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THE EMPLOYMENT SITUATION: MARCH 2014

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BEFORE THE

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CONGRESS OF THE UNITED STATES

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THE EMPLOYMENT SITUATION: MARCH 2014

FRIDAY, APRIL 4, 2014

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The committee met, pursuant to call, at 9:32 a.m. in Room 216 of the Hart Senate Office Building, the Honorable Erik Paulsen, presiding.

Representatives present: Paulsen, Hanna, Cummings, Delaney, and Carolyn B. Maloney of New York.

Senators present: Klobuchar.

Staff present: Ted Boll, Gail Cohen, Connie Foster, Niles Godes, Paige Halen, Colleen Healy, J.D. Mateus, Patrick Miller, Robert O'Quinn, and Andrew Silvia.

OPENING STATEMENT OF HON. ERIK PAULSEN, PRESIDING CHAIRMAN, A U.S. REPRESENTATIVE FROM MINNESOTA

Representative Paulsen. We'll call the Joint Economic Committee to order. Vice Chair Klobuchar is not here yet, but Members and Commissioner Groshen:

Chairman Brady went to Dallas this morning to attend the funeral of Ray Hutchinson, the Chairman's friend and also the husband of the former Senator Kay Bailey Hutchinson. In Chairman Brady's absence, he asked me to preside at this hearing this morning. I was hoping we would have a little bit of the Minnesota Mafia starting off the hearing this morning. Senator Klobuchar will be here shortly, though.

The recovery that began in June 2009 is now nearly five years old. Yet, a NBC News/Wall Street Journal poll last month found that 57 percent of Americans still think the economy is in a recession. This is likely due to the persistent weakness in our labor market.

The fact that nonfarm payrolls increased by 192,000 and the official unemployment rate remained unchanged at 6.7 percent last month is positive news, but it is simply not enough.

I agree with Federal Reserve Chair Janet Yellen's recent assessment of our economy. In a speech on Monday at the 2014 National Interagency Community Reinvestment Conference, she said, "[w]hile there has been steady progress, there is also no doubt that the economy and the job market are not back to normal health."

By several measures, the recovery from the most recent recession is far below the average of prior recoveries over the last 50 years. Here at the Joint Economic Committee we often refer to that as the Growth Gap.

Since the recession ended in June 2009:

Real GDP growth is a cumulative 9 percentage points below the average recovery;

Private payroll employment growth is more than 5 percentage points below the average recovery; and

The real disposable income of a family of four grew by $13,032 less than it did during an average recovery. Clearly our economy is underperforming, and we should be doing better than five consecutive years of below average.

In her speech, Chair Yellen cited a number of statistics indicating that our labor market is weaker than the official unemployment rate would suggest. For example: More than seven million people are working part-time even though they would prefer full-time jobs.

The falling unemployment rate has not sparked a significant increase in real wages. Real average weekly earnings for all private, nonfarm employees are up by less than 1 percent since the recession ended.

Nearly 36 percent of the unemployed have been unemployed six months or longer. I'll say that again: More than one-third of the unemployed in this country have been unemployed for six months or more.

The labor force participation rate has fallen from 66 percent in December 2007 to 63.2 percent, and only half of this decline may be attributable to demographic factors.

Some may blame the housing bubble, its collapse and the ensuing financial panic for this persistent weakness in our labor market. While the collapse of the housing bubble undoubtedly has some lingering effects, it is not the main factor, let alone the only factor, for this weakness.

What is unique about this recovery is the combination of the economic policies that the President has pursued.

From 1982 to 2000, federal spending declined as a percent of GDP, and the private sector created more than 37 million jobs. Under President Obama, federal spending reached a post-World War II high of 24.4 percent of GDP and remains above its postwar average of 18.9 percent of GDP.

Presidents Kennedy and Reagan passed tax cuts that encouraged new business investment. This Committee has shown a strong correlation between new business investment and the creation of new private-sector jobs. In contrast, President Obama increased taxes on successful small businesses, capital gains, and dividends.

Presidents Reagan and Clinton took a balanced approach toward environmental, health, and safety regulations. In contrast, the Obama Administration has pursued an aggressive agenda of regulation without carefully weighing costs and benefits.

Presidents Reagan, Kennedy, and Clinton opened new markets to American products through international trade agreements. There are several trade opportunities on the horizon that are proven job creators, but the Administration has not yet fully engaged on this issue. There's been bipartisan support for trade in the past, and I am confident that there is bipartisan support in Congress for trade agreements today.

Presidents Kennedy, Reagan, and Clinton did not burden a weak economy with costly new entitlement programs. In contrast, President Obama pushed forward the Affordable Care Act through Congress on party-line votes.

The President's health care law has increased uncertainty, raised taxes by nearly half a trillion dollars, undermined the medical device industry that is so important to our home State of Minnesota—as Senator Klobuchar knows—and has caused millions of Americans to lose access to some of the doctors and health insurance plans that they liked.

The economic policies that America needs now are well known: stable prices, a gradual decline in federal spending as a percent of GDP, tax reform that encourages new business investment, balanced regulation, and trade liberalization.

It is the best way to strengthen our economy, create good jobs, and boost the wages of hardworking Americans; and it is time that the Administration work together with both Republicans and Democrats to move our country forward.

With that, Commissioner Groshen, I look forward to your testimony, but Senator Klobuchar has arrived so I recognize the Vice Chair for her opening statement.

[The prepared statement of Hon. Erik Paulsen appears in the Submissions for the Record on page 18.]

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

Vice Chair Klobuchar. Well thank you very much. Sorry I was a few minutes late. I was in a dentist's chair—can you kind of tell? Well, all right. But how much more fun to be here with all of you.

[Laughter.]

It is great to be here with Representative Paulsen chairing this hearing, as well as Commissioner Groshen. It's good to see you again. And I would like to welcome Sandy Mason who is the Assistant Commissioner for the Office of Current Employment Analysis.

I am pleased we are having this hearing on the monthly employment situation. I think we all know these hearings give us an opportunity to dig deeper into the numbers, March, as we discuss a gain of 192,000 total nonfarm gains with all of these job gains in the private sector—something we like to hear.

Recent economic news, as we know, has been encouraging. The economy has grown for 11 straight quarters, and the 2.6 percent GDP growth over the course of 2013 exceeds the gains in 2011 and in 2012.

Manufacturing, which is the engine of innovation and generates 90 percent of all patents, has rebounded, adding more than 600,000 jobs since February of 2010.

Exporting has been another bright spot, with exports growing in each of the past four years, and exceeding the prerecession peak.

All of this is good news, and I think we all know that we have a lot of room to go, but we also have accomplished much in terms of the private sector adding jobs.

I think back to the first half of 2009 when we shed more jobs in this country. We were losing jobs at a rate of 700,000 per month. We shed more jobs in one month than there are people in Vermont.

Five years later we are now adding jobs. We have recorded 49 straight months, as you can see from that graph, 49 straight months of private-sector job growth. And with this month's gain of 192,000 private-sector jobs, we have now regained all of the 8.8 million private-sector jobs that were lost during the recession.

So this is the month that we finally have gotten to where we were, and now I hope we are going to expand from there.

The number of unemployed workers per job opening has decreased from nearly 7 in July 2009 to 2.6 in January of 2014, approaching the prerecession level of roughly 2 unemployed workers for every job opening.

The unemployment rate currently is at 6.7 percent and is down nearly a full percentage point from last March when it was 7.5 percent. The unemployment rate is better than average at 4.8 percent in the State of Minnesota.

For most workers, the job market is better today than it has been in years, but we all know that recovery has not reached everyone, particularly the long-term unemployed, those who have been out of work for more than six months.

Nearly 4 million Americans, over one-third of unemployed workers, have been out of work for more than six months. As this Committee has discussed, long periods of joblessness do significant damage to affect workers' future earnings and to our Nation's productivity.

I am pleased that the Senate is moving forward on Monday to pass an extension of Unemployment Insurance, and I hope the House will act as well.

It would help people like Linda and her husband from Little Falls, Minnesota, who lost their jobs, are both over 55, and who need some support as they continue to look for work.

Linda wrote me recently, urging Congress to extend unemployment. She wrote: "I feel like the people who are still jobless are being forgotten."

We've got to approach this issue from all sides. Obviously there are openings in some parts of the country, and in certain industries, and we need to make sure the workers are trained to do those jobs. That is a major part of this, is the skills' training.

The second part of it is to continue to increase our exports. The third part of it is to get more kids to go into math and science and engineering and technology.

The next is immigration reform, which I think would be very helpful to the economy, as the numbers have shown, in decreasing the debt by $160 billion in ten years, nearly $700 billion in ten years, according to the CBO.

One of the things that I'll want to ask you, Commissioner Groshen, is just about the unemployment with Veterans, with young people, where we are as we move forward on that. We have made some improvement, with more to go.

Our focus should be on long-term policies that create jobs in the short term, while laying the groundwork for prosperity in the long term. I am very much looking forward to hearing about the numbers today, and to get some analysis from all of you.

Thank you very much. Thank you, Chairman Paulsen.

Representative Paulsen. Well thank you. Erica Groshen is the 14th Commissioner of the Bureau of Labor Statistics. Prior to joining the BLS, she was Vice President in the Research and Statistics Group at the Federal Reserve Bank of New York. She has also been a Visiting Assistant Professor of Economics at Columbia University, and a Visiting Economist at the Bank for International Settlements in Basil, Switzerland.

She earned a Ph.D. in Economics from Harvard University, and a Bachelor's Degree in Economics and Mathematics from the University of Wisconsin-Madison. I was a mathematics major, as well, so welcome back to the Committee and you are recognized for five minutes, Commissioner Groshen.

STATEMENT OF HON. ERICA L. GROSHEN, COMMISSIONER, UNITED STATES DEPARTMENT OF LABOR, WASHINGTON, DC; ACCOMPANIED BY: DR. MICHAEL HORRIGAN, ASSOCIATE COMMISSIONER FOR PRICES AND LIVING CONDITIONS; AND MS. SANDRA L. MASON, ASSISTANT COMMISSIONER FOR CURRENT EMPLOYMENT ANALYSIS

Commissioner Groshen. Thank you, Mr. Chairman.

Mr. Chairman and Members of the Committee, thank you for the opportunity to discuss the employment and unemployment data that we released this morning.

Nonfarm payroll employment rose by 192,000 in March, and the unemployment rate was unchanged at 6.7 percent. Employment increased in professional and business services, in health care, and in mining and logging.

Incorporating the revisions for January and February which increased total nonfarm employment by 37,000 on net, monthly job gains have averaged 178,000 over the past 3 months. In the past 12 months prior to March, employment growth averaged 183,000 per month.

All of the net job growth in March occurred in the private sector which has now exceeded its employment level in December 2007 when the most recent recession began.

So this is a milestone.

The private sector lost 8.8 million jobs during the job market downturn, and it has now gained 8.9 million jobs since the employment low in February 2010.

However government employment is down since the recession began, and therefore total nonfarm employment remains below its December 2007 peak.

In March, employment in professional and business services rose. It rose in line with the prior 12-month average. Within the industry, temporary help services added 29,000 jobs in March.

Health care employment rose by 19,000 in March with gains in ambulatory services. In the prior 12 months, job growth in health care had averaged 17,000 per month, with most of the growth occurring in ambulatory care.

Employment in mining and logging rose by 7,000 in March, led by gains in support activities for mining.

Employment in food services and drinking places continued to trend up in March. This industry has added 323,000 jobs over the year.

Employment continued to trend up in construction in March, and is up by 151,000 over the past 12 months.

Employment in other major industries—including manufacturing, wholesale trade, and retail trade—changed little in March.

Average hourly earnings of all employees on private nonfarm payrolls edged lower by 1 cent in March, after rising by 9 cents in February. Over the past 12 months, average hourly earnings have risen by 2.1 percent. In comparison from February 2013 to February 2014, the Consumer Price Index rose by 1.1 percent.

In March, the average workweek for all employees increased to 34.5 hours, offsetting a net decline over the prior 3 months.

Turning now to our survey of households, the unemployment rate at 6.7 percent was unchanged in March, and the number of unemployed persons remained at 10.5 million.

The number of unemployed persons who had been jobless for 27 weeks or more was also little changed. These individuals accounted for 35.8 percent of the unemployed.

Both the civilian labor force and total employment increased in March. The labor force participation rate and the employment to population ratio though changed little over the month.

Among persons who were neither working nor looking for work in March, 2.2 million were classified as marginally attached to the labor force. And this is little changed from a year earlier.

The number of discouraged workers who believed that no jobs were available for them edged down over the year to 698,000 in March.

In summary, employment rose by 192,000 in March, and the unemployment rate was unchanged at 6.7 percent.

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

[The prepared statement of Commissioner Erica L. Groshen appears in the Submissions for the Record on page 19.]

Representative Paulsen. Thank you, Commissioner.

Federal Reserve Chair Janet Yellen earlier this week gave a speech in which she listed signs of weakness in the U.S. labor market that indicate conditions are worse than the unemployment rate suggests.

Chair Yellen, among other things, specifically mentioned the meager increases in labor compensation, an average of little more than 2 percent a year since the Recession, and the large number of part-time workers of more than 7 million, as you referenced as well, who want full-time work, many more than one would expect when you have a 6.7 percent unemployment rate.

Could you explain why, and give some thoughts about why the unemployment rate does not convey the same extent of weakness as these other labor market indicators might show?

Commissioner Groshen. The employment situation contains—the release that we released today, contains I think it's over 1,000 numbers in them, all of which give you different perspectives on what is going on in the labor market. So no one particular number is going to be able to convey all facets of what is the largest market in the country.

So it is really important for educated users like yourselves to look at many different measures, as Janet Yellen has done as well. And some part of the answer to the question lies in not only what the numbers have been doing lately, but also how they are compared to what is normal for the economy for what are pre-Recession levels.

So that is all to preface saying that we have had a lot of improvement lately since the Recession was over, but we have not made—we have not fully returned to pre-Recession levels.

Representative Paulsen. Yes.

Commissioner Groshen. So, for example, the number of people who are part-time for economic reasons, who would like a full-time job but who do not have one, or who have had their hours cut, has come down dramatically since the Recession began, but it is still much higher than its pre-Recession levels. And this is a measure of under-utilization of labor in the economy, and those continue to be high.

Even the unemployment rate, although it has come down a lot, is still much higher than its pre-Recession levels.

Representative Paulsen. Do you have some thoughts on why those indicators might be so weak, those other indicators might appear more weak?

Commissioner Groshen. Well, I guess we at the BLS are more about counting the way things are than, you know, measuring the current conditions than on actually dividing this up. But we know that the labor market is large and complex, and so what happens when you have this big decline in aggregate demand is that this under-utilization of labor goes into many different ways. It goes into people working fewer hours. It goes into more people unemployed. It goes—it spreads through all different parts of the labor market, and it takes awhile for all of these different parts of the labor market to return.

Representative Paulsen. Maybe you could explain, too, the linkage that exists between private investment and economic growth on the one hand, and then on the other hand labor demand, employment, and the labor force participation rate.

Commissioner Groshen. Well, we know we have had a lot of—there has been a very—during the Recession we had—the biggest hit in the Recession immediately was a big increase in job destruction.

We had a huge number of layoffs of workers. At the same time, we had a slowing in the hiring. We have now returned to normal in our job destruction rates by most measures. What has not returned to normal have been the job creation rates. Job creation rates have not been high enough to absorb all of the slack that has remained in the labor market.

Representative Paulsen. Is it fair to say that the slower economic growth we've had is the root cause of the labor market problems? And that the unemployment rate has been declining mostly because more and more people are disengaged from the labor market?

Commissioner Groshen. I—so going to the labor force participation, about—the estimates are that about half of the decline in the labor force participation rate is due to demographic factors. So that would not be associated with the slowdown.

About half of the remaining part—and this is work being done largely in the Federal Reserve, rather than at the BLS—estimates there are that about half of the remaining part is due to changing behavior of various demographic groups. For example, young people enrolling in college more and staying in high school longer; and women no longer increasing their labor force participation rates.

The remaining quarter seems to be associated with the downturn in the economy, with the assumption that when the economy—as the economy improves, that part will generally go away. And so we will see at least a slower decline in labor force participation.

So not that much of decline in participation by these estimates is due to the slower economy.

Representative Paulsen. Thank you, Commissioner.

With that, Vice Chair Klobuchar is recognized for five minutes.

Vice Chair Klobuchar. Thank you very much. Thank you, and also welcome to you, Dr. Horrigan.

As we have talked about, there have been some improvements. I think the last few months, looking at our weekly/monthly reports, were affected somewhat by the cold weather. Did that have a negative impact the last few months, Ms. Groshen, as I look at 10 more inches of snow in Minnesota as we speak this morning?

Commissioner Groshen. Yes. We see some—we definitely see some evidence that is consistent with the weather having had an impact on the last few months of the employment reports, particularly in hours.

So we have now—in March, we recovered most of the decline in hours that we were seeing. So that is the clearest part.

The impact on job creation is a little harder to judge.

Vice Chair Klobuchar. I just think it had a very temporary effect over the last few months. The Recession was especially tough on younger workers, we know that, who were faced with very high levels of unemployment, and older workers who faced longer durations of unemployment.

What is the unemployment rate for workers who are like 20 to 24 years old? And how about the long-term unemployment rate for them?

Commissioner Groshen. So the unemployment rate for 20 to 24-year-olds declined over the year from 13.3 percent to 12.2 percent in March. And of those people in that age range, 31 percent were unemployed long term for 27 weeks.

Vice Chair Klobuchar. Do you know—and you may not have this right now; you can get it to me later—but what it was pre-Recession, like the year before the Recession? That age group?

Commissioner Groshen. Much lower. Let me see if I've got it here.

Vice Chair Klobuchar. Okay. That's okay. We'll get it. But you think it was lower.

Commissioner Groshen. Yes.

[Commissioner Erica L. Groshen's response to Vice Chair Klobuchar's question appears in the Submissions for the Record on page 23.]

The unemployment rate was 7.7% in March of 2007, before the recession, and 13 percent of the unemployed had looked for work for 27 weeks or longer.

Vice Chair Klobuchar. It's something we clearly have to be focused on. Older workers? What's the unemployment rate for workers 55 and older?

Commissioner Groshen. 4.7 percent.

Vice Chair Klobuchar. Wow. Okay. And did that improve over the last year, too?

Commissioner Groshen. Yes. It was 5.5 percent a year ago.

Vice Chair Klobuchar. And do you know how that was in pre-Recession?

Commissioner Groshen. It was 3.2% in December 2007 when the recession began.

Vice Chair Klobuchar. Women now have about a half a million more jobs than when the Recession began, while men still need to add over a million jobs to return to the December 2007 level. Is that right?

Commissioner Groshen. Yes, it's about a million jobs for men.

Vice Chair Klobuchar. So I think they call it the "mansession"?

[Laughter.]

And I still think we have an issue, and I touched on this, with the long-term unemployed, we have an issue with some of the wages that people make; that even though they have jobs, that they are not able to support their families.

And one of the ways we know works here is education. A two-year or a four-year college degree makes a big difference. What is the unemployment rate for college graduates right now?

Commissioner Groshen. Um, let's see.

[Pause.]

Let me see if we've got that.

[Pause.]

Vice Chair Klobuchar. That's okay. You can give it to me later. I'm just trying to see—I used to ask this every month to try to get where we were in relation——

Commissioner Groshen. Oh, here we go. Unemployment rates. Got it. For college graduates, 3.7 percent.

Vice Chair Klobuchar. Okay. And then do you know what it is for high school, or even for people who didn't complete high school?

Commissioner Groshen. 7.5 percent for high school graduates with no college, and 11 percent for those without a high school diploma.

Vice Chair Klobuchar. Okay. And have there been any trends on that over the last few years?

Commissioner Groshen. All of these have been declining since the Recession was over.

Vice Chair Klobuchar. And how about the Veteran unemployment rate? We've had a major focus all across the country, really, on private employers focusing on trying to employ some of our post-Gulf War II Era Veterans and trying to make sure that we are getting people employed that left, especially while the numbers were—when they left, the numbers were high, and then the Recession happened and they had trouble getting employed. Where is it now for Veterans?

Commissioner Groshen. Well focusing on the unemployment rate for Gulf War Era II Veterans, that is at 6.9 percent in March.

Vice Chair Klobuchar. Oh, yes, that has improved I think.

Commissioner Groshen. Yes.

Vice Chair Klobuchar. Do you know where it was before?

Commissioner Groshen. Oh, yeah. Last month it was 9.2 percent, so this is a huge drop—although these numbers can be somewhat volatile.

Vice Chair Klobuchar. Yes, they are a smaller group of people. I just was thinking more over the long term it has improved because it was for many years—so it is around the same as our Nation's unemployment rate.

Commissioner Groshen. Yes, yes.

Vice Chair Klobuchar. That is a big shift, because for a long time it was a number of percentage points above the Nation's unemployment rate.

Commissioner Groshen. Yes.

Vice Chair Klobuchar. So this is probably some of the best news out of the report. So thank you, very much.

I think I am out of time. I had one last question on rural areas. Is there a difference in unemployment numbers between rural and urban?

Commissioner Groshen. Yes, there is. And I think I have this—okay. Yes, the unemployment rate for urban areas was 7.5 percent; but for rural areas it was 6.7 percent. So lower in the rural areas than urban areas.

Vice Chair Klobuchar. That is surprising. Okay, thank you very much. I appreciate it.

Commissioner Groshen. You're welcome.

Representative Paulsen. Mr. Hanna is recognized for five minutes.

Representative Hanna. Thank you. Thank you, very much.

There is a purported skill, or education job gap, and it is suggested that it poses a hindrance to employment and may relate to a decline in labor force participation rate, and the employment-to-population ratio.

When the economy is growing at a healthy pace and demand for labor is strong, are skill differentials as great a factor in getting a job offer as when there is excessive labor? Perhaps that is a subjective question, but—I mean, it is, but if you have any ideas I'd appreciate it.

Commissioner Groshen. Generally speaking, the lower skilled people have bigger increases in their unemployment rate during recessions than higher skilled people. So it's possible that the wages of higher skilled people and employment of higher skilled people are preserved much more than lower skilled people during recessions.

Representative Hanna. So using that suggestion, do you believe that we have a long-term structural problem in terms of what Senator Klobuchar referred to in terms of matching those skills up and education? And therefore is it somehow something that is structural in a way that we have to respond to differently than we are? And are many of these people permanently displaced? Do you see some change in that? Does the demand in a growing economy help that, whatever you think.

Commissioner Groshen. Sure. So generally speaking the BLS does not have data about the specific skills required for job vacancies that employers are trying to fill. However, we would say that from what we can see there does not appear to be a larger than normal mismatch between the skills employers are seeking and those that job seekers have.

One of the reasons why we say this is because we have not seen an increase in wages. And that is what you would—that is what you would expect if you had a big, sudden mismatch in what the employers—between what employers were demanding and the skills that workers had.

You would see an increase in wages for those workers who had those skills. So we are not seeing that.

Representative Hanna. But other things could be the reason for that, as well. I mean, you are talking about basic supply and demand, but wage growth in general has been relatively stagnant in some areas, even in the decline.

Commissioner Groshen. That's right. But if you had some employers who were—you know, a group of employers who really wanted to get workers with a certain skill, you would expect that they would start hiring, they'd start poaching each other's workers. And in response, employers would then raise their wages to be able to retain them.

Representative Hanna. Thank you. Perhaps this has been asked, but do you think that the—there has been some conversation about there is a population in our country that has not really been well prepared for retirement. We know that. And even young people going towards—50-year-olds, and 55-and-older, are not prepared. We have seen a lot of elderly old people that might otherwise wish to be retired, or not, engaging in the laborforce. And there is also suggestion that there is a displacement because of that for younger people who might enter that same workforce, for those same jobs.

Would you talk a little about that, if you actually think that is the case? Or what that maybe will look like on the ground?

Commissioner Groshen. The increase in labor force participation amongst older workers seems to be an important—well, an important part of that may be that the jobs that they are in are increasingly ones that one can do later in life. So they are less likely to be blue collar jobs where the physical demands become difficult for people at older ages.

So this is seen as one of the most—you know, an important factor in an increasing participation rate for the elders.

Representative Hanna. Well wouldn't those same jobs be the ones that people entering the workforce would also be likely to take?

Commissioner Groshen. Usually the sort of crowding out that people think about is not, you know—internationally has not been seen as that much of a factor in whether or not you have overall wage and employment growth.

Usually when you have a growing economy, then you can accommodate all the workers who come in.

Representative Hanna. So growth helps everyone.

Commissioner Groshen. Growth helps everyone.

Representative Hanna. Thank you.

Representative Paulsen. Thank you. Mr. Cummings is recognized for five minutes.

Representative Cummings. Thank you, very much.

Commissioner, while the unemployment rate among African Americans had been declining, last month it increased to 12.4 percent. Why did the rate of unemployment for African Americans increase in March? Do you have any idea? Do the numbers tell us anything?

Commissioner Groshen. Yeah. It didn't—while it did increase, so our point estimate of it went up, this is based on a small enough sample, unfortunately, that it is not statistically significant. So my best guess is that this is noise around a high level. I mean, clearly the unemployment rate for African Americans is very high. But this particular tick up is probably noise, although it will take another couple of months for us to see if it sticks or goes higher.

Representative Cummings. Well when we are looking at the situation with Latinos, we see the unemployment rate has gone down significantly. Is that accurate?

Commissioner Groshen. Not in this particular month.

Representative Cummings. But overall?

Commissioner Groshen. But it has been—the change over the year is a decline of 1.3 percentage points; whereas the decline for Black and African Americans is .08 of a percentage point.

Representative Cummings. So today's jobs report shows that in March the unemployment rate for Hispanic workers is 7.9 percent? Is that right?

Commissioner Groshen. That's right.

Representative Cummings. And 5.2 percentage points lower than the peak?

Commissioner Groshen. Let's see. For—let's see.

Representative Cummings. The peak I think was 16.8.

Commissioner Groshen. Well, for Hispanics I have a decline of 4.3 percent since January '09.

Representative Cummings. That is significant, is it not?

Commissioner Groshen. Yes.

Representative Cummings. And do we know why that is? I mean, do the numbers tell us anything?

Commissioner Groshen. Well this is consistent with what has been happening with all of—you know, throughout the labor market. And since they had a particularly large increase in unemployment over the course of the Recession, then they would expect them to have a larger decrease when the labor market returns to normal.

Representative Cummings. You know, I was at the University of Maryland Law School, which is where I went to school, and they were telling me that law schools throughout the country are having less and less people apply. And they said there were reasons for that, and one being people do not have the money; and two, they do not see the jobs.

I always ask this question when you all come in: For somebody watching this right now who does not have a job, what would you tell them? I mean, are there certain areas of the country that are doing well? What areas might one who graduated from high school, or getting ready to enter college, want to go into?

Because I think more and more people are concerned that when they get out of college they will not have a job. So based upon the numbers—I know you do not give a lot of advice—but just putting the numbers out there, what would you say to young people who are trying to figure out their way? And who do not want to go back and live with their mother and father after they get out of college?

Commissioner Groshen. Well the main advice I would give them is to get a good education; that there is one thing that is under people's control and has a very important role in determining people's unemployment rate, is how much education they have. So that would be the main thing.

And then the choice of industry makes a difference. We project that occupations and industries related to health care will add the most new jobs over the next 10 years. So we think health care and social assistance jobs, we project them to add nearly a third of all new jobs, 5 million of the 15.6 million total jobs expected to be added between now and 2022.

We also actually project large gains in construction jobs, primarily to reflect recovery from the very severe downturn that we had in construction jobs.

Representative Cummings. Are there any particular regions of the country that you would tell them that they might want to travel to?

Commissioner Groshen. Well of late the regions that have had most—the most job growth have been in the South and the West. So for instance the average, let's see, the average change in employment in the South, the South has been adding about 49,000 jobs per month from June 2009 to February 2014 and the West has been adding 32,000 jobs per month. So these are the areas where we have seen most of the job growth regionally.

Representative Cummings. Thank you, very much.

Commissioner Groshen. You're welcome.

Representative Paulsen. Mr. Delaney is recognized for five minutes.

Representative Delaney. Thank you, Mr. Chairman.

And thank you, Commissioner, for being here today to provide what I view as a positive report with a fair amount of evidence that things are getting back on track after a winter slowdown. And there was some very good news in the numbers you reported—not that there is not a lot for us to do, but certainly some good things to build upon.

My question is in keeping with my friend and colleague's theme of, of—mine are more kind of direct questions as opposed to advice—is trying to disaggregate some of this data.

Do you compile any analysis of how jobs break down between low, middle, and high skilled in terms of their profile? Now those are obviously subjective categorizations, but do you disaggregate any of your data along those lines? And if so, can you observe any trends that are relevant?

Commissioner Groshen. Okay, let's see.

[Pause.]

I am looking for . . .

Representative Delaney. Or while you are looking for that, I will add another question which is related, which is: The concern I have is obviously the headline unemployment number, and kind of subsidiary numbers that flow from that, are largely affected by choices people are making about the type of jobs they want to pursue.

Do you compile any data about trends in the standard of living of average jobs, which would effectively be an aggregation of the low, middle, and high skilled composite, if you will?

Commissioner Groshen. Yes, let me try—yes. So we have—let's see.

Representative Delaney. If it's easier, you can get me the information after the fact.

Commissioner Groshen. Right.

Well, so what we have been finding is that the largest over-the-year employment increases have come in professional and business services. And this industry has a relatively high earnings.

Representative Delaney. Right. And high skills.

Commissioner Groshen. And high skills, right.

Representative Delaney. So those are growing.

Commissioner Groshen. Yes. But the next highest job gains occurred in the industry which has the lowest average hourly earnings, leisure and hospitality. So we are having growth at both ends of the spectrum.

Representative Delaney. So would that lead us to conclude that we continue to see this kind of barbell job creation where we are creating high-skill jobs at a decent rate, reflecting kind of the country's competitiveness position in industries like technology, medical devices, et cetera, et cetera? And that the income driven by those high-skill jobs is actually creating a fair amount of low-skill jobs. But we continue to see a hollowing out, if you will, of the middle-skill jobs? Would the data suggest that is continuing, or decelerating, or accelerating?

Commissioner Groshen. I would say it is continuing, certainly by industry. It is a little more mixed by occupation.

Representative Delaney. Got it. And a related point, you talked about this ratio, this kind of framing the job destruction rate over the job creation rate.

Commissioner Groshen. Yes.

Representative Delaney. The impact of technology on the workforce here is obviously fairly profound as it relates to those two statistics, the job creation rate and the job destruction rate. Obviously technology is destroying a lot of jobs, and technology is also creating a lot of jobs.

Do you have a view as to what that ratio is based on technology? And is it changing? In other words, is technology creating more jobs relative to the number it is destroying? Or is it going the other way? Do you have a view on that?

Commissioner Groshen. Well the simplest question is that by and large it is balanced. Within any net job change that we observe for the economy as a whole, the amount of churn in the U.S., in this dynamic U.S. economy that we have, is very high.

So we will, you know, for every job, every net job we create, we probably destroy eight or nine jobs. And we have a huge number of—at the same time, we have a huge number of jobs being created, you know, nine gross jobs for every eight jobs.

Representative Delaney. Got it.

Commissioner Groshen. So getting back to one of the questions you had, the STEM jobs, if we want to focus on those, have grown much faster than total employment during this time. They grew at 5.1 percent between 2009 and 2013, while total employment grew by just 1.5 percent.

So certainly our demand for STEM jobs is much faster than for other jobs.

Representative Delaney. We may follow up with some more specific questions on some of that. Thank you.

Commissioner Groshen. You're welcome.

Representative Paulsen. Thank you, Commissioner, for taking the time to be here with your team and testifying this morning. I know that Senator Klobuchar and I are getting ready to head back to several inches of snow in Minnesota, and we thank everyone for being here this morning. The Committee is adjourned.

(Whereupon, at 10:16 a.m., Friday, April 4, 2014, the hearing in the above-entitled matter was adjourned.)

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF HON. ERIK PAULSEN, PRESIDING CHAIRMAN, JOINT ECONOMIC COMMITTEE

Vice Chair Klobuchar, Members, and Commissioner Groshen:

Chairman Brady went to Dallas this morning to attend the funeral of Ray Hutchinson, the Chairman's friend and the husband of former Senator Kay Bailey Hutchinson. In Chairman Brady's absence, he asked me to preside at this hearing.

The recovery that began in June 2009 is now nearly five years old. Yet, a NBC News/Wall Street Journal poll last month found that 57% of Americans still think the economy is in a recession. This is likely due to the persistent weakness in our labor market.

The fact that nonfarm payrolls increased by 192,000 and the official unemployment rate remained unchanged at 6.7% last month is positive news, but it's simply not enough. I agree with Federal Reserve Chair Janet Yellen's recent assessment of our economy. In a speech on Monday at the 2014 National Interagency Community Reinvestment Conference, she said, "[w]hile there has been steady progress, there is also no doubt that the economy and the job market are not back to normal health."

By several measures, the recovery from the most recent recession is far below the average of prior recoveries over the last 50 years. Here at the Joint Economic Committee, we often refer to that as the Growth Gap. Since the recession ended in June 2009,

- Real GDP growth is a cumulative 9 percentage points below the average recovery;
- Private payroll employment growth is more than 5 percentage points below the average recovery; and
- The real disposable income of a family of four grew by $13,032 less than it did during an average recovery.

Clearly, our economy is underperforming. We should be doing better than five consecutive years of below average.

In her speech, Chair Yellen cited a number of statistics indicating that our labor market is weaker than the official unemployment rate would suggest. For example,

- More than seven million people are working part-time even though they would prefer full-time jobs.
- The falling unemployment rate has not sparked a significant increase in real wages. Real average weekly earnings for all private, nonfarm employees are up by less than 1% since the recession ended.
- 35.8% of the unemployed have been unemployed six months or longer. I'll say that again. More than one-third of the unemployed in this country have been unemployed for six months or more.
- The labor force participation rate has fallen from 66.0% in December 2007 to 63.2%. Only half of this decline may be attributable to demographic factors.

Some blame the housing bubble, its collapse, and the ensuing financial panic for this persistent weakness in our labor market. While the collapse of the housing bubble undoubtedly has some lingering effects, it is not the main factor, let alone the only factor, for this weakness.

What is unique about this recovery is the combination of the economic policies that President Obama has pursued:

- From 1982 to 2000, federal spending declined as a percent of GDP, and the private sector created more than 37 million jobs. Under President Obama, federal spending reached a post-World War II high of 24.4% of GDP and remains above its postwar average of 18.9% of GDP.
- Presidents Kennedy and Reagan passed tax cuts that encouraged new business investment. This Committee has shown a strong correlation between new business investment and the creation of new private-sector jobs. In contrast, President Obama increased taxes on successful small businesses, capital gains, and dividends.
- Presidents Reagan and Clinton took a balanced approach toward environmental, health, and safety regulations. In contrast, the Obama Administration has pursued an aggressive agenda of regulation without carefully weighing costs and benefits.
- Presidents Kennedy, Reagan, and Clinton opened new markets to American products through international trade agreements. There are several trade opportunities on the horizon that are proven job creators, but the Administration has not fully engaged on this issue. There's been bipartisan support for trade

in the past, and I'm confident that there's bipartisan support in Congress for trade agreements today.

- Presidents Kennedy, Reagan, and Clinton did not burden a weak economy with costly new entitlement programs. In contrast, President Obama pushed the Affordable Care Act through Congress on party-line votes.
- The President's health care law has increased uncertainty, raised taxes by nearly half a trillion dollars, undermined the medical device industry that is so important to my home state of Minnesota, and caused millions of Americans to lose access to the doctors and health insurance plans they liked.

The economic policies America needs now are well known—stable prices, a gradual decline in federal spending as a percent of GDP, tax reform that encourages new business investment, balanced regulation, and trade liberalization.

It's the best way to strengthen our economy, create good jobs, and boost the wages of hardworking Americans; and it's time that the Administration work with Republicans and Democrats in Congress to move our country forward.

With that, Commissioner Groshen, I look forward to your testimony.

PREPARED 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.

Nonfarm payroll employment rose by 192,000 in March, and the unemployment rate was unchanged at 6.7 percent. Employment increased in professional and business services, in health care, and in mining and logging.

Incorporating the revisions for January and February, which increased total nonfarm employment by 37,000 on net, monthly job gains have averaged 178,000 over the past 3 months. In the 12 months prior to March, employment growth averaged 183,000 per month.

All of the net job growth in March occurred in the private sector, which now has exceeded its employment level in December 2007, when the most recent recession began. The private sector lost 8.8 million jobs during the labor market downturn and has gained 8.9 million since the employment low in February 2010. However, government employment is down since the recession began (−535,000), and therefore total nonfarm employment remains below (−422,000) its December 2007 level.

In March, employment in professional and business services rose (+57,000) in line with the prior 12-month average. Within the industry, temporary help services added 29,000 jobs in March. Employment growth in temporary help services had averaged 20,000 per month in the prior 12 months.

Health care employment rose by 19,000 in March, with gains in ambulatory health care services (which includes home health care and outpatient care centers). In the prior 12 months, job growth in health care had averaged 17,000 per month, with most of the growth occurring in ambulatory care. In March, nursing care facilities lost 5,000 jobs.

Employment in mining and logging rose by 7,000 in March, led by gains in support activities for mining (+5,000). Mining and logging has added 38,000 jobs over the year.

Employment in food services and drinking places continued to trend up in March (+30,000). This industry has added 323,000 jobs over the year.

Employment continued to trend up in construction in March (+19,000) and is up by 151,000 over the past 12 months.

Employment in other major industries, including manufacturing, wholesale trade, and retail trade, changed little in March.

Average hourly earnings of all employees on private nonfarm payrolls edged lower by 1 cent in March, after rising by 9 cents in February. Over the past 12 months, average hourly earnings have risen by 2.1 percent. From February 2013 to February 2014, the Consumer Price Index for All Urban Consumers (CPI–U) rose by 11.1 percent.

In March, the average workweek for all employees on private nonfarm payrolls increased to 34.5 hours, offsetting a net decline over the prior 3 months.

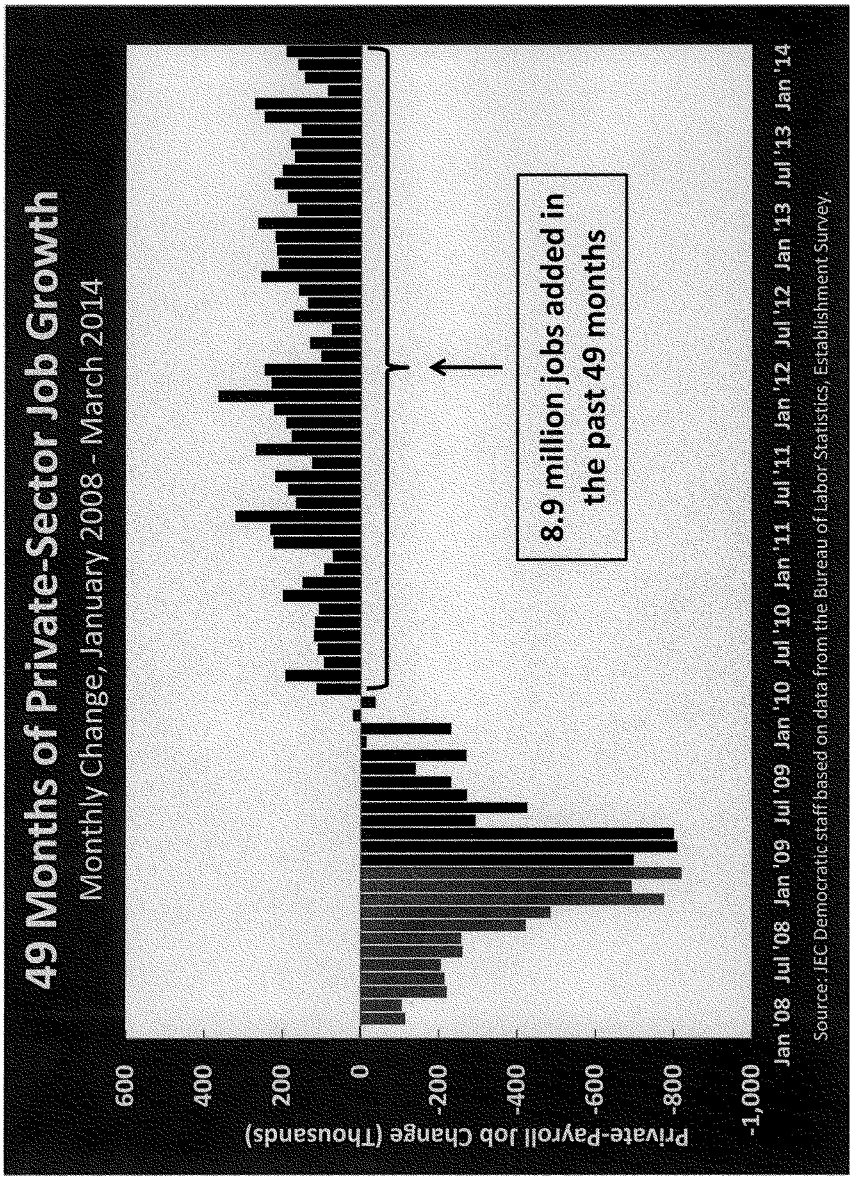
Turning now to our survey of households, the unemployment rate, at 6.7 percent, was unchanged in March, and the number of unemployed persons remained at 10.5 million. The number of unemployed persons who had been jobless for 27 weeks or more was little changed (3.7 million). These individuals accounted for 35.8 percent of the unemployed.

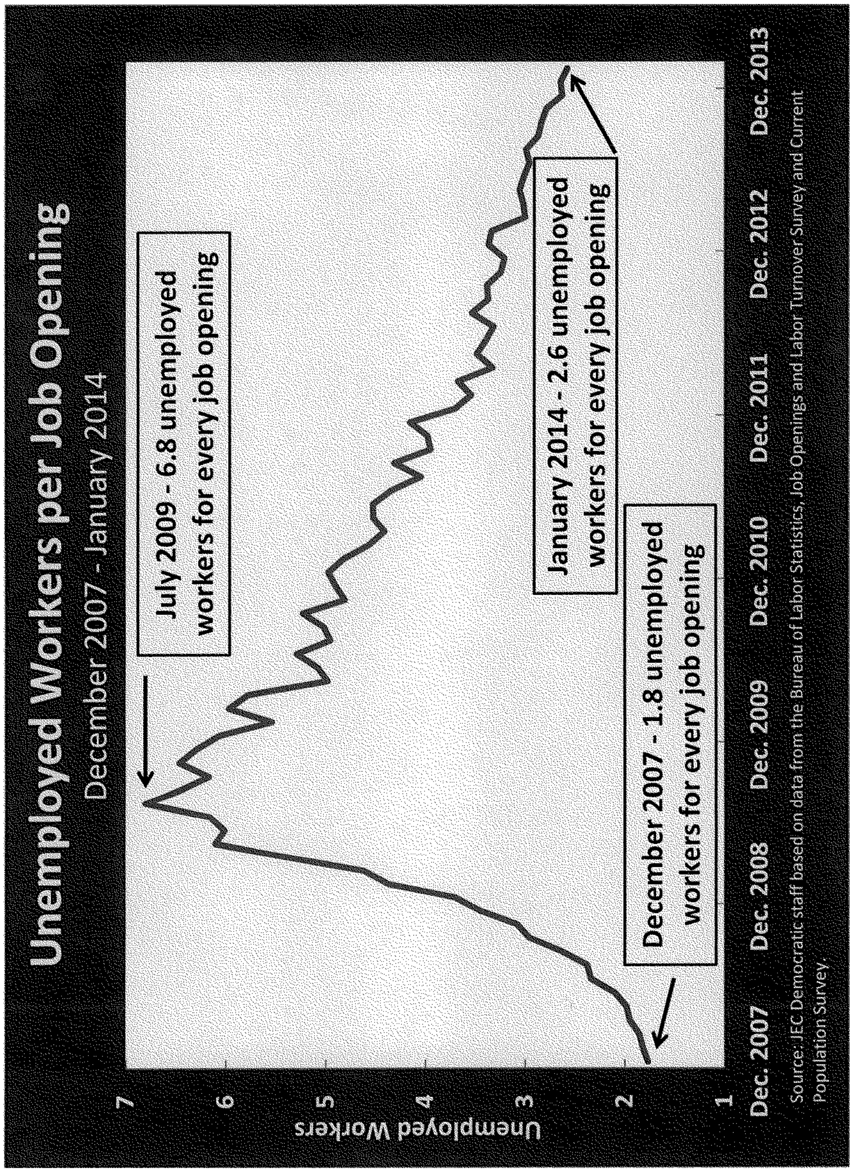
Both the civilian labor force and total employment increased in March. The labor force participation rate (63.2 percent) and the employment-population ratio (58.9 percent) changed little over the month.

Among persons who were neither working nor looking for work in March, 2.2 million were classified as marginally attached to the labor force, little changed from a year earlier. (These individuals had not looked for work in the 4 weeks prior to the survey but 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, edged down over the year to 698,000 in March.

In summary, employment rose by 192,000 in March, and the unemployment rate was unchanged at 6.7 percent.

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


49 Months of Private-Sector Job Growth
Monthly Change, January 2008 - March 2014
Private-Payroll Job Change (Thousands)
600
400
200
0
-200
-400
-600
-800
-1,000
Jan '08 Jul '08 Jan '09 Jul '09 Jan '10 Jul '10 Jan '11 Jul '11 Jan '12 Jul '12 Jan '13 Jul '13 Jan '14
8.9 million jobs added in the past 49 months
Source: JEC Democratic staff based on data from the Bureau of Labor Statistics, Establishment Survey.



Unemployed Workers per Job Opening
December 2007 - January 2014
Unemployed Workers
7
6
5
4
3
2
1
Dec. 2007
Dec. 2008
Dec. 2009
Dec. 2010
Dec. 2011
Dec. 2012
Dec. 2013
July 2009 - 6.8 unemployed workers for every job opening
January 2014 - 2.6 unemployed workers for every job opening
December 2007 - 1.8 unemployed workers for every job opening
Source: JEC Democratic staff based on data from the Bureau of Labor Statistics, Job Openings and Labor Turnover Survey and Current Population Survey.

APR 16 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 April 4, 2014, hearing on the Employment Situation news release. At that hearing, you asked about the pre-recession unemployment rate for 20- to 24-year-olds.

The unemployment rate for that age group was 7.7 percent in March 2007, lower than their rate of 12.2 percent in March 2014. Also, the percentage of unemployed 20- to 24-year-olds who had been jobless for 27 weeks or more increased over that period, from 13 percent in March 2007 to 31 percent in March 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

DOL/BLS/OEUS/OCEA/DLFS
ALLARD/btf X16378
Cc: Comm. Ofc., Mason, Allard, D.F.