start of the last Recession, and labor force participation is still really, really low, just almost dropping 350,000 last month alone.

Let me just turn to something that many of us refer to as the jobs gap, the difference between the average employment growth following a recession and the more anemic employment growth that has followed the most recent recession.

Four-and-a-half years after the Recession ended, there are still fewer payroll jobs than pre-Recession. So by various measures there is a huge jobs gap. The Brookings Institution, for example, estimates that it is as high as 8 million jobs.

Has the BLS done an estimate at all of that jobs gap, of those type of numbers?

**Commissioner Groshen.** We have made a comparison to where we were when the Recession started, but we generally don't do the kind of forecasting that would be required about what job growth would have been in the absence of the Recession. That's not really within our skill set.

**Representative Paulsen.** Okay. Chairman Brady mentioned in his opening statement that when the stimulus bill was passed—and that was controversial for many reasons when it was pushed through—the Administration had said at this point we would be at about a 5 percent unemployment rate, which we're not anywhere near. At the average rate of job creation during 2013, how much longer would it take for unemployment, for the rate to reach 5 percent? How long would it take?

**Commissioner Groshen.** I have not done that calculation. I know it will take about seven months for us to get back to the total payroll, where we were, total payrolls where we were before.

**Representative Paulsen.** But there will be a longer period of time to get to that 5 percent level?

**Commissioner Groshen.** I mean, we can estimate that. We can straight-line that for you.

[The response from Commissioner Groshen to Representative Paulsen appears in the Submissions for the Record on page 31.]

**Representative Paulsen.** And let me turn a little bit to part-time, because part-time employment and full-time employment have been something else discussed with some concerns. I would like to ask some questions about that.

Part-time employment for economic reasons is a measure, some would say, of weakness in the labor market. As an economist, would you agree that part-time employment could be viewed as a weakness in the labor market?

**Commissioner Groshen.** Well generally speaking, during recessions you do see an increase in the number of people who are part-time, for economic reasons. These people are not getting as many hours as they would like, or that they would prefer to work full-time, and that's why they are in that category.

So either they are not getting as many hours, or they have taken a part-time job because they have not found a full-time job.

**Representative Paulsen.** And we have been post-Recession now for awhile, technically, right, on the technical side?

**Commissioner Groshen.** Um-hmm.

**Representative Paulsen.** So a lot of employers are unsure they need workers long-term, or there are regulatory disincentives for employers to hire full-time workers. Is it both of those factors, would you say? Or are there other factors as well that would contribute to that measure?

**Commissioner Groshen.** Well, so let me make a distinction. Actually, the number of part-time workers as a percent of the total employed has not changed very much of late. That has been fairly constant.

**Representative Paulsen.** Okay.

**Commissioner Groshen.** So, and so we have had a decline in the part-time for economic reasons, although it is still historically high.

**Representative Paulsen.** One of the things it will be interesting to watch in the near future is the implementation now of the Affordable Care Act, or the President's new health care law. I have spoken with several employers in Minnesota, for example, that are now concerned about being forced to scale back full-time workers into part-time jobs because of the Affordable Care Act.

And one restaurateur—and restaurants normally have part-time workers—there is one restaurateur I spoke with who has 530-some employees, and 41 percent of those workers are full-time. But now he has essentially looked at moving all of those full-time workers into 29 hours, into part-time status.

And so there are consequences, obviously, of moving good full-time jobs into part-time jobs. Along those lines what role do mandated employer benefits play in employer decisions to hire workers part-time as opposed to full time?

**Commissioner Groshen.** Our data wouldn't allow us to answer that question.

**Representative Paulsen.** It wouldn't? Okay.

**Commissioner Groshen.** It would be a policy research question.

**Representative Paulsen.** Okay. Good. I think we are going to be hearing more about that, Mr. Chairman, so I was just curious. I yield back.

**Chairman Brady.** Thank you, sir. Representative Sanchez.

**Representative Sanchez.** Thank you, Mr. Chairman.

I want to say something before I ask our panel a question. Thank you, Mr. Chairman, for this morning, actually trying to delve into these numbers instead of, you know, doing real partisan bickering and everything, because I think we are all at that point where we want to try to understand what is going on. So I appreciate that the majority of the Members who have been talking this morning have been really trying to stick to what the picture looks like in hopes to move and to try and do the policy, as you said, Commissioner, that we are supposed to do.

I want to go back to something that Mr. Delaney asked about and this whole issue of barbell, or the fact that you said that employment has occurred at the higher, at least higher educational level, and lower educational level; and that that middle portion I guess we're trying to figure out what types of jobs would those be that aren't growing, and if you have some indication of that.

And, if you are a—because you have it by education and not necessarily skill set, which of course when we're looking at it we're trying to figure out skill set—if you are an employer trying to figure out skill sets, not whether somebody went to college or not, so my question to you is: When we see these young people coming out of university and they have a college degree but they may not have a set, a skill set because they maybe don't have the work experience, would those students fall into that barbell middle portion where hiring is not happening? Do you have any statistics on that?

**Commissioner Groshen.** Yeah, let me see. Well, the middle, the middle area of these very large occupational groups that I am talking about are sales and office occupations where we added only 94,000 jobs.

**Representative Sanchez.** So would that be like entry sales person, entry, like, you know, cold calling, entry receptionist, that type of thing?

**Commissioner Groshen.** Administrative work, it could be. Sure. And then the other areas are production, transportation, and material moving occupations, which usually you would not associate with a college degree, but actually I am sure some of them probably will have.

**Representative Sanchez.** Well, logistics maybe, or something of the sort. I mean, when you're trying to get your foot in, if you don't have a lot of work experience, you probably start at the bottom of the rung.

**Commissioner Groshen.** Um-hmm.

**Representative Sanchez.** My next question for you is: as you've seen over the last month or two, I am trying to feel—I am trying to figure out if companies—because I look at companies' balance sheets, the ones that we can see, and we see two things happening. And we've seen it for awhile now, years now, of capital accumulation, cash on hand, growth, as well as buy-back of stock. And this is where at least the public companies, those that I can see, are using their cash.

So do you think that the shutdown we had is reflective in any way of these numbers? I know these are policy issues, but did that have—do you think that that had anything—and I am trying to fig-

ure out how we get companies to begin to spend cash. I mean, it's a risk. Our Orange County Register, my hometown newspaper for the County of Orange where I represent, and they are creating journalist jobs. They've hired over 400 new people in the newspaper business, which supposedly is totally contrarian to what we've seen in the news business these days.

So do you think that when we do certain things that that's maybe what is holding people, companies back?

**Commissioner Groshen.** Let me answer something a little related, which is that a characteristic of the market where we are now is that we have seen a decline in job destruction rates back down to essentially pre-Recession levels.

So one area in which our labor market has improved is that our job destruction rates are now more typical of what you would see in an expansion. So what has lagged for us has been job creation. And you can see this in new firms, both in the number of new firms, and in the number of jobs created by new firms. And you can see it also in expansions by firms, and this is from our business employment dynamics data.

So that corroborates some of perhaps what you are picking up. We did look at the effect—we have looked at the effect of the shutdown in a very direct way, and we saw an increase in temporary layoffs associated with the shutdown, and then a decrease after that.

So we did not see numbers that were suggestive of a lot of very quick multiplier effects in the payroll data from the shutdown. We think maybe there was some displacement rather than actually multiplier effects.

**Representative Sanchez.** Thank you, Commissioner. Thank you, Mr. Chairman.

**Chairman Brady.** Thank you.

Representative Duffy.

**Representative Duffy.** Thank you, Mr. Chairman, and Commissioner thank you for being here today.

I just want to go back to I think some things that Mr. Paulsen brought up. You would agree that with population growth we have to see about 130,000 new jobs created every month just to maintain the status quo? Is that right?

**Commissioner Groshen.** You know, it's not a very precise number but, you know, there are numbers kind of along those lines, yes.

**Representative Duffy.** Am I hitting the middle point there? Is that a number that is a range, around 130,000?

**Commissioner Groshen.** Yes.

**Representative Duffy.** Am I off?

**Commissioner Groshen.** No, Tom agrees. Therefore, it's true. [Laughter.]

**Representative Duffy.** Thank you, Tom.

And this month we created only 74,000 new jobs, right?

**Commissioner Groshen.** Um-hmm.

**Representative Duffy.** So if you look at just to maintain our employment rate it has to be 130,000, but this month we are at 74,000. And I think oftentimes America will hear the unemployment rate going from 7 percent down to 6.7 percent and they would

view that as the country going in the right direction in regard to job creation and economic growth, but would you agree that actually the reduction in the unemployment rate is not an indicator of strong job growth like many Americans may think?

**Commissioner Groshen.** Um, so I am going to unpack things just a little bit.

**Representative Duffy.** Thank you.

**Commissioner Groshen.** So the decline in the unemployment rate certainly this month we think is somewhere around two-thirds due to the decline in laborforce participation, and about a third to job creation.

Generally speaking, though, the employment to population ratio has essentially stayed about the same since late 2009. So that is problematic. But we have two different forces acting on employment to population.

One is demographic changes that would tend to depress participation. Just as Baby Boomers like myself age, our population is generally getting older and we are getting into times—we are more heavily weighted towards parts of the population that participate less.

So we have to increase employment to population. We not only have—we need to compensate for this downward pressure. So that is one effect.

The other effect is the recovery from the Recession, and that would require creation of many more jobs.

**Representative Duffy.** This may be going back to the question for Tom earlier—

**Commissioner Groshen.** Yes, employment.

**Representative Duffy.** So since pre-2009 traditionally we needed 130,000 jobs per month to maintain employment with population growth. Are you saying that this year, and the year before, that that is actually not true? It's been static, our population growth, so if we actually have a 74,000 dollar—74,000 job gain, that's actually 74,000—we're moving in the right direction? Are you saying that our population growth is taking place at 130,000 roughly per month right now?

**Commissioner Groshen.** Well, our average monthly job gain has been, over this past year has been 182,000. But Tom is going to take a stab at this.

**Mr. Nardone.** Just in general, what the EP ratio, Employment to Population ratio, that being steady would indicate that job growth is basically enough to keep track with population growth—the growth of the population 16 and over.

You're not—but obviously it's lower than it was at the start of the Recession, so we are not gaining ground in terms of increasing the proportion of the population that's employed, getting it back to the pre-Recession levels. But we're basically keeping track with population growth, is a way to look at it.

**Representative Duffy.** Okay. I just want to quickly switch gears. I think a lot of the disagreement that we find on both sides of the aisle over the last several years comes to the economy and job growth.

Do you guys look at statistics and have an analysis on whether raising the minimum wage will create more jobs? Or does the effect of that create less jobs?

**Commissioner Groshen.** This is very much a policy question.

**Representative Duffy.** But I'm asking statistically do you look at—do you analyze that on the statistics' front?

**Commissioner Groshen.** We do not have any statistics that would allow us to answer that question.

**Representative Duffy.** Okay. I yield back.

**Chairman Brady.** Thank you. A vote has been called in the House, and so the former Chairman of the Joint Economic Committee, Representative Maloney, will be our final questioner.

**Representative Maloney.** Thank you.

First of all I want to congratulate you on your appointment. You are the fourth woman to head this important panel, building on the fine work of Katharine Abraham, whom I believe is still on the Council of Economic Advisers. So thank you.

**Commissioner Groshen.** You're welcome. She actually stepped down in I think April.

**Representative Maloney.** Well, but in the statistics of the Women's Movement, they say more important than the first woman appointed is consistent, fine performance of women where it is no longer something unexpected. But I believe that you are going to be adding to that very important statistic.

And I think the statistics today are very, very encouraging. With the employment increase by 74,000, unemployment fell to 6.7 percent, but if you put it into the context of the overall economy, private-sector jobs have grown for 46 consecutive months, and a total of 8.2 million private-sector jobs have been created over that period.

And I believe that in 2013, private-sector employment increased by 2.2 million jobs, largely unchanged from the 2.3 million private-sector jobs added in 2012. So I believe that this shows that the economy is steady, it's durable, it's improving, and I would also like to note that the private-sector job growth has been revised upwards generally. In October, from 217,000 and in November to 226,000 for an average of 177,000 new jobs per month being created.

And could you elaborate on how these numbers fit into the overall economy, and comment on the trend? It looks to me like we are trending in the right direction. We are trending with an improved economy—not as good as we would like—but could you comment in the overall context of the economy and trends in the economy?

**Commissioner Groshen.** All right. Well, I would say that generally speaking what we have been seeing over the past year is very steady, modest job growth that has been primarily in the services.

And this has led to improvements by many measures. Yet there's still a long ways to go to return to pre-Recession conditions.

**Representative Maloney.** Well in the report you say that the payroll growth was concentrated in wholesale, retail, temporary help services added jobs.

**Commissioner Groshen.** Um-hmm.

**Representative Maloney.** Last night there were very disturbing numbers out of New York City, that I have the privilege

of representing, one of our great retail stores, Macy's, laid off 2,500 people. Now this is not the trend in New York State where we have added more than 140,000 private-sector jobs during the past 12 months. But the progress in the City, the unemployment rate has been slower. We are now at 8.5 percent unemployed to 8.9 percent.

My question is: Is New York City's experience, how does that fit into the broader perspective, or the broader national picture? Are other urban areas experiencing higher rates of unemployment than the Nation as a whole?

**Commissioner Groshen.** Well the Nation is a combination of many different regions and many different cities within those regions. So there's always quite a variety of experiences because cities are affected both by their long-term secular trends, as well as by the cycle that they're under, that they're within.

**Representative Maloney.** Now in joblessness recovery, is it faster usually in rural and suburban parts of the country over urban areas? Is there any data on that?

**Commissioner Groshen.** (Nods in the negative.)

**Representative Maloney.** No? Okay—

**Commissioner Groshen.** I think it varies, yes.

**Representative Maloney.** I really want to publicly congratulate Senator Klobuchar on the Unemployment Insurance Report that she did. And I think our Report also shows that there is a need for this type of support. Because of the drop, you said in your testimony the decline was driven primarily by a drop in the laborforce participation rate. And it seems that keeping people hoping to find a job, working to find a job, having that support system while they try to become part of the economy, and also that she noted in her report: this is a passthrough.

Anyone who is unemployed is obviously going to put that money right back in to the economy and help to create other jobs, and to help the hope of the country in this very difficult time moving forward.

I do want to note that manufacturing employment rose by 9,000. I was thrilled to see the auto industry added jobs. As one that supported the restructuring of the auto industry, to see that it has added over 8,000 jobs. But I did note that women have been losing jobs in manufacturing, while men have gained them.

Do you understand? That I noticed in the Report, and I guess basically the question is: Are sectors of the economy where men are more heavily represented adding more jobs than other sectors where women traditionally have a larger presence?

Your numbers showed that there's been a more rapid drop in the unemployment rate for men.

What explains that rapid drop in the unemployment rate for men? In the beginning, during the Recession men faced a significantly higher unemployment rate than women, and unemployment for men peaked at 11 percent in October of 2009, while the unemployment rate for women never exceeded 9 percent.

**Chairman Brady.** Commissioner, this is a very important question. We have run out of time. Could you briefly answer, but provide a written response to Representative Maloney?

**Representative Maloney.** Thank you, Mr. Chairman.

**Commissioner Groshen.** Right. We certainly can.

**Commissioner Groshen.** The basic answer we found is that, is that there's no very strong pattern of job growth being concentrated in male- or female-dominated industries. So it doesn't seem to be a simple industry mix story.

**Chairman Brady.** Commissioner, thank you for your professional presentation. This was a cakewalk, and we look forward to having you back.

Tom, best of luck in retirement.

The hearing is adjourned.

(Whereupon, at 10:35 a.m., Friday, January 10, 2014, the hearing was adjourned.)



## **SUBMISSIONS FOR THE RECORD**

## PREPARED STATEMENT OF HON. KEVIN BRADY, CHAIR, JOINT ECONOMIC COMMITTEE

Vice Chair Klobuchar, Members of the Committee, and Commissioner Groshen, good morning and welcome to the New Year.

This is Commissioner Groshen's first appearance before the Joint Economic Committee. On behalf of the millions of Americans who cannot yet find jobs, we hope that you can bring us better news in the future.

I would like to recognize Tom Nardone, who is retiring from the Bureau of Labor Statistics after 37 years of service. He has been "Mr. Numbers" for the Commissioner and this Committee over the last several years. Tom, we thank you for your dedicated service, and wish you the very best in your future endeavors.

Payroll job growth was incredibly weak last month. December saw a gain of only 87,000 private-sector jobs and 74,000 nonfarm jobs.

The unemployment rate fell by 0.3 percentage points to 6.7%. However, this drop was largely due to falling labor force participation. More than ½ million Americans left the labor force in December. Consequently, the labor force participation rate dropped to 62.8%, tying a 36-year low.

While it sounds impressive to boast that the U.S. economy added 8.2 million private-sector jobs over the past 46 months, economic growth in an average recovery during the past half century has been 50% larger than in the Obama recovery. As a result of this growth gap, America today is missing a whopping 4.5 million jobs along Main Street—and that's not acceptable.

Consider this: the best monthly private sector jobs report of the Obama recovery is lower than the equivalent of the average private jobs report of the Reagan recovery. In other words, not a single month of the current recovery matches even the equivalent of an average month of the Reagan recovery. That's disappointing. We've got to do better.

We should be encouraged that the unemployment rate has declined from its peak of 10.0% in October 2009 to 6.7% today. However, that is nowhere near the 5% level the White House promised the American people when the controversial \$800 billion stimulus was rushed through Congress on a party-line vote.

Unfortunately, the decline in the unemployment rate is largely due to falling labor force participation. If the labor force participation rate had not declined since President Obama took office, the unemployment rate would be nearly 11%. Another disappointing jobs indicator: a smaller percentage of Americans are employed today than when the recession ended over four and a half years ago.

The American people are deeply dissatisfied with the President's leadership on the economy. We need solutions that get Washington out of the way so Main Street businesses can start hiring with confidence again.

Raising the minimum wage and forcing small businesses to pay nearly \$5,000 more per worker won't increase hiring. Washington mandating the equality of income won't increase hiring. Extending emergency unemployment programs won't increase hiring because what the long-term unemployed really need are new jobs.

The emergency unemployment program is designed for extraordinary circumstances, when America's unemployment rate is high and rising. As the White House reminds us, the unemployment rate has declined in all 50 states and is at the lowest since 2008.

Why are the President and the Senate turning their backs on job creation? Why doesn't the Senate pick up and pass and the President sign into law any of the dozens of jobs bills the House has already approved, including the Keystone XL pipeline, which would create thousands of well-paying middle-class jobs.

It's not helpful, either, that the White House continues to delay bipartisan unemployment reforms the President signed into law two years ago to make it easier for states to match local workers with local jobs and conduct drug testing for applicants seeking jobs that require such tests.

We all know it's an election year, and some in Washington are trying to change the conversation from the disappointing economy and the bungled roll-out of the troubled Affordable Care Act. I just hope my colleagues remember that the measure of America's compassion is not how long we provide unemployment benefits, but how soon we get people into good-paying jobs. That should be Washington's focus.

Commissioner Groshen, welcome again, and I look forward to your testimony.

## STATEMENT OF ERICA L. GROSHEN, COMMISSIONER, BUREAU OF LABOR STATISTICS

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to discuss the employment and unemployment data we released this morning.

The unemployment rate declined from 7.0 to 6.7 percent in December, and nonfarm payroll employment edged up (+74,000). Monthly job gains averaged 182,000 in 2013, about the same as in 2012. In December, employment rose in retail trade and wholesale trade but fell in the information industry.

Incorporating the revisions for October and November, which increased employment by 38,000 on net, monthly job gains have averaged 172,000 over the past 3 months.

Retail trade added 55,000 jobs in December. Job gains occurred in food and beverage stores (+12,000), clothing stores (+12,000), general merchandise stores (+8,000), and motor vehicle and parts dealers (+7,000). Retail trade employment increased by an average of 32,000 per month in 2013.

Wholesale trade employment rose by 15,000 in December. Over the past year, wholesale trade added an average of 8,000 jobs per month.

Employment in professional and business services continued to trend up in December (+19,000). This industry has added 637,000 jobs over the past 12 months. Within this industry, temporary help services added 40,000 jobs in December. In contrast, accounting and bookkeeping services lost 25,000 jobs over the month.

Manufacturing employment continued to trend up in December (+9,000). Manufacturing added 77,000 jobs in 2013, compared with an increase of 154,000 jobs in 2012.

Employment in the information industry decreased by 12,000 in December, reflecting a decline in motion picture and sound recording (-14,000). Employment in the motion picture industry can be volatile from month to month. Over the year, employment in information has shown little net change.

Construction employment edged down in December (-16,000). However, in 2013, the industry added an average of 10,000 jobs per month. Employment in nonresidential specialty trade contractors declined by 13,000 in December, possibly reflecting unusually cold weather in parts of the country.

Health care employment changed little in December (-6,000). Over the past year, job growth in this industry slowed to an average of 17,000 per month, compared with an average monthly gain of 27,000 in 2012.

In December, employment in most other major industries changed little.

Average hourly earnings of all employees on private nonfarm payrolls edged up by 2 cents in December. Over the past 12 months, average hourly earnings have risen by 42 cents, or 1.8 percent. From November 2012 to November 2013, the Consumer Price Index for All Urban Consumers (CPI-U) rose by 1.2 percent.

Turning now to our survey of households, the unemployment rate decreased by 0.3 percentage point in December to 6.7 percent. Over the year, the unemployment rate declined by 1.2 percentage points, and the number of unemployed persons fell by 1.9 million. In December, there were 3.9 million unemployed persons who had been jobless for 27 weeks or more, little changed over the month but down by 894,000 over the past year.

The labor force participation rate declined to 62.8 percent in December. Over the year, this rate declined by 0.8 percentage point. The employment-population ratio, at 58.6 percent, was unchanged in December and over the past 12 months. In fact, this measure has held at or near this level since late 2009.

Among those neither working nor looking for work in December, 2.4 million were classified as marginally attached to the labor force, little changed from a year earlier. These individuals wanted a job, were available for work, and had looked for a job within the last 12 months. The number of discouraged workers, a subset of the marginally attached who believed that no jobs were available for them, was 917,000 in December, down by 151,000 from a year earlier.

I would like to note that seasonal adjustment factors for the household survey are updated each year with the release of the December data. Seasonally adjusted estimates going back 5 years (to January 2009) were subject to revision.

In summary, the unemployment rate declined from 7.0 to 6.7 percent in December, and nonfarm payroll employment edged up (+74,000).

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

---

#### QUESTIONS FOR THE RECORD

Senior Senate Republican Dan Coats  
 Hearing on "The Employment Situation: December 2013"  
 The Honorable Erica L. Groshen, Commissioner, Bureau of Labor Statistics  
 Friday, January 10, 2014  
 Coats staff contact: paige\_hallen@jec.senate.gov

- EPA's fossil fuel restrictions have greatly increased the cost of power to Hoosiers. How many Hoosier jobs may be lost as a result of increased power costs?
- What is the economic multiplier of a lost Hoosier job?
- What is the rate of college tuition inflation in Indiana and how does this compare to other states?

**U.S. Department of Labor**

Commissioner  
Bureau of Labor Statistics  
Washington, D.C. 20212



**FEB 26 2014**

The Honorable Dan Coats  
United States Senate  
Washington, D.C. 20510

Dear Senator Coats:

I appreciated the opportunity to participate in the Joint Economic Committee's January 10, 2014, hearing on the Employment Situation report. I am following up with information regarding the questions you asked after the hearing on February 3, 2014.

You stated "EPA's fossil fuel restrictions have greatly increased the cost of power to Hoosiers," and then asked how many jobs located in Indiana may be lost as a result of increased power costs? The Bureau of Labor Statistics (BLS) does measure at the state level the net job change by industry as captured by the Current Employment Statistics (CES) survey and gross job gains or losses as released by the Business Employment Dynamics (BED) program. Neither of those programs or any other program within the Bureau measure jobs in relation to the impact of power costs. Indiana data from the CES program can be found here <http://www.bls.gov/sae/> and data from the BED program can be found here <http://www.bls.gov/bdm/>.

Additionally you inquired about the economic multiplier of "a lost Hoosier job." The BLS does not publish data related to multipliers, however, the Bureau of Economic Analysis releases regional input-output multipliers, which can be found online at <https://bea.gov/regional/rims/index.cfm>.

Finally, you asked how Indiana college tuition compares with other states in regards to inflation. BLS does not publish the index 'College tuition and fees' for Indiana or any other state. Over the past ten years (Dec. 2003-Dec. 2013), the U.S. City Average index for 'College tuition and fees' has increased 75.7 percent, or an average annual rate of 5.8 percent. College tuition inflation has outpaced overall inflation over the past 10 years. The 'All items' index has increased 26.5 percent over the last 10 years or an average annual rate of 2.4 percent.

The Honorable Dan Coats--2

**FEB 26 2014**

I hope you find this information useful, and I look forward to continued discussions with you and the Committee about economic developments. If you have any questions, please do not hesitate to contact me on (202) 691-7800.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Erica L. Groshen".

ERICA L. GROSHEN  
Commissioner

JAN 29 2014

The Honorable Amy Klobuchar  
United States Senate  
Washington, D.C. 20510

Dear Senator Klobuchar:

I appreciated the opportunity to participate in the Joint Economic Committee's January 10, 2014, hearing on the Employment Situation news release. At that hearing, you asked whether labor markets trends differed across regions. Our employment and unemployment data for recent years have shown variation by state, and I have highlighted some of these differences below.

National nonfarm employment reached a peak in January 2008 and then fell through February 2010. During that time period, 49 states had decreases in employment, while 1 state and the District of Columbia had increases. (See Table 1.) The largest percent declines in employment were in Nevada (-13.3 percent), Arizona (-11.0 percent), Florida (-9.7 percent), and Michigan (-9.5 percent). The only employment increases were in North Dakota (+1.5 percent) and the District of Columbia (+0.6 percent).

From February 2010 through November 2013 (the most recent month available), 50 states and the District of Columbia had increases in nonfarm payroll employment. (See Table 2.) The largest percent increases in employment were in North Dakota (+23.2 percent), Utah (+10.2 percent), and Texas (+10.0 percent). Seventeen states and the District of Columbia have more jobs now than when the recession started.

Between January 2008 and February 2010, unemployment rates rose in all states and the District of Columbia, ranging from an 8.2 percentage point increase in Nevada to a 1.1 percentage point increase in North Dakota. (See Table 3.) States with rate increases over 6 percentage points also included Florida (+6.6 points); Alabama, Arizona,

The Honorable Amy Klobuchar--2

JAN 29 2014

California, and Michigan (+6.5 each); and North Carolina and South Carolina (+6.2 each). States with increases of 2 percentage points or less also included Alaska and Nebraska (+2.0 points each).

Between February 2010 and November 2013, unemployment rates fell in all states and the District of Columbia. (See Table 4.) Declines ranged from 5.0 percentage points in Florida to 0.6 percentage point or less in Louisiana (-0.6) and Arkansas (-0.4). Two states—Minnesota and North Dakota—now have lower unemployment rates than when the recession started.

I hope you will find this information useful, and I look forward to continued discussions with you and the Committee about economic developments.

Sincerely yours,

ERICA L. GROSHEN  
Commissioner

Enclosures

BLS/OEUS/OCEA/DLFS

CAREY/btf X16378

cc: Comm. Ofc., Nardone, Mason, Allard, Carey, R.F., D.F.



JAN 30 2014

The Honorable Richard Hanna  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Congressman Hanna:

I appreciated the opportunity to participate in the Joint Economic Committee's January 10, 2014, hearing on the Employment Situation news release. At that hearing, you asked about whether there was what is generally referred to as a "skills gap" - that is, whether workers have different skills needed to fill the jobs that are currently available.

Unfortunately, BLS does not have data about the specific skills required for job vacancies that employers are trying to fill. Overall, however, there does not appear to be a mismatch between the skills employers are seeking and those that job seekers have. If there were such a mismatch, we would expect to see an increase in wages overall. As you can see from the attached news release on real earnings, that has not been the case. The number of unemployed persons per job opening has been trending down; however, it remains higher than it was prior to the recession. (See attached chart.) I would note that it is possible that there are skills mismatches in specific geographic areas or in certain highly specialized occupations.

You also asked about how changes in industry employment impact the labor force participation rate. We do not calculate labor force participation rates by industry, but we can examine employment trends by industry in recent years. The only major industries with employment higher than their pre-recession levels are mining and logging, professional and business services, private education and health care, and leisure and hospitality. (See attached table.) In contrast, manufacturing employment is still 1.7 million below its January 2008 level, and construction employment is 1.6 million below.

The Honorable Richard Hanna--2

JAN 30 2014

I hope you will find this information useful, and I look forward to continued discussions with you and the Committee about economic developments.

Sincerely yours,

ERICA L. GROSHEN  
Commissioner

Enclosures

BLS/OEUS/OCEA/DLFS  
ALLARD/btf X16378

cc: Comm. Ofc., Nardone, Mason, Allard, R.F., D.F.

**JAN 27 2014**

The Honorable Erik Paulsen  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Congressman Paulsen:

I appreciated the opportunity to participate in the Joint Economic Committee's January 10, 2014, hearing on the Employment Situation news release. At that hearing, you asked how long it would take to reach an unemployment rate of 5.0 percent given our current rate of job growth.

The Bureau of Labor Statistics does not produce these types of estimates because calculations of this nature involve making a number of assumptions about short-term trends in the economy. However, the Federal Reserve Bank of Atlanta has developed a "jobs calculator" that allows people to answer these types of questions (available on their website at <http://www.frbatlanta.org/chcs/calculator/>). Assuming that the labor force participation rate remains at its current level, 62.8 percent, and that job growth continues to average about 180,000 jobs per month, the calculator estimates that it will take 33 months for the unemployment rate to reach 5.0 percent.

I hope you will find this information useful, and I look forward to continued discussions with you and the Committee about economic developments.

Sincerely yours,

ERICA L. GROSHEN  
Commissioner

BLS/OEUS/OCEA/DLFS  
ALLARD/btf X16378  
cc: Comm. Ofc., Nardone, Mason, Allard, R.F., D.F.