



Job Gains in the U.S. Economy

Three Years of Strong Jobs Growth

The most recent jobs report released by the Bureau of Labor Statistics (BLS), covering the month of August, represents the thirty-sixth month in a row that the U.S. economy has added jobs. Since August 2003, the U.S. economy has added 5.7 million jobs, 1.7 million in the last year alone.

In August 2006, employers added 128,000 new jobs.

Table 1: Job Creation Per Month Since 2003 (in Thousands)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2003	82	-149	-199	-68	-18	7	-19	-25	98	202	79	122
2004	122	55	346	252	267	78	38	131	177	338	133	160
2005	76	265	140	228	106	166	241	175	48	37	354	145
2006	154	200	175	112	100	134	121	128				

Data from Bureau of Labor Statistics (BLS), Seasonally Adjusted

The Jobs and Growth Tax Relief Act of 2003, which was intended to drive job growth, became effective starting July of 2003. The job gains since that date suggest this lower tax policy is working.

The unemployment rate, with some exceptions on a month to month basis due to increased labor force participation, has been trending downward over the last three years. In the most recent BLS report the unemployment rate is 4.7 percent. The economy's ability to generate new jobs is impressive both in comparison to the U.S. economy's historical performance since World War II and in comparison to other large, advanced economies.

Job Creation since 1950

The unemployment rate was low during the decades covering the 1950s and 1960s averaging 4.5 percent and 4.8 percent respectively. The average unemployment rate was higher during the 1970s (6.2 percent), 1980s (7.3 percent), and 1990s (5.8 percent).

For the period covering 2000 to 2005, the unemployment rate has averaged 5.2 percent.

Table 2: U.S. Unemployment Rate by Decade (percent)

Decade	Average	Low	High
1950-1959	4.5	2.9	6.8
1960-1969	4.8	3.5	6.7
1970-1979	6.2	4.9	8.5
1980-1989	7.3	5.3	9.7
1990-1999	5.8	4.2	7.5
2000-2005	5.2	4.0	6.0

Table from Congressional Research Service, July 10, 2006, *A Changing Natural Rate of Unemployment: Policy Issues*

The unemployment rate for August 2006, at 4.7 percent, is lower than the average for any year during the 1980s or 1970s.

U.S. Job Creation in Comparison to other Advanced Economies

The most recent report from the Organisation for Economic Cooperation and Development (OECD) provides unemployment rates for OECD countries through May, 2006. Data for Italy is reported through December 2005 when the unemployment rate was 7.7 percent. For the United Kingdom data runs through March 2006 when the unemployment rate was 5.2 percent.

As shown by the table below, among what was previously referred to as the G7 nations, only Japan has a lower unemployment rate. The OECD average unemployment rate is 6.1 percent, with the Euro area's unemployment rate at 7.9 percent.

Table 3: OECD Unemployment Rates
(percent)

	May 2005	May 2006	Change from previous year
OECD-Total	6.6	6.1	-0.5
EU15	7.9	7.4	-0.5
Euro Area	8.7	7.9	-0.8
Major Seven	6.1	5.6	-0.5
Canada	6.9	6.1	-0.8
France	9.7	8.8	-0.9
Germany	9.5	8.3	-1.2
Italy	7.7	N/A	N/A
Japan	4.4	4.0	-0.4
United Kingdom	4.7	N/A	N/A
United States	5.1	4.6	-0.5

Data from July 7, 2006 OECD standardised unemployment rate report

From the table, the Euro area is comprised of 12 nations: Austria, Belgium, Finland, France, Germany, Greece, Italy, Ireland, Luxembourg, the Netherlands, Portugal and Spain.

The EU15 includes these 12 nations as well as Denmark, Sweden, and the United Kingdom.

Conclusion

Over the last three years, the U.S. economy's capacity to create new jobs has been impressive by two different measures. First, because of 36 months of job creation the unemployment rate, at 4.7 percent, is currently low compared to the U.S. average since World War II. Second, the U.S. unemployment rate is low in comparison to other advanced economies.