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Statement of
Keith Hall
Commissioner
Bureau of Labor Statistics
before the
Joint Economic Committee
UNITED STATES CONGRESS
Friday, February 1, 2008

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to comment on the employment and unemployment data that we released this morning.

Nonfarm payroll employment was essentially unchanged in January, at 138.1 million, as was the unemployment rate, at 4.9 percent. Employment declined in construction and in manufacturing, while the number of jobs increased in health care. In 2007, payroll employment grew by an average of 95,000 per month, compared with an average of 175,000 per month in 2006. Average hourly earnings rose by 4 cents in January, or 0.2 percent. From December 2006 to December 2007, average hourly earnings rose by 3.7 percent, compared with a rise in the Consumer Price Index for Urban Wage Earners and Clerical Workers of 4.4 percent.

Construction employment decreased by 27,000 in January, with the decline concentrated among the residential components. Construction has lost 284,000 jobs since its employment peak in September 2006; the residential components lost 315,000 jobs over that period.

Manufacturing employment fell by 28,000 in January, with small but widespread declines occurring in both durable and nondurable goods industries. Manufacturing has lost 269,000 jobs over the last 12 months. Both the factory workweek and overtime were unchanged in January, at 41.1 and 4.0 hours, respectively.

In the service-providing sector, employment in health care continued to increase in January (27,000). Over the year ending in January, this industry added 367,000 jobs, accounting for more than one-third of the growth in total nonfarm employment. In January, employment rose in ambulatory health care, which includes doctors' offices, and in hospitals.

Food services employment also continued its upward trend over the month, though employment growth in this industry has slowed recently. From November 2007 through January, food services added an average of 16,000 jobs per month; the average growth during the 12-month period ending in October 2007 was 28,000 jobs per month.

Following a large increase in December (49,000), employment in professional and technical services was little changed in January. In 2007, this industry added 335,000 jobs. Within administrative and support services, business support services lost jobs in January.

Elsewhere in the service-providing sector, retail trade employment was little changed, both over the month and over the year. Wholesale trade employment has been flat since October 2007; the industry had been adding jobs for several years. Within financial activities, employment in credit intermediation, which includes mortgage lending, continued to trend down in January and has fallen by 111,000 since its most recent high point in October 2006.

The establishment survey data released today reflect the incorporation of annual benchmark revisions, updated seasonal adjustment factors, and a minor revision to the industry classification system. Each year, we re-anchor our sample-based survey estimates to full universe counts of employment, primarily derived from administrative records of the unemployment insurance tax system. The benchmark revision caused a decrease in the level of nonfarm payroll employment in March 2007 of 293,000 (not seasonally adjusted) or 0.2 percent. Over the past 10 years, benchmark revisions have averaged plus or minus 0.2 percent.

All seasonally adjusted establishment survey data from January 2003 forward have been revised to incorporate updated seasonal adjustment factors. Another change effective with this release is an update to the 2007 North American Industry Classification System (NAICS) from the 2002 NAICS. The update to NAICS 2007 resulted in minor definitional changes. All affected historical time series data for the establishment survey beginning in January 1990 have been reconstructed based on NAICS 2007.

Turning now to some of our measures from the household survey, both the number of unemployed persons (7.6 million) and the unemployment rate (4.9 percent) were essentially unchanged over the month. However, both measures are up over the past 12 months. In January, 18.3 percent of unemployed persons had been unemployed 27 weeks and over, up from 16.2 percent a year earlier. Civilian employment rose in January (after accounting for an adjustment to the population controls used in the survey), and the employment-population ratio edged up to 62.9 percent.

Household survey data beginning in January 2008 reflect updated population controls. As part of its annual review of intercensal population estimates, the U.S. Census Bureau determined that a downward adjustment should be made to the population controls. This adjustment stems from revised

estimates of net international migration and the institutional population, along with updated vital statistics information. The updated controls would have resulted in a decline of 745,000 in the estimated size of the civilian noninstitutional population age 16 years and over for December 2007. In accordance with our usual practice, official estimates for December 2007 and earlier months will not be revised.

A comparison of December 2007 not seasonally adjusted data based on the old and new controls shows that the population adjustment caused decreases in the levels for the labor force (-637,000), employment (-598,000), and unemployment (-40,000). The unemployment rate was unaffected by the new population controls; there was a negligible impact on other percentage estimates.

To summarize January's labor market developments, payroll employment was essentially unchanged (-17,000), as was the unemployment rate at 4.9 percent.

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