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Congress of the United States
Joint Economic Committee
Democrats

109TH
CONGRESS

804 HART SENATE OFFICE
BUILDING
WASHINGTON, DC 20510-6602
202-224-0372
FAX 202-224-5568
www.jec.senate.gov/democrats

CHAD STONE
STAFF DIRECTOR

Opening Statement
Senator Jack Reed
Joint Economic Committee Hearing
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Thank you, Chairman Saxton. This is a very important hearing because it is our first look at jobs data that begin to reflect the impact of Hurricane Katrina. I want to commend Deputy Commissioner Rones for the hard work that the Bureau of Labor Statistics staff put into producing this month's employment statistics under truly extraordinary circumstances.

Obviously this month's employment report is dominated by the devastating impact of Hurricane Katrina on the Gulf coast. The human costs were tragic and the property losses staggering. For the economy as a whole, the net job losses in September were 35,000. That is substantially below what markets were expecting, which may reflect the difficulty we face in getting a clear picture of the impact of the hurricane on employment.

We don't know what this month's employment report would have looked like without Katrina, but we do know that prior to Katrina, the labor market was still feeling the effects of the most protracted jobs slump in decades. The growth in payroll employment since job losses peaked in May 2003 has been modest by the standards of most economic recoveries, and we haven't seen very many months of truly healthy job growth.

Although the unemployment rate has come down, it is still considerably higher than the 4 percent rate achieved in the expansion of the 1990s. There is evidence of hidden unemployment, with labor force participation and the fraction of the population with a job still at depressed levels.

Finally, of course, there is the disappointing performance of wages. The typical worker's earnings are not keeping up with their rising living expenses. Gasoline prices have been high and home heating costs are expected to be substantially higher this winter than they were last winter. The real wage gains we have seen in the past year or so have been concentrated in the upper reaches of the wage distribution, while real earnings in the middle and lower portions of the distribution are falling.

I am troubled by the fact that President Bush wasted little time exercising his power to lift the federal law governing workers' pay on federal contracts in the hurricane-ravaged areas. That provision, known as the Davis-Bacon Act, requires federal contractors to pay the prevailing or average wage in the region.

According to the Department of Labor, the prevailing wage for construction labor is about \$10 an hour in New Orleans, where last year the overall poverty rate was about two percentage points higher than the national average and 25 percent of children lived in poverty. It's certainly hard to take seriously the President's rhetoric about wanting to lift families out of poverty while legitimizing sub-par wages for workers rebuilding their communities on the Gulf Coast. The Davis-Bacon wage protection for workers should be restored immediately.

The American economy is resilient, and forecasters expect that reconstruction efforts in the wake of the Gulf hurricanes will stimulate a recovery in jobs from the depressed levels we see in this month's jobs report. I hope they are right.

But I also hope President Bush has noticed that many American workers do not feel they are a part of the economic recovery. That was reflected in the Conference Board's consumer confidence index, which dropped by 17.9 percent last month, its largest decline since October 1990, and in the University of Michigan's index of consumer sentiment which posted its largest drop since December 1980. Economic insecurity is not just growing, it's becoming palpable.

I look forward to Deputy Commissioner Rones' statement and to a further discussion of the September employment situation.

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