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Statement of

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before the

Joint Economic Committee

UNITED STATES CONGRESS

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Madam Chair and Members of the Committee:

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

The labor market continued to weaken in May. The unemployment rate increased by half a percentage point to 5.5 percent, and jobless rates rose for most major demographic groups. Over the month, nonfarm payroll employment continued to trend down (-49,000). Thus far in 2008, job losses have totaled 324,000. In May, employment declined in construction, manufacturing, retail trade, and temporary help services. Health care continued to add jobs.

Within the goods-producing sector, employment in construction declined by 34,000. Job losses in the industry

continued to be widespread. Since its peak in September 2006, construction employment has fallen by 475,000; two-thirds of that decrease (-320,000), however, has occurred in just the past 7 months.

Manufacturing employment also continued to decline in May (-26,000). Thus far this year, monthly job losses have averaged 41,000, about twice the average monthly decline of 2007 and three times that of 2006. Over the month, job declines continued in two construction-related manufacturing industries-- wood products and nonmetallic mineral products.

Within the service-providing sector, retail trade employment declined by 27,000 in May. Since peaking in March 2007, the industry has lost 184,000 jobs. Over the month, job declines continued in department stores.

Temporary help services shed 30,000 jobs in May. Job losses have totaled 110,000 over the past 4 months and 193,000 since the industry's most recent employment peak in December 2006.

Health care employment expanded by 34,000 in May, with continued growth throughout the industry. Employment in food services continued to edge up over the month; since last fall, job growth has slowed markedly.

Average hourly earnings for production and nonsupervisory workers in the private sector rose by 5 cents, or 0.3 percent,

in May and by 3.5 percent over the past 12 months. From April 2007 to April 2008, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) rose by 4.2 percent.

Turning now to data from our survey of households, the jobless rate rose sharply in May to 5.5 percent. Unemployment rates increased for adult men, adult women, teens, whites, and blacks. The number of unemployed persons grew by 861,000 to 8.5 million, with the increase disproportionately large among 16- to 24-year olds. The over-the-month jump in unemployment reflected additional workers who had lost their jobs as well as an upsurge in new and returning jobseekers.

In May, the number of newly-unemployed persons (those jobless less than 5 weeks) increased substantially (760,000), and the number of long-term unemployed continued to rise. The number of persons that had been unemployed for 27 weeks or more totaled 1.6 million in May, up from 1.1 million a year earlier.

Over the month, the number of persons in the labor force increased by 577,000, primarily among youth, and the labor force participation rate edged up to 66.2 percent. In May, 62.6 percent of the population was employed, down four-tenths of a percentage point from a year earlier. Since May of last year, the employment-population ratio for adult men has declined by a full percentage point to 71.9 percent, while the rate for adult women has been about unchanged at 58.1 percent. The number of

persons working part time who prefer full-time employment was essentially unchanged in May at 5.2 million but has increased by 764,000 over the last 12 months.

I would note that large over-the-month changes in the seasonally adjusted estimates from the household survey can occur between April and July. There is a substantial flow of workers, particularly young workers, into the labor force during these months. The interaction of several factors--including the underlying state of the economy, the timing of the survey reference week each month, and school schedules--can impact the month-to-month movement in our various labor market measures. While we always caution against reading too much into a single month's data, that is particularly the case at this time of year.

To summarize May's labor market developments, the jobless rate rose to 5.5 percent, the highest since October 2004, and nonfarm payroll employment continued to trend down.

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