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THE STRATEGIC PETROLEUM RESERVE

HEARING

before the

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

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Wednesday, September 27, 2000

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
WASHINGTON, D.C.

The Committee met, pursuant to notice, at 10:00 a.m., in Room 311, Cannon House Office Building, the Honorable Jim Saxton, Vice Chairman of the Committee, presiding.

Present: Representatives Saxton, Sanford, Pitts, Maloney, and Watt; Senators Bennett and Kennedy.

Staff Present: Chris Frenze, Robert Keleher, Darryl Evans, Jason Fichtner, Colleen J. Healy, Joe Pasetti, Howard Rosen, Daphne Clones, Michael Kapsa, and Russell Comeau.

OPENING STATEMENT OF REPRESENTATIVE JIM SAXTON, VICE CHAIRMAN

Representative Saxton. Good morning. I am pleased to welcome our witness, Assistant Secretary Robert Kripowicz, before the Joint Economic Committee (JEC) this morning. Although it was not planned this way, this hearing on the Strategic Petroleum Reserve (SPR) appears to be especially timely. We had scheduled this hearing before this issue became front and center, but in light of the fact that it was scheduled and in light of the fact that this is a topic that is of interest to many Members of Congress, as well as the public, it is a timely hearing.

The purpose of the hearing today is to examine the SPR in the context of U.S. energy policy. In recent days, there has been tremendous interest in the SPR, but a lot of important questions remain unanswered. One such important question relates to the various possible methods of tapping the SPR and whether they would prove effective in the short-run as well as in the long-run. The hearing today is not intended to promote any particular point of view, but merely to examine the underlying facts. These include the amounts of oil in the SPR and home heating oil reserve; the quality of this oil; the mechanics of release through swaps and other effects on prices and supplies; and the physical removal of the oil from the SPR.

Since last winter, I have been on record favoring a release of oil from the SPR to deal with the shortages, especially in home heating oil. Senator Kennedy and I were just talking about the effect of this situation on the Northeast. Obviously, last winter, consumers were faced with a very, very difficult situation. Everyone knows that, but there was another group of people who were very much affected as well, and those are the people with the fleets of trucks that go to deliver the oil.

What happened was the price spiked from about $1.00 to $2.00, so consumers were unable to make timely payments. However, the delivery people couldn't get product unless they paid for it, and so they were the people who were put in the middle; a difficult situation for all of them and an impossible situation for some.

If market forces were determining oil prices, then an SPR release would be somewhat problematic, but is less so when state-owned firms from the OPEC countries are exercising their monopoly power. An SPR release would counteract OPEC's anti-market policies, at least in the short-run when inventories are low. In addition, the use of the oil weapon by some countries makes counter-action appropriate in the short-run. OPEC's restraint on oil supplies reflects the influence of the hard-line price hawks within the cartel. Moreover, Iraq also exports a significant amount of oil to the U.S., a factor that could threaten the U.S. yet again.

However, an SPR release is only a temporary measure and is not a panacea. The U.S. must do everything in its power to undermine the OPEC cartel and its monopoly power over supply and prices. The health of the national and international economy is very positive, but it has led to higher demand for oil, and OPEC has moved to fully exploit this development. U.S. consumers and taxpayers are paying a heavy price for the OPEC exploitation.

Even as they put the squeeze on U.S. consumers, several of the hard-line OPEC price hawks and other OPEC members and allies are currently receiving U.S. taxpayer subsidies through the International Monetary Fund (IMF). I have introduced legislation mandating the U.S. Executive Director of the IMF to oppose new loans to OPEC members and allies who exercise their monopoly power to the detriment of the U.S. economy, but much more pressure on OPEC is needed. Currently, Venezuela, Indonesia and Algeria are all receiving IMF subsidies at the expense of the U.S. taxpayers, and so U.S. taxpayers are being gouged twice, once by IMF subsidies and the contributions we make to it, and second by paying high prices at the pump.

Fortunately, new exploration and extraction technologies are leading to the discovery of vast new oil deposits that can be tapped in more efficient ways. As the former Saudi oil minister has acknowledged, the OPEC's days are numbered. However, today we are focusing on the short-run problem and whether it can be effectively addressed through the SPR.

I would like to thank Mr. Kripowicz for being here this morning, and we look forward to your testimony, but before that, we are going to hear from our good friend from the Northeast, Senator Kennedy.

[The prepared statement of Representative Saxton appears in the Submissions for the Record on page 35.]

OPENING STATEMENT OF SENATOR EDWARD M. KENNEDY

Senator Kennedy. Thank you very much, Mr. Chairman, and thank you for renewing your continued support of the release of oil in the SPR and for calling this hearing to get the facts. I think this is enormously important at any time and particularly important now.

As you know, Mr. Chairman, first of all, the judgment that has been made by the President and the Secretary has had broad support in the Congress and not just limited to our side of the aisle. It has been broadly supported by the Chairman of our Finance Committee, Senator Roth, Senator Specter, by Senator Collins, Senator Snowe, Senator Jeffords, all Republicans, Congressman Gilman, Chairman of the House Foreign Relations Committee, as well as yourself.

So this has had a broad range of support because this is the only means available to make an impact in terms of home heating oil in the Northeast, and other parts of the country. This is against a background, as this chart on my left would indicate, that portrays the normal range of reserves that are held in the East, and that is, the purple line goes through there we see the normal range.

[The chart entitled, "Distillate Stocks are Low – Especially on the East Coast," appears in the Submissions for the Record on page 39.]

If you look at December of last year, we were just below the normal range and yet – and we also, as the next chart we will see, but I want to hold this one, there was a relatively mild winter. At that time we went from 80 cents a barrel up to $2 a barrel. This had an enormously devastating impact, particularly on elderly families, particularly on fixed income families. If you look now back at the chart, you will see that the reserves that will be held this year, this time, are still well below, generally throughout the Northeast, 40 percent of what they were last year in New England, specifically 60 percent. So it is a very ominous situation.

[The chart entitled, "Regional Residential Heating Oil Prices," appears in the Submissions for the Record on page 40.]

The next chart will show even last – well, this next chart shows what has happened in the different parts of the country where home heating oil, residual heating oil, has been used. You have New England, the Mid-Atlantic, the South-Atlantic and Midwest, all on that chart going back for several years. What you see from this chart here is the dramatic spike that took place in New England, for a number of different reasons, we don't have the extensive kinds of areas for reserves, although in the previous chart it showed you in that other line that we are way below, even the reserves that we could hold. And last year with the fact that we didn't even keep the reserves where they should have been and could have been kept, the dramatic spike, this shows it is particularly sensitive in New England.

The next chart shows like last year, where the temperature was, the black line indicates what the normal temperature would be; the red, the actual temperature. So you have really a warmer than normal winter with the price going right up through the roof. You have now the reserves in the Northeast generally, and particularly in New England, well down from last year, which is rather ominous.

[The chart entitled, "Winter Demand Impacted by Weather," appears in the Submissions for the Record on page 41.]

This final chart, Mr. Chairman, would show the past where there has been the release of the strategic reserves. I take note, particularly the 1996 release where it was 28 million barrels of oil sold to raise revenues as directed by the Congress as part of the balanced budget regime, I dare say providing relief for hard-pressed families that are involved in life and death situations clearly should have a priority even over that particular proposal.

[The chart entitled, "Strategic Petroleum Reserve Releases," appears in the Submissions for the Record on page 42.]

In the most recent times, we have seen in July of this year the swap that was made in order to provide some relief to two major oil companies. So the fact remains that there has been the release in the past, and I think there has been sufficient authority to do it.

I want to just conclude, Mr. Chairman, that we have seen now the commitment of the release of 30 million barrels. Translated, that is about three to five million barrels in our region of the country. It is having a positive impact generally on the heating oil prices, a reduction in the overall costs of a barrel of oil, about 15 percent reduction. That will have a very positive impact. It will be good for the next 30 days. We may very well be in a situation – we only get, as it works out with the refinery, with the 30 million barrels, three to five million barrels for home heating oil in our region because others refined in ways for gasoline and other different gas products. So we may very well have, at the period of time, 30 days from now, a requirement to release additional funds.

This is always against the fact that the administration can sell higher than they buy the futures market, which is now about $24 a barrel. So it is a good savings, a good investment for our country and, of course, we haven't always taken advantage of the lower price. We missed the opportunity to provide another 200 million barrels just recently in the last few years because the Congress made a determination not to have that investment. There is sufficient protection for our national security, most importantly, the authority is there to release it.

We take note that now that the Spanish Government is considering releasing some of their comparable SPR for their own economy, they have been supportive of the administration's position, and I also draw the attention of the Committee to the fact that the G-7 has also, this last Monday, supported this position. So we are grateful to your leadership, Mr. Chairman, as someone who understands this issue. We thank you for having these hearings. We look forward to hearing from our witnesses, but it is important to put this into some kind of perspective. Our fellow New Englanders, Republican and Democrat alike, are appreciative of the action that has been taken. If this action wasn't taken, there would be no other action that could be taken, in the short-term. The devastating impact on families would be realized. That is not going to happen and we are glad that the action has been taken. I thank the Chair.

[The prepared statement of Senator Kennedy appears in the Submissions for the Record on page 37.]

Mr. Saxton. Thank you very much, Senator Kennedy.

Senator Bennett has requested an opportunity to make an opening statement. What I would like to do is to permit him to make his opening statement and perhaps have one more from your side. Will that work out for everybody? Okay. Fine. We will have Senator Bennett for five minutes and then we will move on to another Member from the Minority.

Senator Bennett.

OPENING STATEMENT OF SENATOR ROBERT F. BENNETT

Senator Bennett. Thank you, Mr. Chairman. There has not been unanimous joy at the suggestion that the oil reserves be tapped. Secretary Summers took the unusual step of writing the President a memo in which he strongly opposed tapping the oil reserve and quoted Alan Greenspan as supporting that. This is an unusual move. The Chairman of the Federal Reserve usually does not allow himself to be quoted on matters of this kind, but he and the administration's chief economic advisor, the Secretary of the Treasury, both said this was a serious mistake. It also has given rise to an interesting editorial or op-ed piece in *The New York Times* that appeared yesterday. Thomas Friedman, who normally is not known as a supporter of Republican causes, was very, very negative in his reaction to it. If I may quote from some of the Friedman column, he says we either have to start to consume less oil by shrinking our SUVs, raising gasoline taxes or, again, taking conservation seriously, or find more nonOPEC oil, which means figuring out how to tap more of Alaska's huge natural gas reserves without spoiling Alaska's pristine environment or else we pay the price.

I should note that the Congress twice has tried to move in that direction. Twice, the President has vetoed the Congress' initiative and now we pay the price.

Mr. Friedman goes on, Mr. Gore knows this but instead of laying it on the line, he opted for an Olympic quality, full body pander, offering a quick fix to garner votes and pain-free solutions for the future; prime the pumps, prime the polls and pay later. He says this is dangerous. Another name for the Gore strategy would be the Saddam Hussein *Rehabilitation Act of 2000*, because tapping into the Strategic Reserve without conservation or exploration only guarantees OPEC's dominance.

He goes on, and I will not quote the rest of his column because, frankly, it gets quite political and talks about the election. It makes a suggestion as to how people might vote in the election as a result of this. But I think we should recognize that Secretary Richardson, in his announcement, said the release was to increase supply and not to lower prices. The people in New England who think that this release will in fact lower prices are, I believe, deluding themselves. Right now the refineries are at 96 percent of capacity.

They are at full capacity and an addition of crude oil that is unrefined simply means that there is more supply available for the refineries when they get around to shifting from refining gasoline to refining crude oil into home heating oil. But my expectation is that the high prices for home heating oil that we had last year are going to be realized again this year. The charts that the Senator from Massachusetts has given us do not demonstrate to me that we are going to get any lower prices for home heating oil. If anything, the prices for home heating oil are going to be higher.

And the key comment from the Senator from Massachusetts was, gee, this is the best we can do in the short-term. The column by Friedman indicates that our problem is a long-term problem and it is not going to be taken care of by short-term solutions. There may be a little bit of benefit that would come out of this release, but the long-term exclusions lie in the directions that Thomas Friedman talks about and the President is going to have to put away his veto pen or the next president is going to have to put away his veto pen and allow the Congress to go ahead with the initiatives we have already been pushing, which would increase the supply of American crude in the long-term.

We are now seeing that the policies of this administration to hold down the supply of energy across the board, be it natural gas or crude oil, are beginning to come home to roost now in dramatically higher prices and dramatically greater dependence upon foreign oil. We have no short-term solution for that. That long-term problem is with us and will remain with us until the administration decides to listen to the Congress and allow increased supply of domestic energy sources, be it natural gas or oil or preferably both, together with increased supply of hydroelectric power, which this administration has also opposed, or we are going to see energy prices continue to skyrocket for the years ahead.

Representative Saxton. Senator Bennett, thank you very much We have one additional statement from the Minority.

Mrs. Maloney.

OPENING STATEMENT OF REPRESENTATIVE CAROLYN B. MALONEY

Representative Maloney. Thank you very much, Mr. Saxton, for calling this hearing today. Winter energy prices deserve our full attention, and I am pleased that we are here to talk about one solution that has been put forward to the problem, swapping oil from the Strategic Petroleum Reserve. Senator Kennedy pointed out that this has wide bipartisan support, national support and international support from the G-7 and others. While Governor Bush has criticized the decision to swap oil from the Reserve, I am convinced that it is a timely and sensible way to really help the suffering of consumers, especially in the Mid-West and Northeast and especially with home heating costs.

One thing that troubles me is that he is very critical, or certain people are very critical. Yet they don't have any other alternative. And oil companies have really tripled their profits over this last year. We can't expect American families to believe that current prices are entirely due to OPEC decisions alone. Oil companies' profits have exploded. When we compare their profit margins between June of 2000 and 1999 as reported in *Standard & Poors*, here are the increase in profits.

I would like to put this in the record. I mean, these are huge profit margins, again, that comes from *Standard & Poors*, Unocal Corporation, 872 percent; Phillips, 274 percent; Chevron, 140 percent; Marathon, 203 percent. *The New York Times* recently reported and I quote, "that the 14 major oil companies during the first 8 months of this year earned a total of $15.5 billion, nearly triple the profits during the same period in 1999 when oil prices were depressed," according to the energy information administration.

[The chart entitled, "Oil Company Profits Exploded Over the Past Year," appears in the Submissions for the Record on page 43.]

Yesterday Secretary Richardson testified that the refineries are able to handle this, and we have already seen that prices have gone down.

I would like to put in the record two letters that I think are important, and I think that they are related to the energy debate that we have. While OPEC is meeting today in Venezuela and oil companies are making huge profits, oil lobbyists are working behind the scenes, as we speak, in this Congress, with the Majority, to increase their company's bottom lines at the expense of the public and the taxpayers. And I would like to bring up two issues that are moving through this Congress right now. One is the *Commodity Futures Modernization Act of 2000*, which has passed the House Banking Commerce and Agricultural Committees. This would have the effect of allowing trading in energy futures to move off of public exchanges and on to private electronic exchanges out of sight where the public will have no ability to monitor changes in energy prices.

[One letter appears in the Submissions for the Record on page 44; the other was not received.]

For example, currently the market participants on open exchanges with more than 200 contracts, the equivalent of 200,000 barrels of oil, must report their positions to the Commodity Futures Trading Commission (CFTC) and the exchange and the CFTC makes the information available to the public. Trades often exchanged will not have the audit trail available to reconstruct fraud. A situation could occur where consumer energy prices spike based on trades and energy derivatives, products conducted on private multilateral exchanges that the energy companies themselves even own.

And I would like to put into the record a letter from Chairman Rainer from the CFTC in which he basically says that he cannot audit or monitor the energy exchanges if this exemption for energy, that allows them for their future tradings, to go off of the public trading. I think that is an important point that would have a long-term effect on pricing and our ability to monitor what is taking place.

[The letter from Chairman Rainer appears in the Submissions for the Record on page 45.]

I would also like to point out yet another giveaway to the oil industry. In 1996, along with Chairman Horn, we held a series of hearings where we documented efforts by the oil industry to cheat taxpayers out of millions of dollars owed in royalties for oil taken out of Federal lands. These hearings and subsequent investigations by the GAO led the subcommittee to conclude that major oil companies were paying royalties to the Federal Government based on prices that were far lower than the market value of the oil they were buying and selling. To date, lawsuits against the oil industry have resulted in more than $300 million being returned to the U.S. treasury. Overall, the oil industry has been forced to pay over $5 billion to the Federal Government, states and Indian tribes. The revised oil valuation regulations which have emerged from these lawsuits will restore an additional $66 million each year to the U.S. Treasury.

With that money, we could put dollars into the LIHEAP (Low Income Home Energy Assistance Program) program, which has been a priority of Senator Kennedy. We could do a lot with that money. Now we find out the Senate Energy and Natural Resources Committee plans to attach a provision designed to thwart the new valuation rule to the *Energy Policy and Conservation Act* that authorizes the Strategic Petroleum Reserve, and finally authorizes the desperately needed Northeast Home Heating Oil Reserve.

I am truly disturbed and astonished that we would consider attaching a giveaway to the oil industry in the midst of a bill designed to help consumers deal with rising oil prices. I have written Secretary Bruce Babbitt urging him to strongly oppose this provision, and I would like also to put that in the record. I am hopeful that the Senate will pass it without this particular rider.

[The letter to Secretary Babbitt appears in the Submissions for the Record on page 47.]

Representative Saxton. The gentlelady is well past her time. Can you finish up?

Representative Maloney. Just in conclusion, oil companies are making record profits. This step is a reasonable one. It will – it is a swap that will – the oil will come back into the Reserve, and at the same time, there are two giveaways moving their way through Congress right now that will have an impact on consumer prices from the oil industry.

Representative Saxton. I don't want to interfere, but you are way past your time. Thank you very much for concluding.

Representative Watt. Mr. Chairman.

Representative Saxton. We are going to move now to our witnesses. We had an agreement, Mr. Watt, that we were going to have originally one statement on each side and then in fairness, I expanded to two statements on each side and so we are going to move to our witnesses.

Representative Watt. Well, I did not realize, Mr. Chairman, that I was going to have to flip a coin with one of my colleagues about who was going to make an opening statement. Is there some reason that we are in a hurry? Are these gentlemen who are testifying in a hurry to go somewhere else? Are we in a hurry?

Representative Saxton. We are all anxious to move forward with the hearing and hear from the experts on the issue.

Mr. Kripowicz.

Representative Watt. Is there some reason that we have waived opening statements for one person and not the other people?

Representative Saxton. As I stated, Mr. Watt, when we came into the room it was my intention to have one opening statement on each side. That was the agreement, and in fairness to both sides we expanded it to an additional opening statement on each side.

Mr. Kripowicz.

OPENING STATEMENT OF ROBERT S. KRIPOWICZ, ACTING ASSISTANT SECRETARY FOR FOSSIL ENERGY; ACCOMPANIED BY RICHARD FURIGA, THE DEPUTY ASSISTANT SECRETARY FOR PETROLEUM RESERVES

Mr. Kripowicz. Mr. Chairman, Members of the Committee, I am pleased to be here to discuss the Strategic Petroleum Reserve.

Representative Watt. Can we ask the speaker to at least pull his microphone forward and let us hear him?

Mr. Kripowicz. Mr. Chairman, Members of the Committee, I am pleased to be here to discuss the Strategic Petroleum Reserve. I understand that when this hearing was first scheduled, the Committee was interested in a general description of the Reserve and the way we maintain its readiness. Given the President's direction to the Department last Friday, we also have a specific circumstance to discuss. So I will be pleased to answer both general questions about the Reserve and any specific questions members have regarding the way we are responding to the President's direction.

I have with me at the table Mr. Richard Furiga, the Deputy Assistant Secretary for petroleum reserves, who oversees the day-to-day operations of the Strategic Petroleum Reserve, and who is charged with implementing the exchange initiative.

The Strategic Petroleum Reserve is the world's largest emergency stockpile of crude oil. It was authorized in 1975 when President Ford signed into law the *Energy Policy and Conservation Act*. We began adding the first crude oil in July of 1977.

Today the Reserve holds 571 million barrels of crude oil. Contrary to what a lot of people envision, the Reserve is not a typical tank farm. In fact, very little of the Reserve's crude oil is contained in above ground tanks. Virtually all of the inventory is stored in deep underground salt caverns. These caverns were created by using water to dissolve massive cavities in the salt domes that are prevalent along the Gulf of Mexico coast.

The top of a typical storage cavern may be as deep as 2,000 feet underground and extend another 2,000 feet to its bottom. It is large enough to hold one of the towers of the World Trade Center. We have 62 of these caverns at four sites in Texas and Louisiana. These caverns have the capacity to hold 700 million barrels of crude oil, although, as I said, they currently hold 571 million barrels.

Why do we use salt caverns? One reason is cost. When we built the Reserve, we could store crude oil in the caverns for one-tenth of the cost of above ground. It is the most economical way to store large quantities of crude oil. A second reason is environmental safety. At the depths of these caverns, the natural geologic pressure will seal any cracks that might develop in the salt formation.

This provides a very secure way to store oil and avoids problems of above ground tank spillage and other environmental concerns.

The salt domes also permitted us to site the Reserve's storage locations near our major refining centers. Each site is connected to commercial pipelines and shipping terminals that also provide ready access to refineries and distribution points throughout the country.

We can move oil into the market, if necessary, at rates up to 4.1 million barrels per day, and we can sustain that rate for three months. At one million barrels per day, we can deliver oil to the market for nearly a year and a half.

The Reserve has been used once before by presidential order to avert a possible supply shortage. That was during Operations Desert Shield and Desert Storm. During Desert Shield, in September of 1990, President Bush directed that we conduct a test sale to ensure the readiness of the Reserve.

When the Persian Gulf conflict escalated in January 1991 and Desert Shield became Desert Storm, the President ordered a full precautionary drawdown of the Reserve.

Together, the two actions released 21 million barrels of oil into the market, four million in the test sale and 17 million in the full drawdown.

We have also used the Reserve on a more limited basis in the past. This summer, for example, we exchanged 1 million barrels of crude oil to refineries in Louisiana that were threatened with supply shortages because of a shipping channel blockage.

In 1996, we carried out a similar exchange because of a commercial pipeline blockage.

In 1998, we exchanged a lower grade of crude oil for a higher grade that was more compatible with our drawdown and delivery system.

And in 1996 and 1997, we carried out three budget-related sales in accordance with Congressional appropriations.

This past Friday, President Clinton directed the Department to conduct the largest exchange to date, as a way of boosting domestic oil supplies. We are especially concerned about the critically low inventories of heating oil that many families will need this winter. We believe that a temporary infusion of 30 million barrels of oil into the market over a 30-day period will likely add an additional three to five million barrels of heating oil this winter, if refineries are able to match higher runs and yields seen in the past. This will be extremely important nationwide, where distillate inventories are 19 percent lower than they were a year ago, and it will be especially important on the East Coast, where distillate inventories are 40 percent lower and in New England where inventories are 65 percent lower than last year.

This past Monday, my office issued the solicitation for the exchanges. We are asking companies to submit bids by this Friday. In the bids, companies will specify how much additional oil they will return between August and November of next year. We will choose the winning bids and award contracts by the following Friday.

This is an important point, Mr. Chairman. The President ordered an exchange of crude oil, not a sale. That means we will get the oil back, plus a bonus percentage. Bids will be awarded on the basis of which company offers to return the largest amount of additional oil of comparable or higher quality. In other words, we are not depleting the Reserve, rather we will be adding to it.

Our solicitation specifies November as the month for delivering the crude oil. However, the three Reserve sites we are using will be ready to accommodate earlier deliveries if the companies can make suitable transportation arrangements. We could be seeing the first oil move into the market perhaps as early as mid-October.

I would point out, Mr. Chairman, that the President's decision last Friday is one of a series of actions we are taking to prepare for this winter. Another is the creation of a two million barrel heating oil reserve in the Northeast. We are exchanging a small portion of the crude oil from the Reserve, about 2.8 million barrels, for two million barrels of heating oil stocks and the storage capacity to hold them this winter.

All of our contracts are in place for the heating oil reserve, and we are beginning to fill it. In fact, over half the oil is already in place. And we expect the Reserve to be fully stocked in the next few weeks, well before the original end of October target date.

With that, Mr. Chairman, let me conclude my opening statement and along with Mr. Furiga, answer any questions that you and the other members may have.

[The prepared statement of Acting Assistant Secretary Kripowicz appears in the Submissions for the Record on page 49.]

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Representative Saxton. Thank you very much, sir.

Mr. Furiga, do you have an opening statement, sir?

Mr. Furiga. No, I don't.

Representative Saxton. Would you just say for the record who you are and what your position is? You will have to pull the microphone closer.

Mr. Furiga. My name is Richard Furiga. I am the Deputy Assistant Secretary for the Strategic Petroleum Reserve, and as such, I oversee the operations of the office here in Washington, D.C. and our project office which is located in New Orleans.

Representative Saxton. Thank you very much. Are you going to answer questions also or do we direct our questions all to Mr. Kripowicz?

Mr. Kripowicz. If you would direct them to me, Mr. Chairman, if I can't answer them, I will have Mr. Furiga help me.

Representative Saxton. As you know, I have thought that it would be a good idea to use some of the Strategic Petroleum Reserve for purposes of increasing supply. As I said in my opening statement, last winter was particularly difficult in the Northeast, where there is such a high reliance on home heating oil for purposes of homeowners heating their homes.

As a result of the situation that I described in my opening statement, in February, I wrote a letter to Secretary Richardson and asked him to consider doing something similar to this, and at that time he was opposed to it and told me so. Then I wrote another letter in March because the situation had not improved and, again, the administration was opposed to the policy that is today the administration's policy.

Then on September 15th of this year, I wrote another letter knowing things were not better. So the record of my position on this issue is quite clear.

Having said that, I think it would be a cruel hoax on the American people to put in place this policy only to see prices spike again. So I would like to try to have you help us put into the correct perspective exactly what it is that we can expect. So I have some questions that may help us to get there.

I am aware that in the recent past the OPEC countries have agreed to increased production by, I believe, 800,000 barrels per day; is that correct?

Mr. Kripowicz. That is correct, yes, sir.

Representative Saxton. I believe it is also true that the OPEC countries have had three such announcements of approximately the same magnitude; is that correct?

Mr. Kripowicz. Yes, sir. Our calculation is that between the OPEC countries and the other oil-producing countries of the world, that since these first announcements that were made, approximately three and a half to four million new barrels per day of oil are now available for the market, or will be once OPEC starts producing this last 800,000.

Representative Saxton. Now that would be the international market, wouldn't it?

Mr. Kripowicz. Yes, sir.

Representative Saxton. How does that relate to additional imports into the United States?

Mr. Kripowicz. Our level of imports, as I recall, has risen slightly over the past year. I think it has to do with overall supply in the world, not necessarily directed at the United States. A lot of those imports could have been coming from other stocks.

Representative Saxton. Now, is this increased production which results in increased imports into the United States, how does that relate to 30 million barrels per month? In other words, the release of petroleum product from the SPR, 30 million barrels sounds like a lot, but on the other hand, if you look at it in a different way, I read this morning that it is about a day and a half's supply for the American consumer. How does the OPEC increase in production relate to that kind of increase that we expect from the release from the SPR?

Mr. Kripowicz. The overall world production is approximately 75 million to 76 million barrels a day, and our use is approximately 25 percent of that or 19 million barrels a day, so our increase of 1 million barrels a day is approximately a 5 percent increase in the amount of oil that would be available on U.S. markets. I would point out that as little as a two million barrel swing in the amount of oil in the world markets has been responsible largely for the large increases in oil prices over the past year and a half.

Representative Saxton. The OPEC countries withholding production, you are saying?

Mr. Kripowicz. It is a combination of reduced production and then later increased demand. So, you know, a small amount of oil in the neighborhood of a few million barrels, even though there are 75 million barrels a day produced in the world, has a large impact on price.

Representative Saxton. Do you expect the 800,000-barrel-per-day increase – announced increase, we hope it takes place, and other increases that have occurred to make a significant impact on oil supply in this country?

Mr. Kripowicz. The indications from our Energy Information Administration are that the combination of the increases by both OPEC and other world producers will allow for the beginning of the resumption of inventory building that needs to take place in order for prices to stabilize.

Representative Saxton. And then if we are beginning to increase supply, does that mean that it should increase enough to hold prices down this winter?

Mr. Kripowicz. Again, our Energy Information Administration believes that over the next few months the prices should remain relatively stable, but then will start decreasing after the winter months.

Representative Saxton. So you expect stable prices this winter?

Mr. Kripowicz. According to our projections, yes, sir.

Representative Saxton. Let me move on to another subject that has been of interest to me. There seems to be conflicting reports about existing spare refining capacity, as Senator Bennett pointed out in his opening statement. I too have heard that we are at 96 or 97 percent of refining capacity. Several analysts have reported that refineries are currently producing at near capacity, and Secretary Richardson said Friday that U.S. refineries have spare capacity. What is the situation with respect to refining capacity at this time, in your opinion?

Mr. Kripowicz. My understanding is that the average utilization is approximately 94 to 95 percent right now, but we are going into a period where refinery capacity is usually somewhat less utilized so that if the refineries produce at higher rates, we will be able to get, as I said in my testimony, some three to five million barrels more heating oil for stocks out of the 30 million barrels we intend to release. Generally speaking, at this time of the year there is a lot of maintenance done in the refineries and their utilization drops considerably. I believe Secretary Richardson is going to meet with the refiners later this week to talk to them about deferring some of that maintenance and keeping their high levels of utilization in order to produce more heating oil.

Representative Saxton. Common sense tells me that this time of the year, beginning in October, would seem to me to be the time of the year when refinery capacity would be more fully utilized, getting ready with product for November and December. Is that not true?

Mr. Kripowicz. Typically, to my knowledge, is that in September and October is when the refineries usually do maintenance turnaround so their capacity utilization is somewhat lower. Capacity utilization in the refinery industry is always very high. It is usually at least 90 percent or higher even during turnaround time. So we are not talking about going from very low to very high utilization.

Representative Saxton. Tell me about the inventory situation. How are our inventories of oil at this time?

Mr. Kripowicz. Senator Kennedy had some charts up there that came from our Energy Information Administration. There is no question that crude oil stocks are below normal levels this year. They are at 289 million barrels, which is at least 25 million barrels below what would be the normal lower limit. For crude inventories, I have some updated information from this morning that shows that nationally we have 115 million barrels of distillate product, which is 21 percent lower than last year; and for the eastern region of the country we have 40 million barrels, which is 42 percent below last year's levels. For New England heating oil, which is the concern that we have and why we are releasing the reserves, there are 4.3 million barrels of stocks in place, which is 70 percent below last year's levels. So we are indeed in a very tight inventory situation.

Representative Saxton. Is there a relationship between the inventory levels and subsequent price levels?

Mr. Kripowicz. Price levels are determined by demand, basically by supply and demand. If you have a lot of demand and low inventories, the natural result is higher prices.

Representative Saxton. So in summary, since my five minutes have expired, you believe – or are at least hopeful – that the increased production by OPEC countries, with the release from the SPR, coupled with the needed excess refining capacity, would produce enough extra product on the market to stabilize prices this winter? Is that what you said, essentially?

Mr. Kripowicz. Stabilize them at higher prices than they were last year but stabilize them, yes, sir. Now if there are unusual weather circumstances, there could be some significant volatility in prices, and that is always the case.

Representative Saxton. Now let me clarify again to be sure. Did you just say at higher levels than last year?

Mr. Kripowicz. Yes, sir.

Representative Saxton. So you believe again this winter, in spite of the current administration policy, which I am not fighting with, that we could see prices spike above where they were last year?

Mr. Kripowicz. I am talking about nominal prices, not necessarily spikes in price. I don't know – I am not predicting any spikes in price but I am saying if, for instance, the price of heating oil in New England could average around $1.32, which is--

Representative Saxton. It went to $2.00 last year.

Mr. Kripowicz. But not an average. On average, it was much lower than that.

Representative Saxton. Do you expect there to be a spike of up to $2.00 or above this year?

Mr. Kripowicz. We are not predicting any spikes, sir. Those are very hard to predict. If you have normal weather and the production that we project, then there wouldn't be any price spikes.

Representative Saxton. So it sounds like you are hopeful there won't be price spikes?

Mr. Kripowicz. Yes, sir.

Representative Saxton. But you don't know that?

Mr. Kripowicz. Yes, sir, we can't predict that.

Representative Saxton. It is very important that we don't leave the impression with the American people that we have provided an ironclad fix to this problem and then have a price spike occur or prices rise, let us not even call it a spike, prices rise to last year's levels or above and find out that their government has put in place policies that they said would work and it didn't work.

I think that is crucially important, and at the same time, if there is going to be a bad situation with heating oil this winter in spite of the fact that I have advocated certain programs that you have subsequently put in place, I don't want them to hear you or me or Senator Kennedy or anybody else say this is going to fix the problem if we don't think it is. That is why I am so persistent about this point.

Mr. Kripowicz. If things remain normal, there should be no price spikes. There is no way that we can guarantee that that won't happen. We can't guarantee that there won't be bad weather and disruptions in shipping because of freezes or other things of that nature.

Representative Saxton. Senator Bennett points out that this year's average price is still higher than last year's; is that correct?

Mr. Kripowicz. Yes, sir.

Representative Saxton. Do we expect the current policy that has been proposed to lower average prices?

Mr. Kripowicz. A 30-day release of oil from the Strategic Petroleum Reserve will only have a temporary effect on prices. Overall, because of the increases in production from OPEC and other countries, our Energy Information Administration projects that the prices of oil will gradually decrease over the next six to nine months.

Representative Saxton. Senator Kennedy.

Senator Kennedy. Thank you, Mr. Chairman.

Let me just come back to this issue about what we might be able to anticipate through the winter. I think you have made the point that the release of several million barrels of oil does have an impact, a ripple effect, within the worldwide industry that is not insignificant and that the swing of two or three million barrels even a day in a world that is consuming 77 million, has at least, as you related, a positive impact of lowering the costs for consumers. Let us get back to the home heating oil now.

We have, as you have pointed out, with the announcement of the President, three to five million barrels that will be available in the Northeast and now you have also indicated that there is an expectation that there will be some increase in terms of production. I want to know what is going to happen after 30 days. Are we going to be able to rely on a continuation of some release if we are not going to get this increased production, if we are going to see a drawdown in terms of these reserves, if we are going to have an increase or a lowering of the temperatures up there in New England? What will be your recommendations – if that circumstance develops? Because we are glad, as we look down the road now, and we are reassured by what you are saying, but we understand that you are going to have to make a decision reasonably quickly.

We were mindful last year when this whole issue developed and the administration didn't release or swap, the answer that we received from them, if they let the oil go out then, take the time to refine it, and by that time the weather would get warmer and that is why there was a good deal of resistance to doing it. A big point is being made about a changed position by some people because they were against it at a time when it wouldn't make any difference versus making a decision and supporting now where it will make a difference, and that point hasn't evidently sunk in. I keep hearing it made on the television.

My question to you is, what is going to happen now, after these next 30 days or so, if we don't get an increase in production? Are we going to have to depend upon another increase? Should we? Should we anticipate that now so we are not going to see these kinds of swings that are going to perhaps protect the heating oil user now, but later in February or March send the price up through the roof?

Mr. Kripowicz. Sir, we are continually reassessing the situation. As a matter of fact, we have instituted daily meetings to discuss the oil supply situation and the heating oil supply situation. At the end of 30 days or sooner, if there is any indication that such action is necessary, we will reevaluate our position. We need to look at the stocks of heating oil and distillates and what the refiners are doing and what OPEC and other suppliers are doing and factor all of those things together to keep after this constantly.

Senator Kennedy. But you are not going to leave us high and dry, hopefully?

Mr. Kripowicz. No, sir. That is our pledge.

Senator Kennedy. Let me just ask you – and that is reassuring – with the release of 30 million barrels from the Strategic Petroleum Reserve over 30 days, the Reserve currently holds 570 million barrels, what risks, if any, are there of allowing the Reserve to temporarily fall to 540 million barrels in terms of our national security? How much of a risk is that?

Mr. Kripowicz. Senator, we think that the risk is minimal. We still have the capability to release the Reserve at over four million barrels a day, even with the – for 90 days, even with the release of the 30 million barrels. So we think it has very little effect, particularly since we will be returning the oil to the Reserve beginning early next fall.

Senator Kennedy. Yes. How long will it take to build the Reserve back up to 570 million?

Mr. Kripowicz. We are expecting to have the oil come back from between August and November of next year.

Senator Kennedy. Of next year?

Mr. Kripowicz. Yes, sir.

Senator Kennedy. Didn't the administration recommend to Congress that we buy 200 million more barrels when oil prices were low? Do you know?

Mr. Kripowicz. There was never a budget request for that item, Senator, although we did institute a royalty-in-kind program, taking some of the oil that would have been sold for $10 a barrel and putting in the Reserve, and we are in the process of putting 28 million barrels of royalty-in-kind oil into the Reserve.

Senator Kennedy. Finally, why has the Congress failed to reauthorize the Strategic Petroleum Reserve? Do you know?

Mr. Kripowicz. I wish I did, Senator. The House has—

Senator Kennedy. Well, we are hearing so much about this issue now by members, particularly – I don't want to say on the other side of the aisle, because we have had bipartisan support for this particular proposal, but at least some Senators are excited about this. But there seemingly hasn't been the sense of urgency in terms of the orderly legislative process in terms of reauthorizing. I hope we get about the business of doing that.

I want to thank you very much for your responses. It was very helpful. I want to thank the Chairman for having these hearings as well.

Representative Saxton. Senator Kennedy, thank you very much.

I would like now to turn to Senator Bennett.

Senator Bennett. Thank you, Mr. Chairman.

I am finding myself grateful that I live in a part of the country that doesn't use home heating oil, although the price of natural gas has more than doubled and my constituents are going to be paying twice as much this winter.

A few quick comments. It is my understanding that one of the reasons why refineries don't have the demand in September and October is that the summer driving season is over and they can switch from refining gasoline to refining home heating oil. Currently with gasoline over $2.00 a gallon in some parts of the country, the demand for gasoline stays high and that is one of the reasons why the refineries are operating at 96 percent of capacity, which means if they switched to home heating oil, they are going to have to stop making as much gasoline. So would that indicate that in an attempt to deal with the home heating oil challenge, which you have outlined, which strikes me as stark, that there is going to be no relief out of this release from the Strategic Petroleum Reserve with respect to gasoline for people in those States? Is that a correct assumption?

Mr. Kripowicz. No, sir. We are releasing 30 million barrels of oil and that will go for multiplicity of products, including gasoline and diesel fuel.

Senator Bennett. But if the refineries can't do it – I am not talking about the amount of crude oil stacked up outside of the refinery. If the refinery is operating at virtually full capacity, which at 96 percent it is, and it says, okay, we have to increase the amount we are making for home heating oil, that is a sum zero game for the refinery; for the refinery to increase the amount going into home heating oil, it has to decrease the amount going into gasoline. The amount standing on the dock coming in makes no difference in terms of the refinery capacity, isn't that true?

Mr. Kripowicz. If, in fact, the refineries are using all of their capacity, and as I had stated earlier, the refineries at this time of the year generally reduce their capacity utilization—

Senator Bennett. I understand that, but they are reducing the capacity because the demand for gasoline goes down so that they can say, all right, we now don't have to produce as much. The demand for gasoline is not going down. The demand for gasoline atypically right now is very high by virtue of the high prices, the demand to say give us more gas to drive the prices down. So I think there is a bottleneck here in the refinery that we have to recognize is going to impact here.

Let me switch to another comment that you made, because frankly, these numbers disturb me, the numbers you are giving. You say we are 70 percent lower than we were last year at this point with respect to home heating oil in New England?

Mr. Kripowicz. Yes, sir.

Senator Bennett. That is a huge gap that has to be made up, at a time when the demand on the refineries for other products remains high. So when you say you are going to end up with an average price higher than last year, that strikes me as an understatement. I think the economies and the physical capacity of this industry that you are talking about absolutely guarantees that you are going to be higher than you were last year. I accept your statement that you can't predict spikes, but people don't live on spikes. They live on the average price that they pay, and if they are going to be paying an average that is higher than last year, which you said they would, and I think that is absolutely dictated by the fact that you are only – you are 70 percent lower than last year. I say "you." I don't mean "you" in the Strategic Petroleum. I should say "we."

Last year when the prices were so high that people were stunned by them, Secretary Richardson said we were caught napping. It just boggles my mind that if he was caught napping last year and the prices were so high that it was an issue, that he could come into this year 70 percent lower than he was last year. I don't think the executives of the oil companies had anything to do with that. Did they? Did the executives of the oil companies dictate that we would be 70 percent less in New England this year than we were last year?

Mr. Kripowicz. No, sir, and the administration is taking steps; this release of oil from the Strategic Petroleum Reserve being one to build up those heating oil supplies. The second is to establish the Northeast Heating Oil Reserve, which will, before the end of October, add 50 percent to the supplies that exist in the New England area.

Senator Bennett. But didn't they see this coming, with 70 percent below last year, and last year was a crisis? It would seem to me, if I am doing any long-range planning, last year is a crisis and I admit publicly that I was caught napping by that crisis, I would want to be above last year, not 70 percent below when we are coming into this. I agree with Senator Kennedy that the concern is not what is going to happen over the next 30 days. What is going to happen as you get into this whole situation and you are going into it 70 percent farther away than you were at this point last year, and last year was a disaster?

Now that is not technically the subject of this hearing. The subject of this hearing has to do with understanding about the release of this oil and, as I say, I simply look at what Secretary Summers and Chairman Greenspan and others have said that this was a mistake, but maybe we are in such a disaster situation that we have to do it and that it is an emergency that has to be done. But the question that arises clearly in my mind is how did the administration get us in such an emergency where they are at the point where there is 70 percent, I just have to keep coming back to this, 70 percent below where we were in a year that everybody up here remembers as a disaster year? What got us to that 70 percent figure?

Again, it clearly wasn't the oil companies. They love to sell oil. So somebody, if we were asleep at the switch or we were caught napping last year, somebody clearly did it again, it seems to me.

Mr. Kripowicz. Senator, if I may respond, the administration moved rather quickly to try to establish a regional home heating oil reserve because we knew that there were low heating oil inventories in the Northeast, and when inventories did not start to increase, as they normally do around this time, we moved to try to establish enough crude oil supply to get another three to five million barrels of heating oil before the bulk of the heating season starts. The idea is to get us back up to at least the levels that we were last year.

Low inventories are an endemic problem, not just in heating oil but in crude oil and gasoline and all other products, caused by circumstances that began as long as two years ago, whenever oil prices were $10 a barrel and production was originally cut back by OPEC. We lost production in our own country, and over that period of time, our inventories were reduced drastically. I wouldn't accuse the oil companies of reducing them on purpose. Nor would I accuse the government of doing anything to make them be reduced, either.

Senator Bennett. I don't think the government did anything deliberately shortsighted. I don't accuse anybody of that. But I do think, given the numbers you have given us here, not any numbers I brought from staff, numbers you have given us here, we have to say that their actions were, in fact, shortsighted. They may have been well intentioned. They undoubtedly were. As I say, I will not impute evil motives to anybody here.

Mr. Kripowicz. Yes, sir.

Senator Bennett. But clearly, the numbers speak for themselves. We are facing a situation where the people in New England, by your own testimony, are going to be paying a substantially higher level on average for home heating oil this year than they did last year, and that is if everything works as you hope it works. If there are some glitches, which you appropriately say you can not predict, it will be even worse than that.

So we are facing a situation where a best case, people in New England are going to be paying higher prices on the average this year than they were last year, even if everything works out.

Mr. Kripowicz. Yes, sir.

Senator Bennett. Okay.

Mr. Kripowicz. If I may add one other thing. It is that the administration has worked very hard over the past year to have OPEC and non-OPEC producers increase their production, and that has resulted in an additional four million barrels a day that are now available for use.

Senator Bennett. That gets back to the comment in my opening statement. They may have worked to try to get OPEC nations to increase production, but at the same time, for eight years, they have been doing everything they can to make American producers produce less, not only with respect to oil but every other form of energy. But that is a debate for another time.

Representative Saxton. Senator Bennett, thank you very much. Mrs. Maloney.

Representative Maloney. Thank you. Thank you very much. As we were discussing, one of the contributing factors to the high price of oil is the depletion of inventories, and as you testified we are 70 percent below or lower in the inventories of the private sector. So my question is, why have U.S. refineries allowed inventories to fall so low?

Mr. Kripowicz. This is, Congresswoman Maloney, this is part of the answer that I was giving to Senator Bennett, it is a long process that started with oil prices being $10 a barrel in 1998 when we had excess inventories, and OPEC cut back production. We lost production in the United States because it became uneconomic and we began to utilize the large inventories, both in the United States and across the world, because there was not enough production to meet demand. In addition, demand increased tremendously, both because of economic activity in the United States but also Asia has recovered from the period of recession they were in whenever oil prices were $10 a barrel. So all of those inventories were used up partly by decreased production and partly by increased demand.

A second thing that is occurring in the market is that with existing high prices, with low future prices, there is no incentive for anybody to store oil in inventory because they would be selling it to a market where prices are going to be lower. So there is no incentive. If prices stabilize with increased production and they become closer to what future prices are, then there will be some more incentive for refiners to store product.

Representative Maloney. I guess the main question is how do we use this opportunity to make sure that this doesn't happen in the future? The line of questioning seemed to indicate that the government was doing something that interfered with the private sector maintaining inventories, but is there some way we can work to make sure that -- or work where this does not happen in the future? You testified that this was a short-term approach to the high cost. Is there some way that we can encourage refineries to replenish their inventories and use this opportunity for future economic stability, oil stability?

Mr. Kripowicz. I think it is a long-term question, although it may not be in terms of many years but it is certainly in terms of many months. We need to increase production to meet demand and to somewhat exceed demand so that we can have enough oil to start restoring inventories. Once they are restored to normal levels, then we shouldn't have the problem of high prices because of short inventories.

Representative Maloney. How much oil is the royalties-in-kind program expected to bring into the Reserve over the next year?

Mr. Kripowicz. We have already processed 10 million barrels into the Reserve, and we have another 18 million barrels which will be delivered in the next year.

Representative Maloney. Could you clarify for us how the swaps work from the Reserve, and what happens if oil continues to rise in price; will oil companies be obligated to repay the oil even though it might be more expensive than it is today?

Mr. Kripowicz. Yes, ma'am. Our solicitation asks for bids for returning the oil between August and November of next year, at least on a one-for-one basis but, you know, we expect the offers to be considerably more than one-for-one, and once based on the anticipated market conditions, the bidders propose a certain amount of oil to be returned to the Reserve; even if market conditions change, if prices are not actually lower but higher next summer, they would still have to return the same amount of oil. So there is not a price adjustment. The contracts are on strictly a quantity-for-quantity basis.

Representative Maloney. Oh, I see. And how long does it take for oil, once released from the Reserve, to get to people's homes in the form of heating oil?

Mr. Kripowicz. That is sort of a variable number. Within days of release, or of signing the contracts, the oil can actually be released to refineries and we can get it there within a week. Once it is refined, it would take, in some cases, a minimum of a couple of weeks to deliver that refined product to, say, the Northeast. So we are talking about anywhere from a month to two months, but generally speaking, we believe that if the oil is delivered on our schedules, that the refined product will probably be available by the end of the calendar year.

Representative Maloney. Vice Presidential Candidate Richard Cheney has called for more oil exploration and drilling in the Alaskan wilderness. Would you comment on that proposal?

Mr. Kripowicz. The administration does not support drilling, as the Congresswoman is aware of. The administration has actively opened up the National Petroleum Reserve in Alaska for oil drilling and continues to pursue aggressive oil sales in other areas of the country such as the deep offshore Gulf Coast where we have had large increases in production and in other areas in Alaska.

Representative Maloney. I guess more broadly, how much oil is available in the currently known oil fields around the world? And based on current consumption patterns, do we have any idea how long this oil will last?

Mr. Kripowicz. I don't have those numbers available at my fingertips, Congresswoman, but I can get that information for the record. Our projections are, for example, that through 2020 the projections of our Energy Information Administration are that there is enough oil for production at prices nominally less than what they are today.

Representative Maloney. What would have happened to oil prices had the President not authorized a release from the strategic oil reserve? We are seeing them drop, what, $7.00 so far? But what would have happened?

Mr. Kripowicz. I am not sure I know the answer to that question. It is clear that when you add more supply to the market that the oil prices will go down, and they have, although this is the short-term effect. In the long-term, we expect that the oil prices, even absent the release from the Reserve, would have moderated based on anticipated production and demand and they would have gone down eventually.

Representative Maloney. Say if after 30 days the price of oil still remains high, above $30 a barrel, what additional steps might the Energy Department be prepared to take?

Mr. Kripowicz. We still have all of the options available for the release of the Strategic Petroleum Reserve, or for an additional exchange. We would look at all of those options and will continue to follow all of those options, as I said to Senator Kennedy, because of the seriousness of the situation.

Representative Maloney. Could you just share with us what programs are available now to help people cope with the rising price of oil? Are these programs limited by region, income, or some other criteria?

Mr. Kripowicz. The programs that are available are the LIHEAP programs, and they do have formulas for both income and distribution to the various states. I think the President just released an additional 400 million in low income energy assistance last Saturday.

Representative Maloney. I would like to give you a letter that Commissioner Rainer sent to me expressing concern about the movement in Congress to move off the exchange, the futures trading and oil. The way I know what oil prices are is that I see it on the exchange. I open up the paper. It is on the exchange. Their argument is if we move it off the exchange, they will not be able to audit or monitor what the future exchange rates are for oil. Could you comment on this? Is this – I see it as a problem because that is how I understand what is going on, and I can see if it is not on the exchange that it would be hard for me and other consumers, and really policy people who are concerned about the price of oil, and unlike financial instruments that are infinite, it is a commodity, oil is a commodity, it is a very finite product and it seems to me it should be on the exchanges as is corn and other commodities.

Mr. Kripowicz. Ma'am, that is not my area of expertise. I would be happy to take a look at the letter and we will provide some comments, but I don't have the expertise to be able to say, other than the fact that it makes sense, to be able to know what those prices are.

Representative Maloney. It seems like common sense. We have bipartisan support on keeping the exchange transparent so that consumers and everyone else knows what is going on.

Thank you very much for your testimony and for being here today.

Representative Saxton. Thank you, Mrs. Maloney.

Before I recognize Mr. Pitts, I would just like to comment on Mrs. Maloney's question relative to inventories. You indicated that there is no incentive. I want to make sure I understand. Let me just say this, and then you tell me if what I interpret is correct. I have information from the Department of Energy that there may be some expectation that oil prices will begin to decrease at some point in the future.

You say here the growth of non-OPEC oil has played a significant role in the erosion of OPEC's marketshare over the past two decades, and then you go on to discuss this issue, and you conclude that prices may begin to come down because of the looser grip that OPEC will have on supply. Therefore, is what you are saying about inventory that because prices are high today and it would cost refiners a significant amount more to put in place inventories today than they might expect it to cost sometime down the road, is that what is causing the lack of incentive?

Mr. Kripowicz. It is a question of what you expect to be able to sell something for, and the original cost. So that if you are buying very expensive oil now, you want to be able to sell it now while the prices are still high. There is no incentive to hold the inventory if you expect prices to drop. If the futures prices were somewhat higher, or near term prices lower then there would be incentive to store and wait for the higher prices. That is the effect of a very large difference, which there is now of $5 or $6 between current prices and future prices. It pays a refiner to ship the product immediately, and it pays whoever is storing that product to get rid of that product as quickly as they can while prices are still high.

Representative Saxton. Thank you very much.

Mr. Pitts.

Representative Pitts. Thank you, Mr. Chairman.

Mr. Kripowicz, there seems to be a good deal of confusion as to the criteria or the mandate for using the Strategic Petroleum Reserve. What constitutes a crisis? What objective criteria exists for using the Reserve's mandate?

Mr. Kripowicz. Mr. Pitts, the *Energy Policy and Conservation Act* spells out criteria that the President needs to use in order to draw down the Strategic Petroleum Reserve, and I will talk about that in a second. But in this case, what we are doing is an exchange and not a sale, not an actual drawdown. Since we are exchanging oil are going to get it back. So the President did not have to strictly adhere to these particular guidelines, although he still used the overall basis for the program that the supply of heating oil would be very short and that was the reason for the exchange. The criteria for an actual sale from the Reserve are a little more stringent. What they require is a national energy supply shortage of significant scope and duration, which will cause a major adverse impact on the national economy, which would result – which is likely to result from either an interruption of supply of imported products or domestic products, or some act of God, and those things are spelled out in the law and are reviewed very carefully before the President would actually decide whether or not to make a release from the Reserve, to sell the oil rather than to do something like an exchange.

Representative Pitts. What are the actual criteria for using an exchange versus a drawdown or sale?

Mr. Kripowicz. There are no established criteria for an exchange, although the President clearly made his decision based on the fact that we could provide additional supplies of heating oil, which were in short supply in the Northeast.

In addition, one of the requirements of an exchange that we have used for all of our other exchanges that we are using here is that we will actually acquire more oil for the Reserve through the exchange.

Representative Pitts. *The New York Times* reported that other G-7 countries are considering releasing oil from their own oil reserve stockpiles. Is this a policy that may be adopted by other countries and is there a role for international coordination of such policies? What provisions have been made for such a strategy?

Mr. Kripowicz. There is an international coordination role whenever you have sales from the Reserve. There is not the necessity for international coordination if you have an exchange, although I know that we – that the Department talked to several governments before we actually made the exchange solicitation.

Representative Pitts. You mentioned that refining capacity is at approximately 94 percent, and that this is a time of the year the refiners usually decrease refining to focus on maintenance. If refiners are at near full capacity, will the release from the Reserve and the increase in refining capacity increase the cost of refining?

Mr. Kripowicz. We don't believe so, or if it does, it would only be a marginal increase. The refining industry has been able to produce at 98 or 99 percent capacity with very little increase in cost.

Representative Pitts. If the refiners have to delay maintenance, what exactly does that mean for refiners, their ability to maintain production, the impact on the environment?

Mr. Kripowicz. Probably experts in that don't sit at this table, but I would say that for short periods of time delay of maintenance would not be a problem. If you were talking about delaying maintenance for significant periods of time, then you might begin to run into operational problems.

Representative Pitts. What about the impact on the environment?

Mr. Kripowicz. The refiners are required to meet the environmental standards and guidelines that they operate under, and we are not asking that those guidelines be waived.

Representative Pitts. Finally, according to the plan—

Representative Saxton. Mr. Pitts, if I may, something is wrong – that red light should not be on. You have almost four minutes remaining.

Representative Pitts. Thank you, Mr. Chairman. According to the plan, oil refineries will replace oil in the Reserve. If demand or prices do not fall to an equitable level, what effect will this have on the refineries' ability to replenish the Reserve?

Mr. Kripowicz. It will be more expensive for them to do so, but the government will still get its oil. The risk falls on the purchasers of – or the exchangers of the oil. When they take the oil, they take the risk in the future markets and if, in fact, prices stay up and don't go down, then it will be more expensive for them.

Representative Pitts. It will cause an increase in prices, is that correct?

Mr. Kripowicz. What I would suspect would happen is that the exchangers would come back to us and ask us to further delay the exchange and create even additional oil for the Reserve while they bet on the futures market again.

Representative Pitts. Thank you, Mr. Chairman.

Representative Saxton. Thank you very much, Mr. Pitts.

Mr. Watt.

Representative Watt. Thank you, Mr. Chairman. I appreciate the Chairman having the hearing and I appreciate the Chairman being balanced in his approach and comments on this issue.

I do have some concern that some of the other people on the other side who have asked questions and made comments may not be quite as balanced about this and may be impliedly suggesting that this administration has more blame than I believe it has, and that perhaps there is a revisionist view on their part of the history of the Republican Party's involvement in this and a number of Republicans' involvement in this. So I would like to spend a minute or two, since I didn't get a chance to have an opening statement, kind of setting the record straight here for everybody that wants to have the record set straight.

My research indicates that when President Bush sold oil from the Strategic Reserve during the Gulf War, prices were actually lower than they are now and that President Bush stated that the release of oil was not for national security reasons but to, quote, "calm the markets," closed quote, is what he said at that time.

In 1996, Republicans twice passed laws requiring the sale of oil from the Reserve, a total of over 28 million barrels, to help pay for budget priorities. That is 1996. In 1999, Republican leaders Dick Armey, Tom DeLay, Roy Blunt and 35 others introduced a bill that would have eliminated the Department of Energy and abolished the Strategic Reserve, and since the Republicans have been in control, they have let the President's authority to fully use the Reserve lapse three times, totaling 18 months, and in 1999, they blocked the proposal to buy 10 million barrels of oil for the Reserve when crude prices were $10 a barrel, not anywhere close to the 30-some dollars a barrel they are today.

So I think we need to set the record straight here before we start implying that there is some blame here that should be on our side on this issue.

Additionally, since I have been here, my Republican colleagues have spent the last five years cutting conservation and renewable energy programs, and for those of you who are trying to blame this on us, we understand that supply and demand operate in this equation, not just supply. So despite the fact that the Republican presidential candidate has called for more spending on energy conservation, Republicans have underfunded solar, renewable and conservation programs by $1.3 billion below the President's funding request since 1995, $1.3 billion less.

In 1995, Republicans cut energy efficiency programs by 26 percent, dropping funding from $1.117 billion in 1995 to $840 million in 1996. If they had not cut the Weatherization Assistance Program by 50 percent in 1995, over 250,000 more households could have helped decrease the demand for heating oil this year. So, again, supply and demand both play into this.

They have also failed to support domestic producers by passing proposals for tax credits to keep marginal wells in production and buying domestic crude during times of low prices.

So I think we ought to understand that this is a very complex issue, and this is not the time to be pointing fingers across the aisle at each other and pretending that in this election year, the Democratic presidential candidates, or a Democratic Congress, has real responsibility for that.

Even in this Congress, when heating bills will be over 30 percent higher this winter, this Republican Congress has yet to pass a bill to fully authorize the President to create a Northeast Heating Oil Reserve.

On June 15, Republicans voted down a Democratic proposal to buy $10 million in fuel for a home heating oil reserve, and the American Petroleum Institute reported last week that heating oil inventories are 20 percent lower than last winter and, of course, the witnesses have attested to that.

In 1995, my Republican colleagues voted to eliminate the Low Income Home Energy Assistance Program, and in 1996 they proposed counting LIHEAP assistance against the income limits for food stamps and tried to force disadvantaged families to choose between food and heating their homes.

So this is an issue that has been going on awhile, and I think the Chairman of our Committee has been very balanced in his approach, but I want to be clear that since I may have next to the last word on this, I know the Chairman is going to have the last word on it, that those of us who are casting stones and aspersions about this issue should not be doing so. This is a complex issue. I personally support what the

President has done to deal with this, what we hope -- what we all hope, I hope on a bipartisan basis, is a short-term shortage, but we have got to continue to do whatever we can to increase supplies, alternative sources of fuels and to reduce demand; and all of those things have to play into the equation if we are going to have any kind of security in this area in the future.

I appreciate the Chairman giving me some time, and I will be happy to yield back whatever time I have.

Representative Saxton. Thank you very much, Mr. Watt.

For a minute there I had my eyes closed and I dreamt I was at the DCCC listening to a conversation, but anyway, I would like to yield for a final thought to my friend, Senator Bennett.

Senator Bennett. Well, thank you, Mr. Chairman. I listened to Congressman Watt and I accept his rebuke for partisanship. I hope it is a bipartisan rebuke because we started off with the demonization of oil companies and an attack on oil companies, and the rhetoric that has been in the presidential campaign. I do agree absolutely with Congressman Watt that this is a very complicated issue. It is a long-term issue, and while I would maybe have a different interpretation, Mr. Watt, than you do with respect to some of the congressional actions you have described, I do sustain my belief that this administration has, in fact, pursued an overall policy that has discouraged energy creation in the United States. I have seen it in my own state.

I have seen it throughout the West where a very large percentage of our natural resources for energy exists. We have seen it in the bills the Congress has passed that would increase American production of energy sources, which the President has vetoed, and in my opening statement, the reference by Thomas Friedman, who is not a Republican, indeed if you read his column regularly, you know he is not a Republican, I do not expect that he will vote for Mr. Bush, but he is scathing in his denunciation of the long-term neglect of energy sources in the United States. And I add the additional comment about refineries because no matter how much energy you have, it all has to go, in terms of home heating oil and gasoline, through a refinery, and I have seen, again, firsthand in my own state, the environmental policies of this administration discourage and ultimately in some cases – discourage the building of refineries, in some cases force the closing of refineries, so that our refinery capacity becomes the bottleneck through which all of this is going.

Representative. Watt. Will the gentleman be kind enough to yield briefly?

Senator Bennett. Sure, I will be happy to.

Representative. Watt. I just want to make the point that I think there is enough blame to go around for both sides. I am not trying to say that this is you-all's fault or our fault. I think there is enough blame to go around in the public sector, in the private sector, you know, compensation, failure to conserve. None of us is exempt from the blame here, and I don't think we do ourselves much of a service to get into the blame game here. We need to try to roll up our sleeves and come up with a sounder policy in the future that keeps us out of these kinds of situations.

So I think I generally agree that there is plenty of blame to go around.

Senator Bennett. On the last final comment from me, I have just purchased a vehicle that gets 70 miles to the gallon, so I am doing whatever little bit I can to deal with the conservation issue. The fact that my six children have now left home has a great deal to do with it because it has only two seats, and for most of my married life, I couldn't handle that.

Thank you, Mr. Chairman.

Representative Saxton. Well, thank you. I would like to thank all the Members of the Joint Economic Committee for having been here today, and Mr. Kripowicz and Mr. Furiga, thank you for being here. The purpose of today's hearing was to get the facts out on the table. I think for the last hour and 40 minutes or so we have been able to do that. So I would like to thank everyone for their participation and I hope that we have taken a small step in moving the process forward to solving what is obviously a very, very serious situation in our country, particularly in the northeastern part of our country. Thank you very much, and the hearing is adjourned.

[Whereupon, at 11:45 a.m., the hearing was adjourned.]

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF REPRESENTATIVE JIM SAXTON, VICE CHAIRMAN

I am pleased to welcome our witness, Assistant Secretary Robert Kripowicz, before the Joint Economic Committee (JEC) today. Although it was not planned this way, this hearing on the Strategic Petroleum Reserve (SPR) appears to be especially timely. The purpose of the hearing today is to examine the SPR in the context of U.S. energy policy. In recent days there has been tremendous interest in the SPR, but a lot of important questions remain unanswered. One such important question relates to the various possible methods of tapping the SPR and whether they would prove effective in the short run and in the long run.

The hearing today is not intended to promote any particular point of view, but merely to examine the underlying facts. These include the amounts of oil in the SPR and home heating oil reserve, the quality of this oil, the mechanics of releases through swaps and their effects on prices and supplies, and the physical removal of the oil from the SPR.

Since last winter I have been on record favoring a release of oil from the SPR to deal with short-run shortages, especially for home heating oil. If market forces were determining oil prices, an SPR release would be problematic, but is less so when the state owned firms of the OPEC countries are exercising their monopoly power. An SPR release would counteract OPEC's anti-market policies – at least in the short-run – when inventories are low.

In addition, the use of the oil weapon by some countries makes a counter-action appropriate in the short run. OPEC's restraint of oil supplies reflects the influence of the hard line price hawks within the cartel. Moreover, Iraq also exports a significant amount of oil to the U.S., a factor that could threaten the U.S. yet again.

However, an SPR release is only a temporary measure and is not a panacea. The U.S. must do everything in its power to undermine the OPEC cartel and its monopoly power over supply and prices. The health of the national and international economy is very positive, but it has led to higher demand for oil, and OPEC has moved to fully exploit this development. U.S consumers and taxpayers are paying a heavy price for this OPEC exploitation.

Even as they put the squeeze on U.S. consumers, several of the hard-line OPEC price hawks and other OPEC members and allies are currently receiving U.S. taxpayer subsidies through the International

Monetary Fund (IMF). I have introduced legislation mandating the U.S. executive director of the IMF to oppose new loans to OPEC members and allies who exercise their monopoly power to the detriment of the U.S. economy, but much more pressure on OPEC is also needed. Currently, Venezuela, Indonesia, and Algeria are all receiving IMF subsidies at the expense of U.S. taxpayers.

Fortunately, new exploration and extraction technologies are leading to the discovery of vast new oil deposits that can be tapped in more efficient ways. As the former Saudi oil minister has acknowledged, the OPEC's days are numbered. However, today we are focusing on the short run problem and whether it can be effectively addressed through the SPR. I would like to thank Mr. Kripowicz for his appearance before the Committee today.

from the office of

Senator Edward M. Kennedy

of Massachusetts

FOR IMMEDIATE RELEASE
September 27, 2000

CONTACT: Will Keyser
(202) 224-2633

STATEMENT BY SENATOR EDWARD M. KENNEDY AT THE JOINT ECONOMIC COMMITTEE HEARING ON THE STRATEGIC PETROLEUM RESERVE

The Strategic Petroleum Reserve is an important resource for the nation's security, and I commend Chairman Saxton for calling this hearing on its capabilities. This is a timely subject of urgent importance to millions of Americans.

Families in the Northeast cannot keep warm just on the plans and promises that have been circulating as the winter approaches. While many discuss long term solutions to the nation's energy problems, short term inventories of home heating oil have become ominously low in our region. Today, inventories are 40% lower than last year in the Northeast, and 65% lower than last year in New England.

Last year was an unusually warm winter—but because inventories were low, families throughout the Northeast were hit with $2 a gallon heating oil costs, while families in other regions paid almost $1 less. Had last winter been colder than normal in New England, the shortages and emergencies could have been much more severe.

Clearly, something had to be done about the low current inventories. Last week, President Clinton took decisive and timely action by tapping the Strategic Petroleum Reserve for 30 million barrels of crude oil over 30 days. This SPR release was the only realistic way to increase inventories of heating oil in the Northeast. The Energy Department projects that the increase will be 3 to 5 million barrels by November, or 10% above existing inventories. The alternative to the SPR release was to do nothing, which would have been unacceptable in the face of the serious potential risks.

It's disappointing, therefore, that some have criticized last week's SPR release as political. The SPR release has already proved to be a useful option, and it was probably the only option. No one has proposed another practical solution to our region's short-term heating oil needs. Those needs are immediate and overwhelming, and numerous Republicans had joined Democrats in asking the Administration to release SPR oil, including Senators Roth, Specter, Jeffords, Chafee, Collins, and Snowe, along with our distinguished Chairman, Congressman Saxton, and Congressman Ben Gilman, the Chairman of the House International Relations Committee, and a number of other House Republicans.

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Releasing oil from the Strategic Petroleum Reserve was sound policy. In addition to bipartisan support in Congress, the G-7 Finance Ministers and Central Bank Governors called the decision good for the world economy, and issued a statement in support of it. Certainly, American truckers and consumer groups were pleased with the decision to increase distillate stocks. The market itself has shown its approval. The price of November crude oil has dropped over $6—or 15%—between the day we had urged Secretary Richardson to release SPR oil, and this morning.

We are also interested in ways that Congress can strengthen the Strategic Petroleum Reserve. It currently can store 700 million barrels of crude oil, but Congress has only provided funds for 571 million barrels. Because Congress did not allocate the resources needed to fill SPR when oil was $10 a barrel, we now face costs of over $30 a barrel.

In 1996, Congress directed the sale of 28 million barrels to raise money for the government. Yet now, some complain that the Administration's decision to release 30 million barrels of oil will jeopardize national security. Clearly, these positions are inconsistent, and I look forward to our witness's assessment of the relative security risks that various releases of SPR pose to the nation, as well as what can be done to strengthen the reserve.

The nation looks to both Congress and the Administration for leadership on energy policy. When it comes to heating homes in the Northeast, the issue is a matter of life and death for millions of families. Cold doesn't discriminate between Republicans and Democrats. The Strategic Petroleum Reserve is a major part of the solution this winter, and so is increased funding for the Low Income Home Energy Assistance Program. LIHEAP helps protect 106,000 families in Massachusetts, and over 3 million nationwide, from having to choose between heating and eating. We need to deal with all aspects of these energy challenges, and produce both the short-term and long-term energy solutions that the nation needs.

I look forward to today's hearing, and to working with my colleagues to achieve a bipartisan energy policy worthy of this nation.

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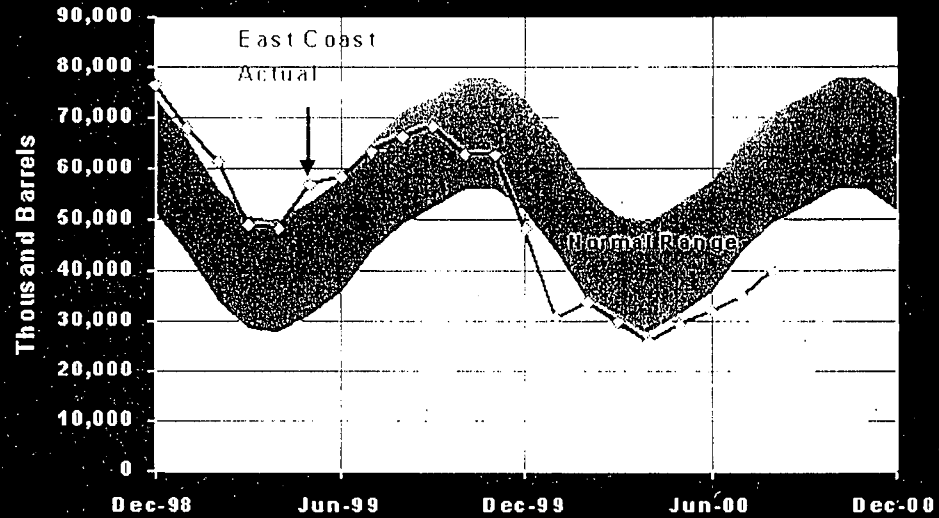
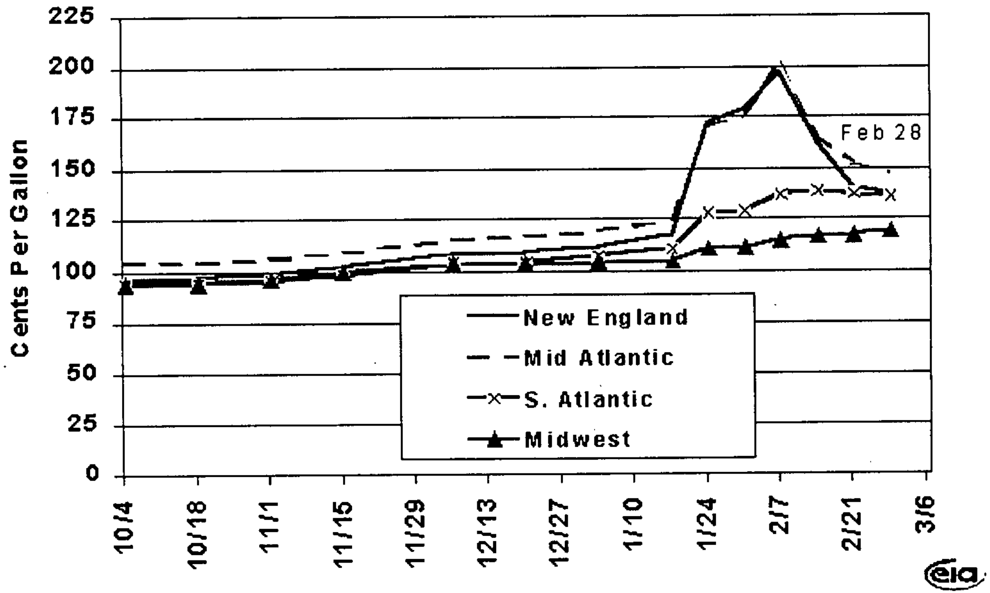
Distillate Stocks are Low – Especially on the East Coast

East Coast Total Distillate

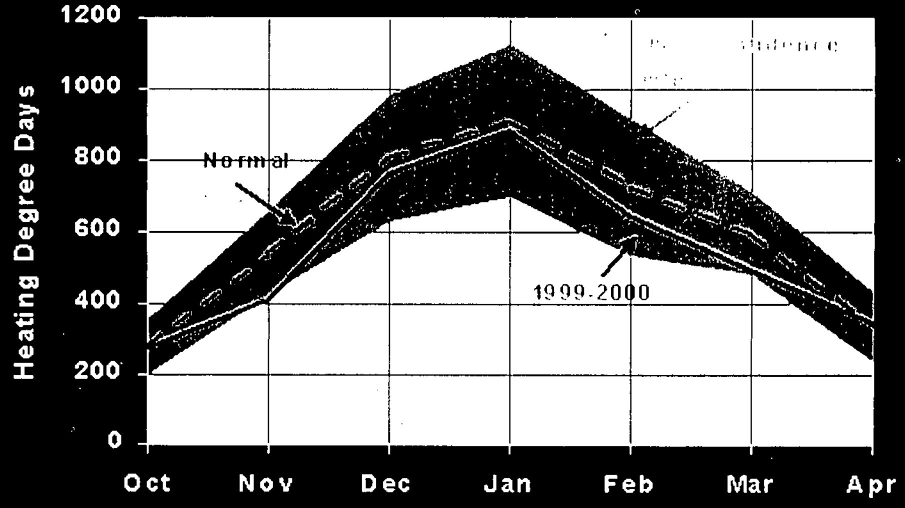


Source: EIA

Regional Residential Heating Oil Prices



Winter Demand Impacted by Weather



Source: National Oceanographic and Atmospheric Administration; Normals: EIA.

STRATEGIC PETROLEUM RESERVE RELEASES

July 2000	Exchange 1 million barrels for 1.03 million barrels when refinery ship access blocked.
April 1999	Begin exchanging 28 million barrels for 28 million barrels plus trasportation and quality improvements.
December 1998	Exchanged 11 million barrels of low grade crude oil for 8.5 million barrels of sweet crude that is more valuable and easier to refine.
1996	Exchange 900,000 barrels plus $2 million to meet Arco's emergency pipeline filling needs.
1996	28 million barrels of oil sold to raise revenue as directed by Congress.
1991	Iraq war, 17.5 million barrels released during Desert Storm.
1990	Test sale of 3.5 million barrels during Desert Shield.
1986	Test sale of 1 million barrels directed by Congress.

Oil Company Profits Exploded Over the Past Year

(profit margin increases between June 2000 and June 1999)

Unocal Corporation	872%
Phillips Petroleum	274%
Marathon Group	203%
Chevron Corporation	140%
Texaco Incorporated	125%
Exxon Mobil	123%

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CAROLYN B. MALONEY
14TH DISTRICT, NEW YORK

2430 RAYBURN BUILDING
WASHINGTON, DC 20515-3214
(202) 225-7944

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September 7, 2000

William J. Rainer
Chairman
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

Dear Chairman Rainer:

On July 27, 2000, the House Banking Committee reported H.R. 4541, the Commodity Futures Modernization Act. The intent of this legislation is to increase legal certainty in financial derivatives markets and to enhance overall market stability.

While I am supportive of the goals of the legislation relating to financial products, I am concerned with language that may have the effect of moving substantial trading in energy products off of public exchanges. Unlike unique financial derivatives products of infinite supply, many questions remain about the susceptibility of energy products to market manipulation. Investigations of the energy markets are currently ongoing and energy prices are near all-time highs. Under current circumstances, I do not believe it is the appropriate time to further undermine consumer confidence in energy prices by moving trading in energy products off of public exchanges where they are closely monitored by your agency and where market information is available to the public.

As this legislation may shortly move to the House floor, I respectfully request that your agency forward me an analysis of the language relating to exemptions for nonfinancial products in H.R. 4541 and the other commodity market modernization bills pending before the House.

Thank you for your timely response to this request.

Sincerely,

Carolyn B. Maloney
CAROLYN B. MALONEY
Member of Congress

U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581

William J. Rainer
Chairman

(202) 418-5030
(202) 418-5520 Facsimile

September 19, 2000

The Honorable Carolyn B. Maloney
Member of Congress
U.S. House of Representatives
2430 Rayburn House Office Building
Washington, D.C. 20515-3214

Dear Representative Maloney:

I am pleased to write you on behalf of the Commodity Futures Trading Commission in response to your recent letter asking for the Commission's position with respect to language in H.R. 4541 that would exempt energy and metals products from regulation under the Commodity Exchange Act.

Before addressing the specifics of the energy and metals exemptions, I would like to emphasize the Commission's support for swift Congressional action on legislation establishing legal certainty for over-the-counter financial derivatives consistent with the unanimous recommendations of the President's Working Group on Financial Markets.

However, all versions of H.R. 4541 also contain provisions that effectively exempt most forms of trading in energy products from the Commodity Exchange Act, contrary to the recommendations of the PWG. As stated previously in testimony in both the House and Senate, the Commission is deeply concerned that these exemptions are not based upon sufficient evidence to warrant their inclusion in the legislation. One of the principal factors cited by the PWG in recommending an exclusion for OTC financial derivatives was that nearly every dealer in those products is either subject to, or affiliated with, an entity subject to federal financial regulation. This cannot be said with respect to most participants in trading energy products.

The Commission also notes that the views of other agencies with responsibilities for regulating various aspects of the cash markets in energy products have not been solicited. The recommendations of the President's Working Group on Financial Markets for treatment of OTC financial transactions was preceded by nearly a year of deliberation and study by the four principal agencies of the Working Group, resulting in a consensus on treatment of those products. No such process has been undertaken by the agencies with responsibilities for various aspects of trading in energy products, and we are therefore concerned that the potential consequences of this part of the legislation have not been thoroughly considered.

The Honorable Carolyn B. Maloney
Page 2

While the exemption in energy products is common to all three versions of the legislation – those of the Committees on Agriculture, Banking & Financial Services and Commerce, respectively – the Commerce Committee version extends the exemption to apply to metals products, as well.

With respect to the exemption for metal commodities, the Commission has serious reservations about the extent to which H.R. 4541 would exempt these products from the CEA. In the Commission's experience, metal commodities have an unambiguous history of susceptibility to manipulation and we believe that futures and options transactions in these commodities require full regulatory oversight by the CFTC to protect the markets and their participants from unlawful practices. For example, in 1998 the Commission settled a major copper manipulation case, in which one company acquired a dominant and controlling cash and futures market position during 1995 and 1996 that caused copper prices worldwide to rise to artificially high levels. That case resulted in the offending company's paying the largest civil monetary penalty in U.S. history to that time. In fact, the President's Working Group Report explicitly stated that these markets have been susceptible to manipulation and to supply and pricing distortions and therefore recommended that they not be excluded from the CEA.

The Commission recognizes that the legislation attempts to address some of these concerns by providing the agency with anti-fraud and anti-manipulation authority. Charging the Commission with the responsibility to police for fraud and manipulation, however, without conferring commensurate authority to promulgate regulations, where necessary, leaves the CFTC inadequately equipped to fulfill those responsibilities.

While there are many important provisions of H.R. 4541 that warrant enactment, the Commission cannot recommend that the Congress move forward on those provisions unless the basic issues outlined here are addressed. The Commission is pleased to continue working with you and other interested parties to reach a satisfactory solution to these important issues.

Sincerely,

William J. Rainer

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COMMITTEES:
BANKING AND FINANCIAL SERVICES

GOVERNMENT REFORM

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September 13, 2000

The Honorable Bruce Babbitt
Secretary of the Interior
1849 C Street, NW
Washington, DC 20240

Dear Secretary Babbitt:

It has recently come to my attention that Senator Murkowski, without any committee consideration, will offer an amendment to drastically expand the Royalty-in-Kind program. As a Member who has worked for years to make sure that taxpayers receive the fair amount of oil royalty payments, I am extremely concerned that this proposed amendment could seriously affect the ability of the Federal government to collect the appropriate amount of royalties from oil taken from Federal lands.

Specifically, I am concerned that this amendment would replace the existing standard for "fair market value" of oil sold from Federal lands with one that is vaguely worded and potentially designed to benefit the oil industry's legal challenges to the recently enacted oil valuation rule. Earlier this year, after years of industry resistance, your Department was finally able to implement a new oil and gas valuation rule to ensure that the Federal government is properly reimbursed for oil taken from Federal lands. The new rule requires oil companies to value oil based on market-based spot pricing (i.e., fair market value) instead of so-called "posted prices" which companies determine on their own. As a result of these changes, the Federal government will finally end an industry scam that was costing taxpayers more than $66 million each year. Language to fundamentally redefine the "fair market value" of oil in statute could effectively undermine the new valuation regulations. This is completely unacceptable. This issue is too important to be rushed through Congress in the waning hours of this session.

In addition, I am extremely concerned that Congress is on the verge of fully authorizing a program which has never been considered in committee and which the General Accounting Office(GAO) expressed concern about as recently as August 1998. The GAO is currently reexamining the Royalty-in-Kind program to see if any progress has been made. I strongly urge you to oppose this legislation until we have the opportunity to hear from the GAO and the appropriate committees on this critically important issue.

Instead of this unnecessary amendment, I ask that you urge the Senate to recede to the House on the FY 2001 Interior Appropriations bill and allow the Royalty-In-Kind pilot program to deduct transportation and processing costs for one year. In that way, we can learn more about the viability of the concept and also allow Congress the time to more carefully and collegially consider this proposal.

I look forward to hearing your views on this legislation and hope you will join me in publicly opposing it. Thanks in advance for your consideration.

Sincerely,

Carolyn B. Maloney
Member of Congress

cc: Senator Barbara Boxer
Senator Richard Durbin
Director Walt Rosenbusch

Statement of Robert S. Kripowicz
Acting Assistant Secretary
For Fossil Energy
U. S. Department of Energy
Before the Joint Economic Committee
on
September 27, 2000

Mr. Chairman and Members of the Committee, I am pleased to be here to discuss the Strategic Petroleum Reserve and the actions taken this past week by President Clinton to use the Reserve to help avert possible fuel shortages this winter.

The Reserve was authorized in 1975 in the aftermath of the first Arab oil embargo. The Energy Policy and Conservation Act, signed into law by President Gerald Ford on December 22, 1975, provides that the Reserve may consist of up to one billion barrels of petroleum products. The current plan for the Reserve, however, provides for 750 million barrels of crude oil and 2 million barrels of heating oil.

The Strategic Petroleum Reserve consists of four oil storage sites – two in Louisiana and two in Texas – with capacity to store 700 million barrels. The first oil for the Reserve was delivered on July 21, 1977, and today the Reserve holds 571 million barrels of crude oil. The most common measure of the relative size of the Strategic Petroleum Reserve is to compare its inventory to the net daily volume of petroleum imported into the United States. The Reserve inventory now equates to between 50 and 60 days of import protection.

We also are establishing a regional reserve of heating oil in the Northeast as a component of the Strategic Petroleum Reserve. One million barrels of heating oil are to be located in the New Jersey portion of New York harbor and another one million barrels in New Haven, Connecticut. A portion of the heating oil stocks is already in place, and the entire 2 million barrels will be in place early in October.

The Gulf Coast Reserve crude oil is stored in caverns that have been hollowed from massive salt domes. These domes are common through the Gulf region, and provide the most advanced, lowest cost, and environmentally friendly method of long term petroleum storage. Our facilities are located near major refinery centers and connected to commercial pipelines and shipping terminals, which allow the rapid release of oil to the marketplace.

The President's Decision to Use the Strategic Petroleum Reserve

On September 22, 2000, President Clinton directed the Department of Energy to use the Strategic Petroleum Reserve to help bolster domestic oil supplies, especially the critically low inventories of heating oil that many families will need this winter.

The Department of Energy will exchange crude oil from the Reserve. Companies that obtain oil will be required to return comparable or higher quality crude oil to the Reserve in the fall of 2001. Because oil prices are expected to be lower then, the companies will return the amount they obtained plus additional quantities as a bonus percentage that will be specified in the offers. This ultimately will increase the amount of oil in the Reserve and enhance the nation's "insurance" against future energy supply disruptions.

The President made the decision to carry out the oil exchange because of concerns that lagging petroleum product inventories could create potentially severe hardships for many American families this winter. Today, distillate inventories across the country, which include heating oil, are 19 percent lower than they were a year ago. On the East Coast, where 36 percent of families use heating oil to stay warm, distillate inventories are lower still: 40 percent less than last year's levels. In New England, heating oil inventories are closer to 65 percent lower than last year.

While global oil production has been increased in recent months due in part to the Administration's diplomatic efforts – production increases have added three-and-a-half million barrels of oil per day to the world market – demand continues to siphon off the extra barrels before they move into inventories. Thus, U.S. crude stocks remain very low, and stocks of heating oil and other distillate fuels are at critically low levels.

The President's action will add the equivalent of a million barrels per day to the U.S. market over a period of 30 days, a temporary infusion of oil that could begin quickly to restore a better balance between supply and demand. The action will likely add an additional 3-to-5 million barrels of heating oil this winter, if refineries could match higher runs and yields seen in the past.

This past Monday, September 25, the Energy Department issued the exchange solicitation from its New Orleans office. Offers will be due this Friday, September 29. The Energy Department will evaluate the bids and negotiate "best and final" offers next week, and contracts are expected to be awarded on Friday, October 6. Companies offering to return the most crude oil of a comparable or higher grade next August through November will be awarded contracts.

The solicitation calls for moving the crude oil to successful offerors during November, although the Energy Department will be able to accommodate earlier deliveries if an offeror can make the necessary transportation arrangements.

Statutory Authorities for Exchanging Reserve Oil

The exchange initiative is authorized by Section 106 of the Energy Policy and Conservation Act. This section authorizes the Secretary, for purposes of implementing the Strategic Petroleum Reserve Plan, to place in storage, transport, or **exchange**:

1) crude oil produced from Federal lands, including crude oil produced from the Naval Petroleum Reserves to the extent that such production is authorized by law;

2) crude oil which the United States is entitled to receive in kind as royalties from production on Federal lands; and

3) petroleum products acquired by purchase, **exchange**, or otherwise. *(emphasis added)*

Emergency Oil Sales from the Reserve

As I've noted, the President's action this past week has been to offer an exchange of crude oil as a way to supplementing supplies on the market over the next two months while replenishing – and adding to – the Strategic Reserve's inventory next year. The Committee has also expressed an interest in the process for an emergency sale and drawdown of Strategic Reserve oil.

The authority to draw down the Reserve is dependent on a Presidential finding of severe energy supply interruption or that a drawdown is necessary to comply with our international obligations. I have attached to this statement the relevant language from the Energy Policy and Conservation Act that defines the conditions under which the Reserve can be used in this manner.

In the event of an emergency oil sale, refiners and trading companies would be the bidders for Reserve oil under standard sales provisions which we have distributed to prospective bidders and have posted on our web site. Knowing in advance the procedures for a competitive sale permits companies to respond to a solicitation and the government to carry out its bid evaluation and award process in a rapid and efficient manner.

To ensure that our operation and potential use of the Strategic Petroleum Reserve remains consistent with the practices of private industry, we routinely meet with companies that could potentially be involved in the use of the Reserve. Recently, for example, we have had customer service teams visit 30 companies this year that account for 96 percent of the Nation's refining capacity.

This close coordination with industry is one of the primary reasons why the Department can issue a solicitation for an emergency oil sale within 24 hours of a Presidential finding and complete the bid process and be ready to deliver oil to successful offerors within 15 days.

If called upon to counter a major disruption, the Reserve can supply oil to commercial buyers at a rate of more than 4.1 million barrels per day for 90 days. During this time, the Reserve would be the equivalent of the fifth largest oil producing country in the world.

After the 90-day maximum drawdown period, the rate of oil release would decrease as storage caverns are emptied. At one million barrels per day, the Strategic Reserve could supply a steady flow of crude oil to the market for approximately a year-and-a-half.

The large volumes of oil and the rapidity with which it can be moved into the marketplace makes the Strategic Petroleum Reserve a formidable deterrent to countries that might consider using the flow of oil into world markets for political leverage.

Since the creation of the Reserve the only time a President has made such a finding was during the Gulf War in 1991, at which time the Energy Department offered nearly 34 million barrels and sold about 17 million barrels of Reserve oil.

The Need for Reauthorizing EPCA

As Members are aware, the Energy Policy and Conservation Act (EPCA) expired on March 31, 2000. Our General Counsel staff and senior legal staff at the Department of Justice, however, have concluded that the authorities of EPCA to manage the Strategic Petroleum Reserve have been effectively extended by Congressional enactment of current year (FY2000) appropriations for the Reserve.

It is important, however, that there be no ambiguity about the President's ability to use the Strategic Petroleum Reserve in the future. EPCA provides the only direct and full authority to operate the Reserve and is the strongest underpinning for our emergency oil response capability. That is why the President and Secretary Richardson have continued to call on Congress to renew the authorities of EPCA. The House of Representatives has acted twice in the past several months to reauthorize the legislation, and hopefully, the Senate will take action in the near future.

EPCA reauthorization is also important because the Act provides limited antitrust protection for U. S. oil companies assisting us and the International Energy Agency to plan for and respond to an oil emergency in a coordinated manner.

Meeting Our International Obligations

The U.S. Strategic Petroleum Reserve is the world's largest emergency stockpile of crude oil. As such, it helps the United States satisfy its international obligations to other member nations of the International Energy Agency. Under the *Agreement on an International Energy Program*, the United States and other member countries of the International Energy Agency (IEA) have agreed to store the equivalent of 90 days of net petroleum imports against the possibility of supply interruptions, and to jointly respond to such interruptions. The U.S. meets its obligations by a combination of Government-owned stocks and private sector inventories. In total the member countries of the IEA account for approximately 1.2 billion barrels of petroleum reserves.

The Desert Storm drawdown of 1991 was conducted in coordination with the IEA and other OECD nations. This concerted effort was one of the primary reasons why oil markets stabilized and prices moderated during the Persian Gulf conflict.

Mr. Chairman, this concludes my opening statement and I will be pleased to answer any questions that you and the Members of the Committee may have.

Attachment

The Energy Policy and Conservation Act
Statutory Provisions for an SPR Drawdown

DEFINITIONS
SEC. 3. As used in this Act:
(8) The term "severe energy supply interruption" means a national energy supply shortage which the President determines -

(A) is, or is likely to be, of significant scope and duration, and of an emergency nature;

(B) may cause major adverse impact on national safety or the national economy; and

(C) results, or is likely to result, from (i) an interruption in the supply of imported petroleum products, (ii) an interruption in the supply of domestic petroleum products, or (iii) sabotage or an act of God.

DRAWDOWN AND DISTRIBUTION OF THE RESERVE
SEC. 161.
(2) For purposes of this section, in addition to the circumstances set forth in section 3(8), a severe energy supply interruption shall be deemed to exist if the President determines that -

(D) an emergency situation exists and there is a significant reduction in supply which is of significant scope and duration;

(B) a severe increase in the price of petroleum products has resulted from such emergency situation; and

(C) such price increase is likely to cause a major adverse impact on the national economy.

(g)(1) The Secretary shall conduct a continuing evaluation of the Distribution Plan. In the conduct of such evaluation, the Secretary is authorized to carry out test drawdown and distribution of crude oil from the Reserve. If any such test drawdown includes the sale or exchange of crude oil, then the aggregate quantity of crude oil withdrawn from the Reserve may not exceed 5,000,000 barrels during any such test drawdown or distribution.

(h)(1) If the President finds that -

(A) a circumstance, other than those described [above] exists that constitutes, or is likely to become, a domestic or international energy supply shortages of significant scope or duration; and
(B) action taken....would assist directly and significantly in preventing or reducing the adverse impact of such shortage,

then the Secretary may...draw down and distribute the Strategic Petroleum Reserve.

(2) In no case may the Reserve be drawn down under this subsection -

(A) in excess of an aggregate of 30,000,000 barrels with respect to each such shortage;

(B) for more than 60 days with respect to each such shortage;

(C) if there are fewer than 500,000,000 barrels of petroleum product stored in the Reserve; or

(D) below the level of an aggregate of 500,000,000 barrels of petroleum product stored in the Reserve.

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S. HRG. 107—50

THE EMPLOYMENT SITUATION: FEBRUARY 2001

HEARING

before the

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

March 9, 2001

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THE EMPLOYMENT SITUATION: FEBRUARY 2001

Friday, March 9, 2001

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
WASHINGTON, D.C.

The Committee met, pursuant to notice, at 9:33 a.m., in Room 1334, Longworth House Office Building, the Honorable Jim Saxton, Chairman of the Committee, presiding.

Present: Representatives Saxton and English. Senator Corzine.

Staff Present: Chris Frenze, Bob Keleher, Darryl Evans, Colleen J. Healy, Daphne Clones-Federing, Corine Bradshaw, Amber Williams and Russell Comeau.

OPENING STATEMENT OF REPRESENTATIVE JIM SAXTON, CHAIRMAN

Representative Saxton. Good morning. It is a pleasure to welcome Commissioner Abraham before the Committee once again to report on the release of new employment and unemployment data for February.

Recent current economic conditions indicate that the economy has slowed from the remarkable pace present through the middle of last year. The array of economic data shows that the economy has been in a slowdown for the last two quarters. For example, the rate of GDP growth has fallen two quarters in a row. The consumer spending and investment growth have also slipped. However, there are some signs of a residual economic strength in certain sectors, such as construction and the service-producing industries. In addition, overall employment growth has slowed but has generally been positive.

The employment-population ratio remains high, and labor market conditions for the most part remain fairly tight as reflected by the relatively low unemployment rate. The slowdown does make the economy more vulnerable to shocks and disruptions, but the economy remains in positive territory.

The Federal Reserve is aware of the softness of the economy, and its recent survey indicates that that is a continuing problem.

The employment data released today seemed to be influenced by the slowing pace of the economy. Payroll job growth for February was 135,000, considerably lower than the 225 to 250,000 range typical during the healthy economic expansion. The unemployment rate remained unchanged at 4.2 percent. Given the weakening of the economy since the middle of last year, the case for change in economic policy is quite strong.

The tightness of Federal Reserve monetary policy should be relaxed, and the Fed has taken steps in this direction earlier this year, although more remains to be done. Further rate cuts by the Fed are needed. As a matter of fact, for quite some time I have been questioning Fed policy. As far back as November, 1999, I began to question Fed tightening policy and did so again in March of 2000 and finally again earlier this year.

Congress can also do its part by reducing the fiscal drag on the economy from the excessive tax burden imposed on our tax system. The House took a step in that direction yesterday, and the Senate will work its will later as time goes by. The tax system is counterproductive, and now is a good time to reduce its negative effects. This will not make the economy turn on a dime, but it will improve the prospects for continual economic growth now and in the future. The current economic outlook poses challenges that should not be taken lightly. Changes in macroeconomic policy are needed to get the economy back on track.

Commissioner Abraham, let me again welcome you to today's hearing. We are certainly anxious to hear your report in the very articulate way that you have been accustomed to delivering it to us. Before I do that, I would like to welcome my colleague from New Jersey for the first time, Senator Jon Corzine, who is no stranger, to say the least, to the world of economics and economic growth and investment, having been extremely successful in his real life adventure; and now he is here with us in Congress. As he just walked into the room for his first time, I don't know whether he may have an opening statement, but we certainly want you to feel welcome here and to make an opening statement if you would like to.

[The prepared statement of Representative Saxton appears in the Submissions for the Record on page 16.]

Senator Corzine. Mr. Chairman, thank you for the welcome. I have a formal statement I will submit for the record, but it is a great pleasure to be here with you and working on issues that I think will make a difference with regard to our economic picture in the long run.

I am anxious to hear about unemployment statistics, which I used to watch very closely on a day-to-day and a second-to-second minute; and I think we all have grave concerns about the state of the economy. So I very much look forward to this morning's discussion.

But mostly, I want to say thank you for your welcoming remarks and I look forward to working very closely with you over the years.

[The prepared statement of Senator Corzine appears in the Submissions for the Record on page 19.]

Representative Saxton. I thank my colleague. Commissioner Abraham, you may begin. The floor is yours.

OPENING STATEMENT OF KATHARINE G. ABRAHAM, COMMISSIONER, BUREAU OF LABOR STATISTICS: ACCOMPANIED BY KENNETH V. DALTON, ASSOCIATE COMMISSIONER, OFFICE OF PRICES AND LIVING CONDITIONS; AND PHILIP L. RONES, ASSISTANT COMMISSIONER OF CURRENT EMPLOYMENT ANALYSIS

Ms. Abraham. Thank you, Mr. Chairman. It is a pleasure to be seeing you again in this new year; and, good morning, Senator Corzine.

As always, we are happy to have the opportunity to comment on the labor market data that we released. The unemployment rate, as you noticed, was unchanged in February at 4.2 percent, and payroll employment rose by 135,000. Since early last fall, the growth in payroll employment has slackened. In the five months since September, the average monthly increase in payroll employment has been 103,000. In contrast, during the first nine months of last year, payroll employment had grown by 187,000 a month, on average.

You should have in front of you a small package with some charts.

The first chart relates to what has been happening with payroll employment. The data shown there are only for the private sector, for the reason that the buildup and drawdown in Federal employment related to the census otherwise would have distorted the figures. I think you can see looking at those data the slowdown in the rate of growth of payroll employment in recent months.

[The chart package appears in the Submissions for the Record on page 45.]

Focusing on what happened in February, the key features of the February data in my view are, first, the continued reduction in manufacturing employment and hours; second, the more than offsetting job gains in services and some other industries; and, thirdly, the over-the-month rise in average hourly earnings.

Let me talk first about manufacturing employment. Manufacturing employment fell by 94,000 in February following a decline of about the same magnitude in January. Those declines bring total factory job losses since last June to 371,000.

The second chart in the small package that I gave you shows what has been happening to manufacturing employment. There has been a period of time you will recall back in the spring of 1998 when, around the Asian economic crisis, we started to see declines in manufacturing employment; and then for a period of time things seemed to have leveled out. Since last summer, however, we have again been seeing rather substantial declines in manufacturing employment. I think the thing that is noteworthy about what we are seeing in February is how widespread those declines in manufacturing employment are. That is shown in the next little chart. Even the electronic components industry has a small job loss over the month. That was an industry within manufacturing that had been on an upward trend for a couple years. The only manufacturing industry with a sizable over-the-month increase was motor vehicles, but that gain of 13,000 was just a fraction of the loss that had occurred in January. So even that has to be put in some context. On net, auto industry employment has fallen by nearly 80,000 since June.

Manufacturing hours and overtime hours also continued on their downward trend in February. That is shown in the fourth chart in this package. Since June, the average factory workweek has declined by a full hour, and overtime has fallen by 8/10ths of an hour. The factory workweek is now at its lowest level since the spring of 1991, outside of two months when winter storms caused sharp temporary reductions in hours back in December; and then in January of 1996 you can see sharp declines related to weather. Weakness in manufacturing may have affected some other industries. For example, wholesale trade, which serves as an intermediary between manufacturers and customers, has lost 22,000 jobs since November. This is the largest such decline in that industry since early 1993.

Employment in help supply services, which is mainly temporary help firms that provide workers to manufacturing as well as to other industries, was little changed in February but has fallen by 200,000 since April of 2000. Help supply had been a big job gainer during most of the economic expansion that began in the spring of 1991. So these recent losses do represent a real change.

Employment in the services industry as a whole rose by 95,000 in February. Health services had the largest job increase among the services industries, as employment in hospitals continued to benefit from recent exchanges in Medicare payment schedules. Employment also rose in social services, computer services, and private education. Public education accounted for a large share of the rise in government jobs over the month.

Maybe I could digress for just a moment from my prepared statement at this point. I commented at the beginning of my remarks about the slowdown in overall employment growth that we have seen over the last five months or so. Manufacturing has been hard hit. We have seen a real turnaround in help supply. If you look at the rest of the economy, you don't see any evidence of that slowdown. The slowdown in employment growth has really been very concentrated in just a couple of areas. In the services sector in particular, things have held up pretty well; and in a number of services industries we have actually seen somewhat faster growth over the last five months than previously.

Following a very large gain in January, construction employment added 16,000 jobs in February. That is another industry where we have not seen any slowdown. Since October, employment in construction has been increased by 37,000 a month on average. In the 12 months prior to October, the average monthly increase had been only 23,000.

From our survey of employers, average hourly earnings were up seven cents in February. The over-the-year increase was 4.1 percent. This was the fourth month in a row that the over-the-year increase in average hourly earnings was 4 percent or higher. Throughout most of

1999 and 2000 those over-the-year gains had remained in the 3.5 to 3.8 percent range.

As I mentioned at the beginning of my statement, the unemployment rate was unchanged in February at 4.2 percent. There is a chart that shows the average hourly earnings figures. The unemployment rate was unchanged in February at 4.2 percent. In February, the number of newly unemployed, those unemployed less than 5 weeks, and also the number of unemployed job losers who were not on temporary layoff, both rose for the second month in a row.

Other cyclical indicators from our survey of households, such as the number of people working part-time for economic reasons, that is, working part time despite the preference for full-time work, and also the number of people outside the labor force who have stopped looking for work, have shown no clear signs of an upward trend.

In summary, the sharp downturn in manufacturing employment and hours continued in February. Still, overall payroll employment continued to rise, and the unemployment rate remained relatively low. Finally, earnings gains appear to have picked up in recent months.

So that is the basic picture as we see it, looking at these data. We would, of course, be happy to answer any questions that you might have.

[The prepared statement of Commissioner Abraham and the accompanying Press Release No. 01-57 appear in the Submissions for the Record on page 20.]

Representative Saxton. Commissioner, thank you. It would appear that the initial reaction among the members of the economic community was somewhat of a surprise earlier this morning when these employment numbers were released. There was an expectation that, among those who were awaiting these numbers, that they would be somewhat weaker than they were. Do you have any explanation for, while these are not strong numbers, they are stronger than the expectations would have indicated? Do you have any explanation that we might consider as to why this happened?

Ms. Abraham. I am almost thinking this might be a better question to address to your colleague. You are quite correct that the expectations were for somewhat lower payroll employment growth than we in fact reported, though the expectations for unemployment were about in line with what we reported.

It may be that people were expecting construction to be weaker this month than it actually turned out to be. In January, we had an enormous increase in construction employment. Part of that was probably an anomaly related to very bad weather in November and December, so people having been let go earlier in the year than they usually are and not getting layoffs in January that we would have expected. But it was stronger than you could have explained just on that basis.

And people may have expected, as often occurs, that, given that very strong January number, that we would see declines in February. We didn't get that. Construction employment actually rose.

I don't know, with respect to other things, exactly where the discrepancy may have come.

Representative Saxton. Commissioner, you indicated that the weakness in job growth was particularly evident in manufacturing.

Ms. Abraham. Correct.

Representative Saxton. Matter of fact, what was the number, 94,000 job loss in February and about the same in January?

Ms. Abraham. Correct.

Representative Saxton. This tracks in terms of manufacturing jobs with a long-term trend, does it not?

Ms. Abraham. Well, the long-term trend in manufacturing for many years has been downward. The declines in recent months have really accelerated. I think they are sharper than you can explain just on the basis of a long-run trend.

Representative Saxton. When I say many years, actually the declines in manufacturing began in the 1997-1998 time-frame, did they not?

Ms. Abraham. There were declines through the early '90s and then some pickup and then some declines, interrupted by increases and then further declines.

If you take a much longer time perspective, the tendency clearly has been towards declines in manufacturing. It is really not just the last few years.

Phil has got numbers here that go back further. If you go back to the mid '70s, for example, when our overall economy was much smaller, manufacturing employment for the late '70s was in excess of 20 million. And despite growth in the economy since then, manufacturing has fallen to 18.5 million, that kind of range.

Representative Saxton. I only have limited data before me – I can see where we are at 18.9, 18.8, 18.9 in 1998.

Ms. Abraham. Right. I mean, we have come down about three quarters of a million since then. That is true.

Representative Saxton. So there has been a trend downward over the long-term, and there has been a specific trend down over the shorter-term since 1998, and it became an especially steep decline beginning about January 2000, is that—

Ms. Abraham. I might date it in the summer, rather than in January, but, yes, declines have accelerated.

Representative Saxton. And, at the same time, the civilian unemployment rate during those years – in spite of the fact that manufacturing employment has declined – the unemployment rate has declined along with it, meaning that other sectors of the economy have picked up jobs.

Ms. Abraham. Right. That is right.

Representative Saxton. But then we see, in terms of the unemployment rate, beginning in the second quarter of 2000 unemployment started to increase again, did it not?

Ms. Abraham. Well, I guess I would characterize the unemployment rate slightly differently. I would say that for a long period of time, I think it was 15 months, the unemployment rate hovered in a very narrow range. From October of 1999 through December of 2000, it never got outside of the range from 3.9 to 4.1 percent. So I would characterize it as having been quite stable at a very low level over that period. It has been a little higher over the last two months.

Representative Saxton. 4.2 percent.

Ms. Abraham. Right.

Representative Saxton. Okay. So there is obvious reason for concern about the loss of manufacturing jobs, and there is reason for us to examine why the unemployment rate has continued to go down. Obviously, that is because of increases in job growth in other sectors. But now we see that while we continue to lose jobs in the manufacturing sector, job growth in the other sectors is not as robust, and that started during the last half of 2000, is that right?

Ms. Abraham. Let me try to state what my sense of this is: we have seen slowdowns in overall payroll employment growth, but those have been very concentrated. They have been concentrated in the last few months, as compared to earlier in 2000. They have been concentrated in manufacturing and in temporary help. Employment in the rest of the economy really has not slowed at least over that time frame. These recent declines have been quite concentrated. The recent slowdown has been quite concentrated.

Representative Saxton. When you say recent slowdown, you are talking about the last half of 2000?

Ms. Abraham. Yes.

Representative Saxton. There have also been widespread reports of layoffs in the private sector, but they are hard to evaluate in the context because some job growth has been going on, as we have been saying. What do your figures show about the layoff situation and its impact on employment and unemployment?

Ms. Abraham. Let me just describe the information that we have on layoffs. We have information on mass layoffs that show up through people registering for unemployment insurance. If there is a company that lays people off and 50 or more of their people register for unemployment insurance, we pick that up and are able to track that.

At the end of last year, November, December, we saw a substantial pickup in the volume of layoff activity. January's number wasn't out of line with what we had seen a year earlier. I guess it remains to be seen what the numbers for February, March and so on are going to show.

The November and December numbers certainly do show a higher incident of layoff activity than we had seen in this data series before. These data only go back five years, six years, so we don't have a long time series. But the numbers for the end of 2000 were certainly quite high by historical standards, standards of the recent past.

Representative Saxton. Let me just go to general impression. I know that some of the information I have here is not data that you developed. It is obviously very closely related. Slowdown in employment growth over the last seven or eight months tracks with the slowdown in GDP as well, is that correct?

Ms. Abraham. Generally speaking, I think all of that economic data that we have seen recently are telling a fairly consistent story.

Representative Saxton. And the slowdown started—

Ms. Abraham. At the end of last year.

Representative Saxton. Third quarter of last year.

Ms. Abraham. Unfortunately, I don't have the GDP figures in front of me. I take your word for it on that one.

Representative Saxton. The GDP growth in the second quarter of last year was 5.6 percent. According to the figures I have in front of me, the third quarter was 2.2 percent; and in the fourth quarter it was 1.1 percent. That sounds about right.

Ms. Abraham. That sounds like a slowdown.

Representative Saxton. And personal consumption follows the same downward trend, or appears to. In the third quarter of '99, it was very robust; and during 2000 consumption began to decrease fairly rapidly. And that tracks with the figures that you are seeing, I assume.

And retail sales, the same thing occurred in January of 2000. Actually, in May of 1999 consumption started to fall. Retail sales started to fall and have continued to fall.

I am not sure whether you have evaluated those numbers or not, but is it your general agreement that that has occurred?

Ms. Abraham. General agreement that the picture seems to be pretty consistent.

Representative Saxton. I am not going to go through all these figures, but my staff has provided measure after measure that shows the decline in the economy started six months ago, according to some figures, a year ago according to other measures. Would you generally agree with that, that is the case?

Ms. Abraham. The figures that we focus on, of course, are the employment figures. Employment growth in 2000 was below employment growth in '99, but sort of within that, as we look at those data, the last several months, five months, is where the slowdown has been particularly pronounced.

Representative Saxton. It is consistent with the slowdown, correct?

Ms. Abraham. [Witness nodded.]

Representative Saxton. Thank you very much.

Senator Corzine, do you have any questions at this point?

Senator Corzine. Thank you, Mr. Chairman.

Commissioner Abraham, I guess my question would be, acknowledging the pattern of other economic measurements that the Chairman cited, have you done any work on the historical perspective of how we enter into a recession and what – if we were, in previous periods, how long the lag is and what kinds of early warning signals within the detail of the employment statistics would red flag that? Are there any signs along those lines? The temporary hiring patterns, corporations have often been cited as one of those places where you might look first.

Ms. Abraham. That is not something that we devote resources to. That really gets away from the production of the data into the analysis of the data.

I know there are things that people do look at. Some people, as I think we were suggesting, look at employment in help supply, mainly the temporary help firms. Some people look at the number of people unemployed for fewer than five years, the newly unemployed, as kind of an indicator. Sometimes people look at the other labor market indicators like people working part-time when they would rather have a full-time job or people giving up on job search. But, no, we have not attempted to analyze past cycles and pull out of the data what we should be looking at to diagnose what is happening now.

Senator Corzine. With regard to your comments on electronic components, does that tie to some of the slowdown that we have seen in the dot-com phenomenon and slowdown or is that really a different picture into the economy?

Ms. Abraham. What the electronic components really are are semiconductors, communications equipment, that sort of thing. So it may be related, I suppose, to what is going on with some of these dot coms. To the extent that the dot-coms are in retail activity, they would be categorized elsewhere.

Senator Corzine. Then, finally, I would ask a question about your comment that health services held strong in this period and tied to recent changes in Medicare payment schedules. I don't know whether you want to comment on whether you think this is a temporary phenomenon or one that you believe might be sustainable in employment growth.

Ms. Abraham. It is very clear in the data that we have seen a pickup in employment growth in health services over the period beginning in about October. For the five months October, November, December, January, February, health services as a whole was growing by about 22,000 a month, compared with just 14,000 over the earlier part of 2000. Health services is an area where our long-term employment projections suggest we can expect continued robust employment growth, just reflecting the demographics of the society, if nothing else. So health services is an area where I would expect strong employment growth over the long term to continue.

How much of any pickup we have gotten as a result of these Medicare changes might be persistent versus temporary, I don't really know.

Senator Corzine. Mr. Chairman, I think that is good for me. Thank you very much.

Representative Saxton. Thank you very much, Senator. Very good questions.

I would like to introduce to you, Commissioner Abraham, Congressman Phil English, who is at this hearing for the first time and appeared yesterday at a JEC hearing for the first time. Phil has been with us since 1994 in Congress. He is a member of the Ways and Means Committee, and we lobbied hard to get him on this Committee because of his interest in economics.

Phil, welcome, and the floor is yours.

Representative English. Thank you, Mr. Chairman.

Commissioner Abraham, it is a privilege to take your testimony.

I was wondering if I could get to you elaborate further on some of the trends you see in the manufacturing sector, manufacturing being obviously a critical sector but being a category that is so broad that it almost conceals more than it reveals. I am wondering if you could give us a sense, for example, of what the job patterns have been within the steel industry within the last month.

Ms. Abraham. Maybe I could put some of this in a bit of a longer-term perspective as well.

Representative English. Certainly.

Ms. Abraham. There are a number of parts of manufacturing that have really been on a long-term, secularly declining employment path. The two that jump to mind are apparel and also other textile products, which have just over long periods of time been shedding jobs at a fairly rapid pace.

You asked specifically about what has been happening in steel. Steel is the biggest part of what we call primary metals. Over the month, primary metals fell by 5,000. It fell by 6,000 in the month before that. It was down by a couple thousand a month over the prior 12 months. So the last couple months have been substantially worse than the average for the recent past.

Parts of manufacturing had actually been doing fairly well up through the middle of 1998. Manufacturing as a whole had been doing well through the middle of 1998. We had seen employment growth in aircraft, we had seen employment growth in industrial machinery, electronic components had been doing well. Then manufacturing got hit by the Asian economic crisis, and in a lot of those industries you started seeing employment declines.

Things had leveled off in many of them for a period of time, but all of these industries have been experiencing employment declines in recent months.

Representative English. Do you have the data broken out to help us identify some other sectors? What I am trolling for here is there are certain sectors that are obviously import sensitive. There are others that are very sensitive to changes in export conditions. And I wonder, for example, do you have a break-out for machine tooling or do you go down to that far in – do you identify sectors that narrowly?

Ms. Abraham. In the data that we put out for the current month, we don't have data that go down to that level of detail. When we put out data later on, we do have data that are more detailed and would include things like that.

Representative English. What was the trend—

Ms. Abraham. We do have a data series that we put together – maybe we could ask Phil Rones to talk about this – that is designed to track employment in industries that are export sensitive. We don't have a corresponding one for industries that are import sensitive. But maybe you could—

Representative English. Mr. Rones, would you comment?

Mr. Rones. We have several series that track industry employment related to defense, exports, construction. So we try to look beyond just the specific employment growth in those industries. In what we call the export sensitive industries, overall the over-the-month change was minus 24,000. So we lost 24,000 jobs in what we call the export sensitive industries. And what we are looking at there are industries that have at least 20 percent of their gross revenues in exports. Over the year, we have lost 66,000 jobs in those industries.

Representative English. May I ask, under the category of fabricated metal products of which we have a significant component in Western Pennsylvania, I see there is a significant projected fall-off for this month. I realize month-to-month it is very difficult to predict what is going on, but there has been, since November and December, looks from these statistics seasonally adjusted to be a fairly significant drop. Can you comment on that?

Ms. Abraham. We need to verify that, in fact, that is what we are seeing. It was both this month and last month that industry lost 13,000 jobs, and it lost jobs as well in December. Up through November it had actually been holding its own and even adding a bit. So it is really the last several months where we have seen declines, in the last two months rather sharp declines have occurred in employment in that industry.

Representative English. And under industrial machinery and equipment I see there is also a significant drop-off just over the last couple of months seasonally-adjusted.

Ms. Abraham. Correct. We had seen some declines earlier for industrial machinery, but it was down and up, down and up. Last three months have all been declines, with a rather sharp decline this month.

Representative English. Thank you. That is extremely helpful; and, Mr. Chairman, I appreciate the opportunity to participate.

Representative Saxton. Thank you very much, Mr. English.

Commissioner Abraham, if I may just ask you about New Jersey for a minute, the New Jersey economic situation. And understanding that these figures are from January, what do the recent trends in employment and unemployment suggest about the State's economy and in what industries does employment growth seem strongest and in New Jersey which sectors seem to be the weakest?

Ms. Abraham. Let's see, Phil Rones I know has brought a package with some information for the State of New Jersey. I have also got here, if I could pull this out, some information on the employment.

[The chart package concerning the state of New Jersey appears in the Submissions for the Record on page 51.]

Maybe you could comment on the unemployment picture, Phil; and I will comment on the employment.

Mr. Rones. What we prepared for you is a map that has unemployment rates in New Jersey by county, and we will give this to you. What we see here is that the New Jersey unemployment rate is 3.8 percent, and that was an average for the year 2000 which is just slightly below the unemployment rate for the Nation as a whole, which averaged 4 percent.

One thing you will see from this, there is a very dramatic range in unemployment. There are parts of New Jersey where the unemployment rate is between 1 and 2 percent and has been for a sustained period of time, and there are counties in southern New Jersey where the unemployment rate is higher than 10 percent. So there is a substantial spread in the economic conditions in different parts of New Jersey.

Ms. Abraham. You also asked about what was happening with employment in New Jersey. Employment in the State of New Jersey was up by 1.7 percent over the year ending in January of 2001. In terms of the pattern of that employment growth, it looks not unlike that of the Nation as a whole. Construction employment growth has been very strong in New Jersey over the year, up 3.8 percent. Manufacturing employment was down over the year by 1.7 percent. We saw strong growth in services.

So I would provide for you as well the figures that break out the mix of employment growth, which sectors have been growing and which have not. But the broad picture is certainly consistent with what we are seeing for the Nation as a whole.

Representative Saxton. Senator.

Senator Corzine. We have a little interest in this chart here on this side of the table, regardless of our political affiliations. I appreciate the information. I think the dispersion is really quite striking. I suppose that is the case if we looked at almost every state in the country.

Ms. Abraham. That is true. There tend to be pockets, often in more rural or more isolated parts of the geography, where the unemployment is higher.

Senator Corzine. I hope that we will be able to take advantage of this New Jersey connection on a consistent basis, the Joint Economic Committee. Thank you very much, Commissioner.

Representative Saxton. Has your analysis of the unemployment or employment situation in New Jersey taken into account industry by region or job opportunities by region, or are you able to offer any explanation generally why it appears that perhaps our most rural New Jersey counties – and we do have rural New Jersey counties – are doing significantly less well than counties that might be considered suburban growing counties or urban New Jersey counties?

Ms. Abraham. We would be happy to take a closer look at the data to see whether there is any light beyond what you see in the figures that we can shed on that.

Representative Saxton. Well, thank you very much.

Let me ask one final question and then see if either of my colleagues have a final question.

Commissioner, you have indicated to us in the past on a consistent basis, as has your predecessor, that in effect you warned against reading too much into one month's data; and I have delivered the same message to us fairly consistently. Are the data reported today any exception to that rule?

Ms. Abraham. Oh, no. I think there are some things in the data for this month that seem at this point to represent a trend that has continued over several months. But we are by no means willing to make predictions about what might happen next month.

Representative Saxton. And can you just articulate what that or those trends may be?

Ms. Abraham. Well, it is the things that we have already discussed. I think clearly there has been slowing employment growth overall that seems to be concentrated in manufacturing and help supply. In terms of changes, there seems to have been a pickup in recent months in the rate of growth of average hourly earnings. Having said that, unemployment has remained low and we have not seen any slowdown in employment growth outside of, broadly speaking, the sectors that I already identified.

Representative Saxton. But back to the thrust of my original question, I guess – and I don't mean that you didn't answer my original question because I asked you about trends and you told me what they were – but back to – let me just backtrack to my original question, and that is that the data reported today are no exception to the rule in terms of reading too much into whether or not we are seeing any kind of a change in job growth or job loss.

Ms. Abraham. The more data you accumulate, the clearer the picture.

Representative Saxton. Thank you very much.

Senator or Congressman, do you have – Senator Corzine.

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Senator Corzine. Commissioner Abraham, the unemployment rate for African-Americans jumped up from 7.6 to 8.4 December to January, and then I think it fell back to 7.5 percent. These numbers, these are pretty volatile changes. I presume that has something to do with sampling size.

Ms. Abraham. That is a good example of the point Congressman Saxton was making.

Senator Corzine. I wonder what we could do, given a desire to have greater tracking? What do we have to do to make sure that we get a more steady read statistically over time?

Ms. Abraham. If we were to get a more steady read month-to-month, the only real option would be to substantially increase the size of our monthly household survey. The monthly household survey is roughly 50,000 households that are interviewed every month. Different groups are represented, roughly in proportion to their share of the population. So African-Americans represent, very roughly, 10 percent of that sample. So naturally any statistics for that group are going to have, as you said, much higher sampling variability. The only real way to address that would be to substantially increase the size of the sample for that group, which would add to the expense of doing the survey.

Senator Corzine. Do you have any sense of taking the 50,000 and making it 75,000, or is there – and then with obviously commensurate pickup in the various distributional aspects, how much that runs, just a gauge?

Ms. Abraham. The current budget for the monthly household survey – you would know that, Phil. That is your responsibility.

Mr. Rones. The BLS share, which covers most of these monthly data that we are talking about, is around $38 million a year for the monthly survey. If we increase the sample by 50 percent to 75,000, you are probably talking about close to a $15 to $20 million increase in the budget.

I wouldn't try to talk you out of increasing the size of the CPS, but you would still end up with fairly volatile estimates for these small groups, even at an increase of 50 or even a 100 percent. The overall national unemployment rate is accurate to within about 2/10ths of a percentage point each month. For some of these smaller groups we are talking about month-to-month variability that could be a full percentage point or even more. That would be reduced, but it would not provide estimates that would be comparable to the large groups we are talking about.

Senator Corzine. Over time hopefully I can form an opinion about being able to question the cost-benefit element as we watch various groups where you have these high concentrations of unemployment.

Ms. Abraham. I might add, if there were particular interest in particular groups, it could also be possible to target sample increases on those groups, which might make it somewhat less expensive rather than just expanding the whole survey.

Senator Corzine. Sure. That is one of those things that, as we go through this process of reviewing this data, the more precise in my question – I am concerned about you can draw pretty extreme conclusions off of very volatile data if you are not careful – not you but those of us who use the data.

Ms. Abraham. I might note for some of these subgroups within the population, taking data averages over several months, for example, obviously gives you a more precise fix. You just don't have it so precisely for the current month.

Senator Corzine. Thank you, Commissioner.

Representative Saxton. Mr. English.

Representative English. No questions.

Representative Saxton. Commissioner, thank you again for your usual fine presentation. We appreciate it very much, and we look forward to seeing you very soon in the future.

Ms. Abraham. Thank you.

[Whereupon, at 10:23 a.m., the hearing was adjourned.]

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF REPRESENTATIVE JIM SAXTON, CHAIRMAN

It is a pleasure to welcome Commissioner Abraham before the Committee once again to report on the release of new employment and unemployment data for February.

A review of current economic conditions indicates that the economy has slowed from the remarkable pace present through the middle of last year. An array of economic data shows that the economy has been in a slowdown for the last two quarters. For example, the rate of GDP growth has fallen two quarters in a row, and consumer spending and investment growth have also slipped.

However, there are some signs of residual economic strength in certain sectors such as construction and some service-producing industries. In addition, overall employment growth has slowed but has generally been positive.

The employment-population ratio remains high, and labor market conditions, for the most part, remain fairly tight, as reflected in the relatively low unemployment rate. The slowdown does make the economy more vulnerable to shocks and disruptions, but the economy remains in positive territory. The Federal Reserve is aware of the softness in the economy and its recent survey indicates that this is a continuing problem.

The employment data released today seem to be influenced by the slowing pace of the economy. Payroll job growth for February was 135,000, considerably lower than the 225,000-250,000 range typical during the healthy economic expansion. The unemployment rate remained unchanged at 4.2 percent.

Given the weakening of the economy since the middle of last year, the case for change in economic policy is strong. The tightness of Federal Reserve monetary policy should be relaxed, and the Fed has taken steps in this direction earlier this year, although more remains to be done. Further rate cuts by the Fed are needed.

Congress can also do its part by reducing the fiscal drag on the economy from the excessive tax burden imposed by our tax system. The tax system is counterproductive, and now is a good time to reduce its negative effects. This will not make the economy turn on a dime, but it will improve the prospects of continued economic growth now and into the future.

The current economic outlook poses challenges that should not be taken lightly. Changes in macroeconomic policy are needed to get the economy back on track.

SEN. JACK REED (RI)
RANKING MEMBER

SEN. EDWARD M. KENNEDY (MA)
SEN. PAUL S. SARBANES (MD)
SEN. JEFF BINGAMAN (NM)
SEN. JON CORZINE (NJ)
REP FORTNEY PETE STARK (CA)
REP. CAROLYN B. MALONEY (NY)
REP. MELVIN L. WATT (NC)

Congress of the United States

JOINT ECONOMIC COMMITTEE — MINORITY

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PATRICIA RUGGLES
STAFF DIRECTOR

Opening Statement

Senator Jack Reed
Ranking Member

March 9, 2001

I want to welcome Commissioner Abraham to the Committee this morning. I also want to thank Chairman Saxton for holding this hearing. These hearings are an important tradition at the Joint Economic Committee.

No matter how you look at it, over the last ten years, we have experienced the strongest economy in over a generation. Unemployment has decreased to historic lows, the gap between the richest and poorest has finally started to shrink, and poverty has dropped markedly.

However, in recent months, we have seen signs of a pause in the economy. We are at a crossroads and we must remain vigilant if we are to continue to build on our past successes.

Last week, the Bush administration proposed a tax cut that could be as much $2.2 trillion. If enacted, a tax cut of such magnitude could reverse the past decade of economic progress and could undermine the prosperity that Americans have worked so a hard to achieve.

I fear this $2.2 trillion tax cut could return us to the days of budget deficits and stagnant wages.

I bring up the tax cut because I believe the data we receive from the commissioner is very relevant. Numbers like productivity are especially important to the tax debate. On Tuesday, the BLS reported that productivity growth during the last quarter of 2000 was 2.2 percent. For all of 2000, productivity surged 4.3 percent, the best showing since 1983. Healthy productivity growth is necessary to sustain high levels of economic growth and maintain improvements in wages and salaries, without igniting inflation. We must do all we can to insure that productivity growth remains high; we must do all we can to prevent the recent dip in the last quarter from continuing.

Private investment in plant and equipment, education and training and research and development are key to raising productivity growth. Some of my colleagues like to argue that cutting taxes alone promotes more investment. But if we learned anything from the last 20 years, it is that investors are much smarter than that. They know that the real cost of capital -- based on interest rates and inflation -- is more important than tax cuts.

If we want to sustain the prosperity of the last few years, we must be vigilant against the prospect of returning to budget deficits, which would push up interest rates and stifle private investment once again. I hope we will not return to these failed policies but commit ourselves, instead, to paying down the debt.

Recent statistical releases have raised some fears over the prospect of renewed inflation. The core CPI inflation rate jumped to 2.6% year-over-year in January 2001, compared to 2.0 percent at the beginning of 2000. It is important to remember not to read too much into one month's or quarter's data. Second, I return to what I said before: modest increases in wages and prices do not need to be inflationary, as long as productivity growth is strong.

Again, I want to especially welcome Commissioner Abraham before the Committee this morning and I look forward to hearing from you and your colleagues about the current economy and its impact on American workers and their families.

Prepared Statement of Senator Jon Corzine

Thank you, Mr. Chairman. As this is my first hearing of the Joint Economic Committee, let me say that I am very happy to be here, and to be a member of the Committee. Given my background in the private sector, I am hopeful that I will be able to make a contribution. And I am glad to have an opportunity to serve with such a distinguished colleague from my own home State.

Mr. Chairman, I am looking forward to hearing from Commissioner Abraham and learning more about the most recent employment data. I have been following these and other economic indicators closely, as I did in my previous career, and, frankly, I have grown quite concerned. It seems to me that we are in a period of great economic uncertainty, and real down side risk.

For that reason, I have been working on a proposal with my colleague from Florida, Senator Graham, to provide a middle class tax cut that would provide a real boost to the economy. Our proposal would establish a new ten percent rate bracket for couples with combined incomes up to $19,000, meaning that most families would get a tax cut of $950. The tax cut would be retroactive, so that it would have an immediate stimulative impact. And, of course, the faster we put money in peoples' pockets, the greater the likelihood that we can avoid a recession and return to a path of strong economic growth.

In any case, Mr. Chairman, while I do have concerns about the state of our economy, I hope we will hear some good news today. And I look forward to hearing from Commissioner Abraham.

FOR DELIVERY: 9:30 A.M., E.S.T.
FRIDAY, MARCH 9, 2001

Advance copies of this statement are made available to the press under lock-up conditions with the explicit understanding that the data are embargoed until 8:30 a.m. Eastern Standard Time.

Statement of

Katharine G. Abraham
Commissioner
Bureau of Labor Statistics

before the

Joint Economic Committee

UNITED STATES CONGRESS

Friday, March 9, 2001

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to comment on the labor market data we released this morning.

The unemployment rate was unchanged at 4.2 percent in February, and payroll employment rose by 135,000. Since early last fall, the growth in payroll employment has slackened. In the 5 months since September, the average monthly increase in payroll employment has been 103,000. In contrast, during the first 9 months of last year, payroll employment had grown by 187,000 a month, on average. The key features of the February data, in my view, are the continued reduction in manufacturing employment and hours, the more-than-offsetting job gains in services and some other industries, and the over-the-month rise in average hourly earnings.

Manufacturing employment fell by 94,000 in February. This follows a decline of about the same amount in January and brings total factory job losses since last June to 371,000. The decline in February was widespread throughout manufacturing. Even the electronic components industry had a small job loss over the month; employment in this industry has been on an upward trend since the spring of 1999. The only manufacturing industry with a sizable over-the-month increase was motor vehicles, but that gain (13,000) was only a fraction of the loss that occurred in January (48,000). On net, auto industry employment has fallen by 77,000 since June.

Both manufacturing hours and overtime also continued on downward trends in February. Since June, the average factory workweek has declined by a full hour, and overtime has fallen by 0.8 hour. The factory workweek is now at its lowest level since the spring of 1991, except for 2 months when winter storms caused sharp, temporary reductions in hours.

Weakness in manufacturing may have affected some other industries. For example, wholesale trade--an intermediary between manufacturers and customers--has lost 22,000 jobs since November. This is the largest such decline in the industry since early 1993. Employment in help supply services, which is dominated by temporary help firms that provide workers to manufacturing as well as other industries, was little changed in February but has fallen by 200,000 since April. Help supply had experienced dramatic job growth during most of the economic expansion that began in the spring of 1991.

Employment in the services industry as a whole rose by 95,000 in February. Health services had the largest job increase among the services industries, as employment in hospitals continued to benefit from recent changes in Medicare payment schedules. Employment also rose in social services, computer services, and private education. Public education accounted for a large share of the rise in government jobs over the month.

Retail trade employment rose by 37,000 in February, after seasonal adjustment, following 2 months of very small gains. Mortgage banking continued to add jobs due to high levels of refinancing activity. Following a very large gain in January, construction added 16,000 jobs in February.

Since October, employment in the industry has increased by 37,000 a month, on average. In the 12 months prior to October, the average monthly increase was only 23,000.

Average hourly earnings were up 7 cents in February; the over-the-year increase was 4.1 percent. This was the fourth month in a row that the over-the-year increase was 4 percent or above. Throughout most of 1999 and 2000, the over-the-year gains had remained in the 3.5- to 3.8-percent range.

As I mentioned at the beginning of my statement, the unemployment rate was unchanged in February at 4.2 percent. The jobless rate for blacks, which had risen in January, returned to its fourth-quarter level of 7.5 percent. In February, the number of newly unemployed (those unemployed less than 5 weeks) and the number of unemployed job losers who were not on temporary layoff both rose for the second month in a row. Other cyclical indicators from our survey of households, such as the number of people working part time despite their preference for full-time work and the number of people outside the labor force who have stopped looking for work, have shown no clear sign of an upward trend.

In summary, the sharp downturn in manufacturing employment and hours continued in February. Still, overall payroll employment continued to rise, and the unemployment rate remained relatively low. Finally, earnings gains appear to have picked up in recent months.

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

News United States Department of Labor

Bureau of Labor Statistics Washington, D.C. 20212

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USDL 01-57

Transmission of material in this release is embargoed until 8:30 A.M. (EST), Friday, March 9, 2001.

THE EMPLOYMENT SITUATION: FEBRUARY 2001

The unemployment rate held at 4.2 percent in February, and total nonfarm employment rose by 135,000, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. Large job losses continued in manufacturing, where employment declined by 94,000. Employment gains in several other industries, including services, accounted for the net increase in payroll employment. Average hourly earnings rose by 7 cents over the month.

Chart 1. Unemployment rate, seasonally adjusted, March 1998 - February 2001

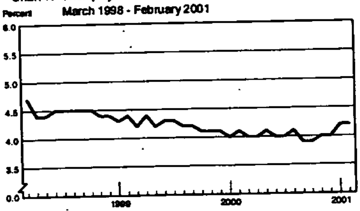
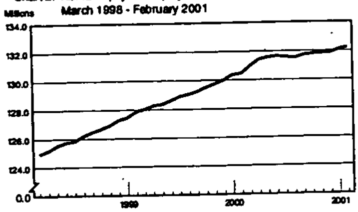


Chart 2: Nonfarm payroll employment, seasonally adjusted, March 1998 - February 2001



Unemployment (Household Survey Data)

Both the number of unemployed persons (5.9 million) and the unemployment rate (4.2 percent) were essentially unchanged in February. The jobless rates for most of the major worker groups—adult men (3.5 percent), adult women (3.7 percent), teenagers (13.6 percent), whites (3.7 percent), and Hispanics (6.3 percent)—were little changed from January. The unemployment rate for blacks declined to 7.5 percent, the same level as in the last quarter of 2000. (See tables A-1 and A-2.)

In February, both the number of newly unemployed (those unemployed less than 5 weeks) and the number of unemployed job losers who did not expect to be recalled rose for the second consecutive month. (See tables A-6 and A-7.)

Total Employment and the Labor Force (Household Survey Data)

Total employment was essentially unchanged at 135.8 million, seasonally adjusted, in February. The civilian labor force, at 141.8 million persons, also was little changed over the month. The labor force

Table A. Major indicators of labor market activity, seasonally adjusted
(Numbers in thousands)

Category	Quarterly averages 2000 III	Quarterly averages 2000 IV	Monthly data 2000 Dec.	Monthly data 2001 Jan.	Monthly data 2001 Feb.	Jan.-Feb. change
HOUSEHOLD DATA	Labor force status					
Civilian labor force	140,706	141,208	141,489	141,955	141,751	-204
Employment	135,049	135,593	135,836	135,999	135,815	-184
Unemployment	5,657	5,616	5,653	5,956	5,936	-20
Not in labor force	69,235	69,358	69,254	68,934	69,275	341
	Unemployment rates					
All workers	4.0	4.0	4.0	4.2	4.2	.0
Adult men	3.3	3.4	3.4	3.6	3.5	-0.1
Adult women	3.6	3.4	3.4	3.6	3.7	.1
Teenagers	13.5	12.9	13.1	13.8	13.6	-.2
White	3.5	3.5	3.5	3.6	3.7	.1
Black	7.6	7.5	7.6	8.4	7.5	-.9
Hispanic origin	5.6	5.6	5.7	6.0	6.3	.3
ESTABLISHMENT DATA	Employment					
Nonfarm employment	131,619	131,836	131,878	p132,102	p132,237	p135
Goods-producing[1]	25,680	25,623	25,569	p25,639	p25,564	p-75
Construction	6,688	6,732	6,717	p6,875	p6,891	p16
Manufacturing	18,453	18,350	18,312	p18,216	p18,122	p-94
Service-producing[1]	105,940	106,213	106,309	p106,463	p106,673	p210
Retail trade	23,189	23,225	23,245	p23,250	p23,287	p37
Services	40,553	40,752	40,797	p40,884	p40,979	p95
Government	20,536	20,435	20,435	p20,502	p20,539	p37
	Hours of work[2]					
Total private	34.4	34.3	34.1	p34.3	p34.2	p-0.1
Manufacturing	41.5	41.0	40.4	p40.9	p40.6	p-.3
Overtime	4.5	4.2	3.9	p4.1	p3.8	p-.3
	Indexes of aggregate weekly hours (1982=100)[2]					
Total private	151.2	151.2	150.6	p151.8	p151.0	p-0.8
	Earnings[2]					
Average hourly earnings, total private	$13.79	$13.95	$14.02	p$14.03	p$14.10	p$0.07
Average weekly earnings, total private	474.03	478.13	478.08	p481.23	p482.22	p.99

[1] Includes other industries, not shown separately.
[2] Data relate to private production or nonsupervisory workers.
p=preliminary.

participation rate—the proportion of the population age 16 and older who are either working or looking for work—edged down by 0.1 percentage point to 67.2 percent, still relatively high by historical standards. (See table A-1.)

About 7.6 million persons (not seasonally adjusted) held more than one job in February. These multiple jobholders represented 5.6 percent of total employment, compared with 5.8 percent a year earlier. (See table A-10.)

Persons Not in the Labor Force (Household Survey Data)

About 1.3 million persons (not seasonally adjusted) were marginally attached to the labor force in February, the same as a year earlier. These people wanted and were available to work and had looked for a job sometime in the prior 12 months. They were not counted as unemployed, however, because they had not actively searched for work in the 4 weeks preceding the survey. The number of discouraged workers was 289,000 in February, about the same as a year earlier. Discouraged workers, a subset of the marginally attached, were not currently looking for work specifically because they believed no jobs were available for them. (See table A-10.)

Industry Payroll Employment (Establishment Survey Data)

Nonfarm payroll employment increased by 135,000, seasonally adjusted, in February. Since last September, the average monthly growth in payroll employment has been 103,000, compared with an average gain of 187,000 during the first 9 months of last year. In February, major job losses continued in manufacturing. These losses, however, were more than offset by gains in services and most other major industry divisions. (See table B-1.)

In the goods-producing sector, manufacturing employment fell by 94,000 in February, following a similar loss (as revised) in January. Together, these losses exceeded the total employment decline in this industry for all of 2000. With the exception of motor vehicles, where some workers returned from temporary layoffs, employment declines in manufacturing were widespread in February. Job losses continued in fabricated metals (13,000) and in industrial machinery (11,000). Electrical equipment and apparel also lost 11,000 jobs each. Smaller employment declines occurred in a number of other industries, including furniture, primary metals, textiles, printing and publishing, paper, and rubber and plastics.

Elsewhere in the goods-producing sector, construction employment rose by 16,000, seasonally adjusted, in February, following an unusually large increase in January. Mining employment rose by 3,000 in February, after having increased by 8,000 in January. Employment in oil and gas extraction continued to grow; this industry has gained 25,000 jobs over the last year.

In the service-producing sector, services employment increased by 95,000 in February, about in line with its average monthly increase during 2000. In February, health services employment rose by 28,000, as hospitals added 11,000 jobs. Business services gained 24,000 jobs, after 4 consecutive months of job losses. Within business services, employment rose by 15,000 in computer services, following weak growth in January. Help supply employment was little changed over the month; in the prior 4 months, job declines totaled 181,000. Social services added 15,000 jobs in February, and private education employment grew by 20,000.

Employment in finance, insurance, and real estate rose by 16,000 in February, continuing the growth trend that began last August. Strong demand for mortgage refinancing boosted employment in mortgage banks, which grew by 5,000 over the month. Employment increased by 5,000 in insurance carriers, Employment in transportation and public utilities grew by 28,000, following a decline in January. Job growth in February was nearly double the industry's average monthly gain for 2000. Air transportation, which had accounted for most of the loss in January, added 15,000 jobs in February.

Employment in retail trade increased by 37,000 in February, following 2 months of little change. Gains were widespread. Employment in department stores, however, was little changed; this industry has lost 60,000 jobs over the year. Wholesale trade employment declined for the third consecutive month.

Government employment increased by 37,000 in February. Employment in local government grew by 26,000, including an increase of 16,000 jobs in local education. There was little change in federal government employment.

Weekly Hours (Establishment Survey Data)

The average workweek for production or nonsupervisory workers on private nonfarm payrolls edged down by 0.1 hour in February to 34.2 hours, seasonally adjusted. The manufacturing workweek fell by 0.3 hour to 40.6 hours; since June, the factory workweek has fallen by 1.0 hour. Manufacturing overtime declined by 0.3 hour in February to 3.8 hours, the lowest level since 1992. (See table B-2.)

The index of aggregate weekly hours of production or nonsupervisory workers on private nonfarm payrolls declined by 0.5 percent to 151.0 (1982=100), seasonally adjusted. The manufacturing index fell by 1.4 percent to 101.1. (See table B-5.)

Hourly and Weekly Earnings (Establishment Survey Data)

Average hourly earnings of production or nonsupervisory workers on private nonfarm payrolls increased by 7 cents in February to $14.10, seasonally adjusted. Over the month, average weekly earnings increased by 0.2 percent to $482.22. Over the year, average hourly earnings rose by 4.1 percent and average weekly earnings grew by 2.9 percent. (See table B-3.)

The Employment Situation for March 2001 is scheduled to be released on Friday, April 6, at 8:30 A.M. (EDT).

March 2000 National Benchmarks

In accordance with standard practice, BLS will release nonfarm payroll employment benchmark revisions with the May data on June 1, 2001. The March 2000 benchmark level has been finalized and will result in an upward revision of 469,000 to total nonfarm employment for the March 2000 reference month, an adjustment of 0.4 percent.

Also concurrent with the release of the March 2000 benchmark revisions on June 1, BLS will continue the implementation of a new probability-based sample design for the payroll survey that began last year with the wholesale trade industry. Estimates for the mining, construction, and manufacturing industries will incorporate the new sample design with this release. Further information is available on the Internet (http://stats.bls.gov/ceshome.htm) or by calling (202) 691-6555.

Explanatory Note

This news release presents statistics from two major surveys, the Current Population Survey (household survey) and the Current Employment Statistics survey (establishment survey). The household survey provides the information on the labor force, employment, and unemployment that appears in the A tables, marked HOUSEHOLD DATA. It is a sample survey of about 50,000 households conducted by the U.S. Census Bureau for the Bureau of Labor Statistics (BLS).

The establishment survey provides the information on the employment, hours, and earnings of workers on nonfarm payrolls that appears in the B tables, marked ESTABLISHMENT DATA. This information is collected from payroll records by BLS in cooperation with State agencies. In June 2000, the sample included about 300,000 establishments employing about 48 million people.

For both surveys, the data for a given month relate to a particular week or pay period. In the household survey, the reference week is generally the calendar week that contains the 12th day of the month. In the establishment survey, the reference period is the pay period including the 12th, which may or may not correspond directly to the calendar week.

Coverage, definitions, and differences between surveys

Household survey. The sample is selected to reflect the entire civilian noninstitutional population. Based on responses to a series of questions on work and job search activities, each person 16 years and over in a sample household is classified as employed, unemployed, or not in the labor force.

People are classified as *employed* if they did any work at all as paid employees during the reference week; worked in their own business, profession, or on their own farm; or worked without pay at least 15 hours in a family business or farm. People are also counted as employed if they were temporarily absent from their jobs because of illness, bad weather, vacation, labor-management disputes, or personal reasons.

People are classified as *unemployed* if they meet all of the following criteria: They had no employment during the reference week; they were available for work at that time; and they made specific efforts to find employment sometime during the 4-week period ending with the reference week. Persons laid off from a job and expecting recall need not be looking for work to be counted as unemployed. The unemployment data derived from the household survey in no way depend upon the eligibility for or receipt of unemployment insurance benefits.

The *civilian labor force* is the sum of employed and unemployed persons. Those not classified as employed or unemployed are *not in the labor force*. The *unemployment rate* is the number unemployed as a percent of the labor force. The *labor force participation rate* is the labor force as a percent of the population, and the *employment-population ratio* is the employed as a percent of the population.

Establishment survey. The sample establishments are drawn from private nonfarm businesses such as factories, offices, and stores, as well as Federal, State, and local government entities. *Employees on nonfarm payrolls* are those who received pay for any part of the reference pay period, including persons on paid leave. Persons are counted in each job they hold. *Hours and earnings* data are for private businesses and relate only to production workers in the goods-producing sector and nonsupervisory workers in the service-producing sector.

Differences in employment estimates. The numerous conceptual and methodological differences between the household and establishment surveys result in important distinctions in the employment estimates derived from the surveys. Among these are:

- The household survey includes agricultural workers, the self-employed, unpaid family workers, and private household workers among the employed. These groups are excluded from the establishment survey.
- The household survey includes people on unpaid leave among the employed. The establishment survey does not.
- The household survey is limited to workers 16 years of age and older. The establishment survey is not limited by age.
- The household survey has no duplication of individuals, because individuals are counted only once, even if they hold more than one job. In the establishment survey, employees working at more than one job and thus appearing on more than one payroll would be counted separately for each appearance.

Other differences between the two surveys are described in "Comparing Employment Estimates from Household and Payroll Surveys," which may be obtained from BLS upon request.

Seasonal adjustment

Over the course of a year, the size of the nation's labor force and the levels of employment and unemployment undergo sharp fluctuations due to such seasonal events as changes in weather, reduced or expanded production, harvests, major holidays, and the opening and closing of schools. The effect of such seasonal variation can be very large; seasonal fluctuations may account for as much as 95 percent of the month-to-month changes in unemployment.

Because these seasonal events follow a more or less regular pattern each year, their influence on statistical trends can be eliminated by adjusting the statistics from month to month. These adjustments make nonseasonal developments, such as declines in economic activity or increases in the participation of women in the labor force, easier to spot. For example, the large number of youth entering the labor force each June is likely to obscure any other changes that have taken place relative to May, making it difficult to determine if the level of economic activity has risen or declined. However, because the effect of students finishing school in previous years is known, the statistics for the current year can be adjusted to allow for a comparable change. Insofar as the seasonal adjustment is made correctly, the adjusted figure provides a more useful tool with which to analyze changes in economic activity.

In both the household and establishment surveys, most seasonally adjusted series are independently adjusted. However, the adjusted series for many major estimates, such as total payroll employment, employment in most major industry divisions, total employment, and unemployment are computed by aggregating independently adjusted component series. For example, total unemployment is derived by summing the adjusted series for four major age-sex components; this differs from the unemployment estimate that would be obtained by directly adjusting the total or by combining the duration, reasons, or more detailed age categories.

The numerical factors used to make the seasonal adjustments are recalculated twice a year. For the household survey, the factors are calculated for the January-June period and again for the July-December period. For the establishment survey, updated factors for seasonal adjustment are calculated for the May-October period and introduced along with new benchmarks; and again for the November-April period. In both surveys, revisions to historical data are made once a year.

Reliability of the estimates

Statistics based on the household and establishment surveys are subject to both sampling and nonsampling error. When a sample rather than the entire population is surveyed, there is a chance that the sample estimates may differ from the "true" population values they represent. The exact difference, or *sampling error*, varies depending on the particular sample selected, and this variability is measured by the standard error of the estimate. There is about a 90-percent chance, or level of confidence, that an estimate based on a sample will differ by no more than 1.6 standard errors from the "true" population value because of sampling error. BLS analyses are generally conducted at the 90-percent level of confidence.

For example, the confidence interval for the monthly change in total employment from the household survey is on the order of plus or minus 376,000. Suppose the estimate of total employment increases by 100,000 from one month to the next. The 90-percent confidence interval on the monthly change would range from -276,000 to 476,000 (100,000 +/- 376,000). These figures do not mean that the sample results are off by these magnitudes, but rather that there is about a 90-percent chance that the "true" over-the-month change lies within this interval. Since this range includes values of less than zero, we could not say with confidence that employment had, in fact, increased. If, however, the reported employment rise was half a million, then all of the values within the 90-percent confidence interval would be greater than zero. In this case, it is likely (at least a 90-percent chance) that an employment rise had, in fact, occurred. The 90-percent confidence interval for the monthly change in unemployment is +/- 258,000, and for the monthly change in the unemployment rate it is +/- .21 percentage point.

In general, estimates involving many individuals or establishments have lower standard errors (relative to the size of the estimate) than estimates which are based on a small number of observations. The precision of estimates is also improved when the data are cumulated over time such as for quarterly and annual averages. The seasonal adjustment process can also improve the stability of the monthly estimates.

The household and establishment surveys are also affected by *nonsampling error*. Nonsampling errors can occur for many reasons, including the failure to sample a segment of the population, inability to obtain information for all respondents in the sample, inability or unwillingness of respondents to provide correct information on a timely basis, mistakes made by respondents, and errors made in the collection or processing of the data.

For example, in the establishment survey, estimates for the most recent 2 months are based on substantially incomplete returns; for this reason, these estimates are labeled preliminary in the tables. It is only after two successive revisions to a monthly estimate, when nearly all sample reports have been received, that the estimate is considered final.

Another major source of nonsampling error in the establishment survey is the inability to capture, on a timely basis, employment generated by new firms. To correct for this systematic underestimation of employment growth (and other sources of error), a process known as bias adjustment is included in the survey's estimating procedures, whereby a specified number of jobs is added to the monthly sample-based change. The size of the monthly bias adjustment is based largely on past relationships between the sample-based estimates of employment and the total counts of employment described below.

The sample-based estimates from the establishment survey are adjusted once a year (on a lagged basis) to universe counts of payroll employment obtained from administrative records of the unemployment insurance program. The difference between the March sample-based employment estimates and the March universe counts is known as a benchmark revision, and serves as a rough proxy for total survey error. The new benchmarks also incorporate changes in the classification of industries. Over the past decade, the benchmark revision for total nonfarm employment has averaged 0.3 percent, ranging from zero to 0.7 percent.

Additional statistics and other information

More comprehensive statistics are contained in *Employment and Earnings*, published each month by BLS. It is available for $26.00 per issue or $50.00 per year from the U.S. Government Printing Office, Washington, DC 20402. All orders must be prepaid by sending a check or money order payable to the Superintendent of Documents, or by charging to Mastercard or Visa.

Employment and Earnings also provides measures of sampling error for the household survey data published in this release. For unemployment and other labor force categories, these measures appear in tables 1-B through 1-H of its "Explanatory Notes." Measures of the reliability of the data drawn from the establishment survey and the actual amounts of revision due to benchmark adjustments are provided in tables 2-B through 2-J of that publication.

Information in this release will be made available to sensory impaired individuals upon request. Voice phone: 202-691-5200; TDD message referral phone: 1-800-877-8339.

HOUSEHOLD DATA

Table A-1. Employment status of the civilian population by sex and age

(Numbers in thousands)

Employment status, sex, and age	Not seasonally adjusted			Seasonally adjusted[1]					
	Feb. 2000	Jan. 2001	Feb. 2001	Feb. 2000	Oct. 2000	Nov. 2000	Dec. 2000	Jan. 2001	Feb. 2001
TOTAL									
Civilian noninstitutional population	208,907	210,889	211,026	208,907	210,378	210,577	210,743	210,889	211,026
Civilian labor force	140,185	141,049	141,238	140,860	141,000	141,136	141,489	141,955	141,751
Participation rate	67.1	66.9	66.9	67.4	67.0	67.0	67.1	67.3	67.2
Employed	133,954	134,462	134,774	135,120	135,464	135,478	135,836	135,999	135,815
Employment-population ratio	64.1	63.8	63.9	64.7	64.4	64.3	64.5	64.5	64.4
Agriculture	2,973	2,811	2,794	3,367	3,241	3,176	3,274	3,179	3,135
Nonagricultural industries	130,981	131,651	131,980	131,753	132,223	132,302	132,562	132,819	132,680
Unemployed	6,231	6,587	6,464	5,740	5,536	5,658	5,653	5,956	5,936
Unemployment rate	4.4	4.7	4.6	4.1	3.9	4.0	4.0	4.2	4.2
Not in labor force	68,723	69,841	69,788	68,047	69,378	69,441	69,254	68,934	69,275
Persons who currently want a job	4,431	4,474	4,500	4,378	4,377	4,351	4,532	4,417	4,455
Men, 16 years and over									
Civilian noninstitutional population	100,330	101,357	101,428	100,330	101,075	101,175	101,260	101,357	101,428
Civilian labor force	74,808	75,149	75,118	75,368	75,371	75,386	75,582	75,815	75,547
Participation rate	74.6	74.1	74.1	75.1	74.6	74.5	74.6	74.8	74.5
Employed	71,311	71,405	71,430	72,333	72,427	72,354	72,534	72,589	72,359
Employment-population ratio	71.1	70.4	70.4	72.1	71.7	71.5	71.6	71.6	71.3
Unemployed	3,497	3,744	3,687	3,035	2,944	3,032	3,048	3,226	3,187
Unemployment rate	4.7	5.0	4.9	4.0	3.9	4.0	4.0	4.3	4.2
Men, 20 years and over									
Civilian noninstitutional population	92,092	93,184	93,227	92,092	92,969	93,061	93,117	93,184	93,227
Civilian labor force	70,704	71,161	71,139	70,952	71,155	71,136	71,289	71,492	71,288
Participation rate	76.8	76.4	76.3	77.0	76.5	76.4	76.6	76.7	76.5
Employed	67,869	68,101	68,114	68,577	68,774	68,683	68,848	68,916	68,761
Employment-population ratio	73.7	73.1	73.1	74.5	74.0	73.8	73.9	74.0	73.8
Agriculture	2,018	1,907	1,906	2,283	2,219	2,122	2,232	2,122	2,154
Nonagricultural industries	65,851	66,194	66,208	66,294	66,555	66,561	66,616	66,795	66,607
Unemployed	2,835	3,060	3,025	2,375	2,381	2,452	2,441	2,576	2,527
Unemployment rate	4.0	4.3	4.3	3.3	3.3	3.4	3.4	3.6	3.5
Women, 16 years and over									
Civilian noninstitutional population	108,577	109,532	109,598	108,577	109,303	109,402	109,483	109,532	109,598
Civilian labor force	65,377	65,899	66,120	65,492	65,629	65,750	65,907	66,140	66,204
Participation rate	60.2	60.2	60.3	60.3	60.0	60.1	60.2	60.4	60.4
Employed	62,642	63,057	63,344	62,787	63,037	63,124	63,302	63,410	63,456
Employment-population ratio	57.7	57.6	57.8	57.8	57.7	57.7	57.8	57.9	57.9
Unemployed	2,734	2,842	2,777	2,705	2,592	2,626	2,605	2,730	2,749
Unemployment rate	4.2	4.3	4.2	4.1	3.9	4.0	4.0	4.1	4.2
Women, 20 years and over									
Civilian noninstitutional population	100,666	101,643	101,686	100,666	101,448	101,533	101,612	101,643	101,686
Civilian labor force	61,576	62,164	62,335	61,488	61,528	61,625	61,819	62,126	62,220
Participation rate	61.2	61.2	61.3	61.1	60.6	60.7	60.8	61.1	61.2
Employed	59,331	59,760	60,005	59,285	59,425	59,506	59,708	59,894	59,932
Employment-population ratio	58.9	58.8	59.0	58.9	58.6	58.6	58.8	58.9	58.9
Agriculture	804	777	794	854	748	797	822	852	839
Nonagricultural industries	58,526	58,983	59,211	58,431	58,677	58,709	58,886	59,042	59,093
Unemployed	2,245	2,404	2,329	2,203	2,103	2,119	2,111	2,232	2,288
Unemployment rate	3.6	3.9	3.7	3.6	3.4	3.4	3.4	3.6	3.7
Both sexes, 16 to 19 years									
Civilian noninstitutional population	16,149	16,063	16,113	16,149	15,960	15,983	16,014	16,063	16,113
Civilian labor force	7,905	7,724	7,765	8,420	8,317	8,376	8,381	8,337	8,243
Participation rate	48.9	48.1	48.2	52.1	52.1	52.4	52.3	51.9	51.2
Employed	6,754	6,601	6,655	7,258	7,265	7,289	7,280	7,188	7,122
Employment-population ratio	41.8	41.1	41.3	44.9	45.5	45.6	45.5	44.7	44.2
Agriculture	151	126	94	230	274	257	220	205	143
Nonagricultural industries	6,604	6,475	6,561	7,028	6,991	7,032	7,060	6,983	6,980
Unemployed	1,151	1,123	1,110	1,162	1,052	1,087	1,101	1,149	1,121
Unemployment rate	14.6	14.5	14.3	13.8	12.6	13.0	13.1	13.8	13.6

[1] The population figures are not adjusted for seasonal variation; therefore, identical numbers appear in the unadjusted and seasonally adjusted columns.

HOUSEHOLD DATA

Table A-2. Employment status of the civilian population by race, sex, age, and Hispanic origin

(Numbers in thousands)

Employment status, race, sex, age, and Hispanic origin	Not seasonally adjusted			Seasonally adjusted[1]					
	Feb. 2000	Jan. 2001	Feb. 2001	Feb. 2000	Oct. 2000	Nov. 2000	Dec. 2000	Jan. 2001	Feb. 2001
WHITE									
Civilian noninstitutional population	173,886	175,246	175,328	173,886	174,899	175,034	175,145	175,246	175,328
Civilian labor force	117,154	117,622	117,883	117,661	117,603	117,640	117,945	118,276	118,287
Participation rate	67.4	67.1	67.2	67.7	67.2	67.2	67.3	67.5	67.5
Employed	112,576	112,768	113,029	113,501	113,584	113,509	113,811	114,015	113,902
Employment-population ratio	64.7	64.3	64.5	65.3	64.9	64.8	65.0	65.1	65.0
Unemployed	4,578	4,854	4,853	4,160	4,019	4,131	4,134	4,261	4,385
Unemployment rate	3.9	4.1	4.1	3.5	3.4	3.5	3.5	3.6	3.7
Men, 20 years and over									
Civilian labor force	60,043	60,265	60,335	60,285	60,286	60,280	60,349	60,494	60,487
Participation rate	77.1	76.7	76.7	77.4	76.9	76.8	76.8	77.0	76.9
Employed	57,927	57,927	57,975	58,553	58,557	58,478	58,581	58,571	58,561
Employment-population ratio	74.4	73.7	73.7	75.2	74.7	74.5	74.8	74.5	74.5
Unemployed	2,116	2,338	2,360	1,732	1,729	1,802	1,768	1,923	1,926
Unemployment rate	3.5	3.9	3.9	2.9	2.9	3.0	2.9	3.2	3.2
Women, 20 years and over									
Civilian labor force	50,418	50,848	51,019	50,263	50,281	50,335	50,527	50,794	50,854
Participation rate	60.5	60.6	60.7	60.3	60.0	60.0	60.2	60.5	60.6
Employed	48,840	49,171	49,303	48,702	48,777	48,825	48,973	49,270	49,155
Employment-population ratio	58.6	58.6	58.7	58.5	58.2	58.2	58.4	58.7	58.5
Unemployed	1,578	1,677	1,716	1,561	1,504	1,510	1,554	1,524	1,699
Unemployment rate	3.1	3.3	3.4	3.1	3.0	3.0	3.1	3.0	3.3
Both sexes, 16 to 19 years									
Civilian labor force	6,693	6,509	6,529	7,113	7,036	7,025	7,069	6,988	6,945
Participation rate	52.6	51.3	51.4	55.9	55.4	55.3	55.7	55.1	54.6
Employed	5,808	5,670	5,752	6,246	6,250	6,206	6,257	6,174	6,186
Employment-population ratio	45.6	44.7	45.3	49.1	49.2	48.9	49.3	48.7	48.7
Unemployed	885	839	778	867	786	819	812	814	760
Unemployment rate	13.2	12.9	11.9	12.2	11.2	11.7	11.5	11.7	10.9
Men	15.5	15.8	14.3	13.8	11.8	12.4	12.2	13.3	12.8
Women	10.7	9.8	9.4	10.4	10.5	10.9	10.7	9.8	9.2
BLACK									
Civilian noninstitutional population	25,076	25,382	25,412	25,076	25,339	25,376	25,408	25,382	25,412
Civilian labor force	16,542	16,577	16,511	16,721	16,627	16,732	16,742	16,773	16,691
Participation rate	66.0	65.3	65.0	66.7	65.6	65.9	65.9	66.1	65.7
Employed	15,164	15,170	15,192	15,416	15,401	15,485	15,470	15,372	15,440
Employment-population ratio	60.5	59.8	59.8	61.5	60.8	61.0	60.9	60.6	60.8
Unemployed	1,378	1,407	1,319	1,305	1,226	1,247	1,272	1,401	1,251
Unemployment rate	8.3	8.5	8.0	7.8	7.4	7.5	7.6	8.4	7.5
Men, 20 years and over									
Civilian labor force	7,355	7,372	7,317	7,414	7,383	7,397	7,437	7,430	7,374
Participation rate	73.3	72.4	71.8	73.9	72.6	72.6	72.9	73.0	72.4
Employed	6,771	6,800	6,770	6,891	6,868	6,888	6,897	6,918	6,887
Employment-population ratio	67.5	66.8	66.4	68.7	67.5	67.8	67.6	68.0	67.8
Unemployed	584	571	547	523	515	509	540	512	487
Unemployment rate	7.9	7.8	7.5	7.1	7.0	6.9	7.3	6.9	6.6
Women, 20 years and over									
Civilian labor force	8,289	8,314	8,305	8,319	8,262	8,325	8,333	8,340	8,336
Participation rate	66.0	66.2	66.1	66.2	65.0	65.4	65.4	65.4	65.3
Employed	7,719	7,716	7,799	7,777	7,786	7,808	7,861	7,731	7,854
Employment-population ratio	61.4	60.5	61.1	61.9	61.3	61.3	61.7	60.6	61.5
Unemployed	570	598	506	542	476	517	472	609	482
Unemployment rate	6.9	7.2	6.1	6.5	5.8	6.2	5.7	7.3	5.8
Both sexes, 16 to 19 years									
Civilian labor force	898	891	889	988	982	1,010	972	1,002	981
Participation rate	36.3	36.3	36.1	39.9	39.9	41.0	39.5	40.8	39.8
Employed	673	654	623	748	747	789	712	723	699
Employment-population ratio	27.2	26.6	25.3	30.2	30.4	32.1	28.9	29.4	28.4
Unemployed	225	238	266	240	235	221	260	280	282
Unemployment rate	25.0	26.7	29.9	24.3	23.9	21.9	26.7	27.9	28.8
Men	21.9	27.8	31.3	23.0	27.0	22.5	30.1	26.9	31.7
Women	28.3	25.5	28.6	25.6	21.2	21.3	23.4	28.9	25.7

See footnotes at end of table.

Table A-2. Employment status of the civilian population by race, sex, age, and Hispanic origin — Continued

(Numbers in thousands)

Employment status, race, sex, age, and Hispanic origin	Not seasonally adjusted			Seasonally adjusted[1]					
	Feb. 2000	Jan. 2001	Feb. 2001	Feb. 2000	Oct. 2000	Nov. 2000	Dec. 2000	Jan. 2001	Feb. 2001
HISPANIC ORIGIN									
Civilian noninstitutional population	22,108	22,769	22,830	22,108	22,618	22,687	22,749	22,769	22,830
Civilian labor force	15,187	15,513	15,662	15,194	15,491	15,626	15,671	15,540	15,653
Participation rate	68.7	68.1	68.6	68.7	68.5	68.9	68.9	68.2	68.6
Employed	14,267	14,525	14,629	14,322	14,711	14,686	14,772	14,612	14,673
Employment-population ratio	64.5	63.8	64.1	64.8	65.0	64.7	64.9	64.2	64.3
Unemployed	921	989	1,034	872	780	940	899	927	980
Unemployment rate	6.1	6.4	6.6	5.7	5.0	6.0	5.7	6.0	6.3

[1] The population figures are not adjusted for seasonal variation; therefore, identical numbers appear in the unadjusted and seasonally adjusted columns.

NOTE: Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups.

Table A-3. Employment status of the civilian population 25 years and over by educational attainment

(Numbers in thousands)

Educational attainment	Not seasonally adjusted			Seasonally adjusted[1]					
	Feb. 2000	Jan. 2001	Feb. 2001	Feb. 2000	Oct. 2000	Nov. 2000	Dec. 2000	Jan. 2001	Feb. 2001
Less than a high school diploma									
Civilian noninstitutional population	27,376	27,957	27,191	27,376	27,931	27,851	27,693	27,957	27,191
Civilian labor force	11,636	12,065	11,732	11,996	12,192	11,958	11,822	12,008	12,074
Percent of population	42.5	43.2	43.1	43.8	43.7	42.9	42.7	43.0	44.4
Employed	10,829	11,070	10,706	11,263	11,408	11,171	11,077	11,193	11,140
Employment-population ratio	39.6	39.6	39.4	41.1	40.8	40.1	40.0	40.0	41.0
Unemployed	809	995	1,026	733	784	787	745	816	934
Unemployment rate	7.0	8.2	8.7	6.1	6.4	6.6	6.3	6.8	7.7
High school graduates, no college[2]									
Civilian noninstitutional population	57,471	58,092	57,617	57,471	57,365	57,562	57,899	58,082	57,617
Civilian labor force	37,403	37,611	37,238	37,504	36,986	37,129	37,187	37,415	37,309
Percent of population	65.1	64.7	64.6	65.3	64.5	64.5	64.2	64.4	64.8
Employed	35,932	35,950	35,644	36,203	35,707	35,830	35,906	35,986	35,895
Employment-population ratio	62.5	61.9	61.9	63.0	62.2	62.2	62.0	61.9	62.3
Unemployed	1,471	1,661	1,594	1,301	1,278	1,299	1,281	1,429	1,414
Unemployment rate	3.9	4.4	4.3	3.5	3.5	3.5	3.4	3.8	3.8
Less than a bachelor's degree[3]									
Civilian noninstitutional population	44,486	44,313	45,283	44,486	44,767	44,770	44,596	44,313	45,283
Civilian labor force	32,946	32,763	33,414	32,642	32,896	32,776	33,045	33,102	33,079
Percent of population	74.1	73.9	73.8	73.4	73.5	73.2	74.1	74.7	73.1
Employed	31,911	31,704	32,423	31,715	32,103	31,897	32,141	32,121	32,197
Employment-population ratio	71.7	71.5	71.6	71.3	71.7	71.2	72.1	72.5	71.1
Unemployed	1,036	1,059	991	927	793	879	904	981	882
Unemployment rate	3.1	3.2	3.0	2.8	2.4	2.7	2.7	3.0	2.7
College graduates									
Civilian noninstitutional population	45,247	45,790	46,167	45,247	45,786	45,706	45,839	45,790	46,167
Civilian labor force	36,242	36,479	36,683	36,161	36,022	36,237	36,460	36,478	36,602
Percent of population	80.1	79.7	79.5	79.9	78.7	79.3	79.5	79.7	79.3
Employed	35,643	35,873	36,104	35,570	35,431	35,674	35,894	35,909	36,032
Employment-population ratio	78.8	78.3	78.2	78.6	77.4	78.1	78.3	78.4	78.0
Unemployed	599	606	579	591	591	563	566	567	570
Unemployment rate	1.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6

[1] The population figures are not adjusted for seasonal variation, therefore, identical numbers appear in the unadjusted and seasonally adjusted columns.

[2] Includes high school diploma or equivalent.

[3] Includes the categories, some college, no degree; and associate degree.

HOUSEHOLD DATA

Table A-4. Selected employment indicators

(In thousands)

Category	Not seasonally adjusted			Seasonally adjusted					
	Feb. 2000	Jan. 2001	Feb. 2001	Feb. 2000	Oct. 2000	Nov. 2000	Dec. 2000	Jan. 2001	Feb. 2001
CHARACTERISTIC									
Total employed, 16 years and over	133,954	134,462	134,774	135,120	135,464	135,478	135,836	135,999	135,815
Married men, spouse present	43,187	43,048	43,080	43,437	43,345	43,251	43,283	43,134	43,340
Married women, spouse present	33,848	34,180	34,059	33,841	33,622	33,633	33,636	34,249	34,059
Women who maintain families	8,228	8,289	8,348	8,251	8,449	8,495	8,501	8,428	8,373
OCCUPATION									
Managerial and professional specialty	40,745	41,339	41,701	40,803	40,745	41,083	41,078	41,430	41,770
Technical, sales, and administrative support	39,544	39,886	39,781	39,559	39,521	39,818	39,853	40,086	39,781
Service occupations	18,271	17,922	18,301	18,289	18,555	18,471	18,550	18,158	18,283
Precision production, craft, and repair	14,505	14,651	14,746	14,729	15,050	14,748	14,848	14,889	14,870
Operators, fabricators, and laborers	17,828	17,808	17,430	18,294	18,305	18,184	18,171	18,082	17,888
Farming, forestry, and fishing	3,080	2,856	2,808	3,555	3,318	3,238	3,357	3,372	3,252
CLASS OF WORKER									
Agriculture:									
Wage and salary workers	1,749	1,721	1,587	2,024	2,041	2,005	2,019	1,983	1,839
Self-employed workers	1,190	1,070	1,187	1,303	1,182	1,180	1,198	1,182	1,291
Unpaid family workers	33	20	20	47	32	25	34	25	29
Nonagricultural industries:									
Wage and salary workers	122,346	122,989	123,439	122,972	123,461	123,632	123,813	124,035	124,089
Government	19,686	19,183	19,523	19,259	19,073	19,146	19,352	18,843	19,103
Private industries	102,680	103,806	103,916	103,713	104,388	104,486	104,461	105,192	104,986
Private households	983	820	830	980	812	827	879	859	823
Other industries	101,696	102,986	103,087	102,733	103,576	103,659	103,582	104,333	104,143
Self-employed workers	8,555	8,558	8,383	8,780	8,561	8,533	8,800	8,686	8,617
Unpaid family workers	79	134	147	76	138	128	121	110	142
PERSONS AT WORK PART TIME									
All industries:									
Part time for economic reasons	3,298	3,683	3,424	3,149	3,222	3,418	3,234	3,327	3,273
Slack work or business conditions	1,979	2,445	2,209	1,828	1,909	2,183	1,984	2,035	2,043
Could only find part-time work	1,027	985	947	1,015	947	886	896	954	933
Part time for noneconomic reasons	19,849	18,977	20,010	18,882	18,759	18,896	18,883	18,598	19,021
Nonagricultural industries:									
Part time for economic reasons	3,138	3,559	3,291	2,997	3,044	3,285	3,088	3,227	3,143
Slack work or business conditions	1,874	2,359	2,129	1,731	1,808	2,082	1,882	1,871	1,970
Could only find part-time work	1,015	894	932	984	923	871	877	945	910
Part time for noneconomic reasons	19,290	18,509	19,583	18,257	18,206	18,323	18,437	18,040	18,509

NOTE: Persons at work excludes employed persons who were absent from their jobs during the entire reference week for reasons such as vacation, illness, or industrial dispute. Part time for noneconomic reasons excludes persons who usually work full time but worked only 1 to 34 hours during the reference week for reasons such as holidays, illness, and bad weather.

Table A-5. Selected unemployment indicators, seasonally adjusted

Category	Number of unemployed persons (in thousands)			Unemployment rates[1]					
	Feb. 2000	Jan. 2001	Feb. 2001	Feb. 2000	Oct. 2000	Nov. 2000	Dec. 2000	Jan. 2001	Feb. 2001
CHARACTERISTIC									
Total, 16 years and over	5,740	5,958	5,936	4.1	3.9	4.0	4.0	4.2	4.2
Men, 20 years and over	2,375	2,576	2,527	3.3	3.3	3.4	3.4	3.6	3.5
Women, 20 years and over	2,203	2,232	2,288	3.6	3.4	3.4	3.4	3.6	3.7
Both sexes, 16 to 19 years	1,162	1,149	1,121	13.8	12.6	13.0	13.1	13.8	13.6
Married men, spouse present	903	1,003	1,007	2.0	2.1	2.2	2.2	2.3	2.3
Married women, spouse present	908	882	912	2.6	2.5	2.5	2.6	2.5	2.8
Women who maintain families	544	578	541	6.2	5.4	5.2	5.1	6.4	6.1
Full-time workers	4,540	4,768	4,738	3.9	3.8	3.9	3.9	4.1	4.0
Part-time workers	1,184	1,192	1,179	4.9	4.5	4.5	4.6	4.9	4.8
OCCUPATION[2]									
Managerial and professional specialty	682	746	753	1.8	1.7	1.7	1.7	1.8	1.8
Technical, sales, and administrative support	1,482	1,405	1,437	3.6	3.8	3.6	3.5	3.4	3.5
Precision production, craft, and repair	603	570	572	3.9	3.4	3.7	3.7	3.7	3.7
Operators, fabricators, and laborers	1,192	1,390	1,418	6.1	6.4	6.3	6.4	7.1	7.3
Farming, forestry, and fishing	212	234	252	5.6	6.7	7.1	6.3	6.5	7.2
INDUSTRY									
Nonagricultural private wage and salary workers	4,548	4,685	4,914	4.2	4.0	4.0	4.0	4.3	4.5
Goods-producing industries	1,269	1,410	1,488	4.4	4.7	4.5	4.4	4.9	5.2
Mining	20	11	27	3.8	7.1	3.5	3.6	2.2	4.6
Construction	549	554	558	7.2	6.5	6.9	6.5	6.8	7.0
Manufacturing	700	845	903	3.4	4.0	3.6	3.6	4.2	4.5
Durable goods	387	501	501	3.1	3.6	3.5	3.4	4.2	4.2
Nondurable goods	313	343	402	3.8	4.3	3.9	4.0	4.3	5.0
Service-producing industries	3,279	3,275	3,426	4.1	3.8	3.8	3.8	4.0	4.2
Transportation and public utilities	250	215	228	3.2	2.8	2.6	3.2	2.8	2.9
Wholesale and retail trade	1,452	1,355	1,412	5.3	4.8	4.7	4.6	5.0	5.1
Finance, insurance, and real estate	218	191	210	2.7	2.3	1.9	2.1	2.3	2.5
Services	1,361	1,514	1,575	3.8	3.6	3.7	3.6	4.0	4.2
Government workers	418	431	295	2.1	2.0	2.3	2.2	2.2	1.5
Agricultural wage and salary workers	144	198	186	6.6	8.8	9.4	8.9	9.0	9.2

[1] Unemployment as a percent of the civilian labor force.
[2] Seasonally adjusted unemployment data for service occupations are not available because the seasonal component, which is small relative to the trend-cycle and irregular components, cannot be separated with sufficient precision.

Table A-6. Duration of unemployment

(Numbers in thousands)

Duration	Not seasonally adjusted			Seasonally adjusted					
	Feb. 2000	Jan. 2001	Feb. 2001	Feb. 2000	Oct. 2000	Nov. 2000	Dec. 2000	Jan. 2001	Feb. 2001
NUMBER OF UNEMPLOYED									
Less than 5 weeks	2,517	3,072	2,732	2,582	2,510	2,531	2,440	2,613	2,797
5 to 14 weeks	2,313	2,094	2,115	1,830	1,755	1,796	1,852	1,977	1,889
15 weeks and over	1,401	1,420	1,617	1,292	1,311	1,317	1,326	1,371	1,480
15 to 26 weeks	772	707	891	687	702	713	675	731	793
27 weeks and over	629	714	726	605	609	604	651	640	687
Average (mean) duration, in weeks	12.5	12.2	12.8	12.5	12.4	12.4	12.8	12.8	12.9
Median duration, in weeks	6.6	5.5	6.6	6.1	6.1	6.1	6.1	5.9	6.0
PERCENT DISTRIBUTION									
Total unemployed	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less than 5 weeks	40.4	46.6	42.3	45.3	45.0	44.8	43.4	43.8	47.0
5 to 14 weeks	37.1	31.8	32.7	32.1	31.5	31.8	33.0	33.2	28.0
15 weeks and over	22.5	21.6	25.0	22.7	23.5	23.3	23.6	23.0	25.0
15 to 26 weeks	12.4	10.7	13.8	12.0	12.6	12.6	12.0	12.3	13.3
27 weeks and over	10.1	10.8	11.2	10.6	10.9	10.7	11.6	10.7	11.7

Table A-7. Reason for unemployment

(Numbers in thousands)

Reason	Not seasonally adjusted			Seasonally adjusted					
	Feb. 2000	Jan. 2001	Feb. 2001	Feb. 2000	Oct. 2000	Nov. 2000	Dec. 2000	Jan. 2001	Feb. 2001
NUMBER OF UNEMPLOYED									
Job losers and persons who completed temporary jobs	3,029	3,406	3,309	2,614	2,446	2,501	2,514	2,742	2,853
On temporary layoff	1,134	1,567	1,286	833	825	877	937	1,032	945
Not on temporary layoff	1,895	1,839	2,023	1,781	1,621	1,624	1,577	1,711	1,908
Permanent job losers	1,281	1,223	1,451	(1)	(1)	(1)	(1)	(1)	(1)
Persons who completed temporary jobs	614	616	572	(1)	(1)	(1)	(1)	(1)	(1)
Job leavers	777	818	830	767	815	768	746	838	820
Reentrants	2,067	1,985	1,998	1,992	1,868	1,936	1,899	1,956	1,927
New entrants	357	378	327	400	396	429	466	446	372
PERCENT DISTRIBUTION									
Total unemployed	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Job losers and persons who completed temporary jobs	48.6	51.7	51.2	45.3	44.3	44.4	44.7	45.8	47.8
On temporary layoff	18.2	23.8	19.9	14.4	14.9	15.6	16.7	17.2	15.8
Not on temporary layoff	30.4	27.9	31.3	30.9	29.3	28.8	28.0	28.6	32.0
Job leavers	12.5	12.4	12.8	13.3	14.7	13.6	13.3	14.0	13.7
Reentrants	33.2	30.1	30.9	34.5	33.8	34.4	33.8	32.7	32.3
New entrants	5.7	5.7	5.1	6.9	7.2	7.6	8.3	7.4	6.2
UNEMPLOYED AS A PERCENT OF THE CIVILIAN LABOR FORCE									
Job losers and persons who completed temporary jobs	2.2	2.4	2.3	1.9	1.7	1.8	1.8	1.9	2.0
Job leavers	.6	.6	.6	.5	.6	.5	.5	.6	.6
Reentrants	1.5	1.4	1.4	1.4	1.3	1.4	1.3	1.4	1.4
New entrants	.3	.3	.2	.3	.3	.3	.3	.3	.3

[1] Not available.

Table A-8. Range of alternative measures of labor underutilization

(Percent)

Measure	Not seasonally adjusted			Seasonally adjusted					
	Feb. 2000	Jan. 2001	Feb. 2001	Feb. 2000	Oct. 2000	Nov. 2000	Dec. 2000	Jan. 2001	Feb. 2001
U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force	1.0	1.0	1.1	.9	.9	.9	.9	1.0	1.1
U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force	2.2	2.4	2.3	1.9	1.7	1.8	1.8	1.9	2.0
U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)	4.4	4.7	4.6	4.1	3.9	4.0	4.0	4.2	-
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers	4.6	4.9	4.8	(1)	(1)	(1)	(1)	(1)	(1)
U-5 Total unemployed, plus discouraged workers, plus all other marginally attached workers, as a percent of the civilian labor force plus all marginally attached workers	5.3	5.5	5.5	(1)	(1)	(1)	(1)	(1)	(1)
U-6 Total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers	7.6	8.1	7.9	(1)	(1)	(1)	(1)	(1)	(1)

[1] Not available.

NOTE: This range of alternative measures of labor underutilization replaces the U1-U7 range published in table A-7 of this release prior to 1994. Marginally attached workers are persons who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the recent past. Discouraged workers, a subset of the marginally attached, have given a job-market related reason for not currently looking for a job. Persons employed part time for economic reasons are those who want and are available for full-time work but have had to settle for a part-time schedule. For further information, see "BLS introduces new range of alternative unemployment measures," in the October 1995 issue of the *Monthly Labor Review*.

Table A-9. Unemployed persons by sex and age, seasonally adjusted

Age and sex	Number of unemployed persons (in thousands)			Unemployment rates[1]					
	Feb. 2000	Jan. 2001	Feb. 2001	Feb. 2000	Oct. 2000	Nov. 2000	Dec. 2000	Jan. 2001	Feb. 2001
Total, 16 years and over	5,740	5,958	5,936	4.1	3.9	4.0	4.0	4.2	4.2
16 to 24 years	2,220	2,205	2,167	9.8	8.9	9.1	9.2	9.6	9.5
16 to 19 years	1,162	1,149	1,121	13.8	12.6	13.0	13.1	13.8	13.6
16 to 17 years	516	554	555	15.6	15.2	15.4	15.8	17.4	17.2
18 to 19 years	635	595	550	12.5	11.1	11.4	11.8	11.5	11.0
20 to 24 years	1,058	1,056	1,046	7.4	6.8	6.8	7.0	7.2	7.2
25 years and over	3,510	3,767	3,768	3.0	2.9	3.0	3.0	3.2	3.2
25 to 54 years	3,006	3,262	3,262	3.0	3.0	3.0	3.0	3.2	3.2
55 years and over	524	509	519	2.9	2.8	2.9	2.6	2.7	2.8
Men, 16 years and over	3,035	3,226	3,187	4.0	3.9	4.0	4.0	4.3	4.2
16 to 24 years	1,205	1,234	1,282	10.1	9.4	9.5	9.7	10.3	10.8
16 to 19 years	660	650	660	14.9	13.4	13.6	14.1	15.0	15.5
16 to 17 years	295	335	306	16.6	17.6	17.5	18.4	20.5	18.5
18 to 19 years	356	320	343	13.5	10.7	11.3	11.7	11.8	13.1
20 to 24 years	545	584	622	7.3	7.3	7.3	7.2	7.6	8.2
25 years and over	1,815	1,987	1,891	2.9	2.9	3.0	3.0	3.1	3.0
25 to 54 years	1,555	1,679	1,619	2.9	2.9	2.9	2.9	3.1	3.0
55 years and over	274	303	291	2.7	2.8	2.9	2.8	3.0	2.9
Women, 16 years and over	2,705	2,730	2,749	4.1	3.9	4.0	4.0	4.1	4.2
16 to 24 years	1,015	971	885	9.4	8.4	8.6	8.7	8.8	8.1
16 to 19 years	502	498	460	12.5	11.9	12.3	12.1	12.4	11.6
16 to 17 years	221	219	250	14.3	12.8	13.4	13.2	14.1	15.7
18 to 19 years	279	274	208	11.3	11.6	11.5	11.6	11.3	8.7
20 to 24 years	513	472	424	7.6	6.3	6.3	6.7	6.7	6.1
25 years and over	1,695	1,780	1,875	3.1	3.0	3.1	3.0	3.2	3.4
25 to 54 years	1,451	1,583	1,643	3.1	3.1	3.2	3.1	3.4	3.5
55 years and over	250	205	228	3.1	2.8	2.7	2.4	2.5	2.7

[1] Unemployment as a percent of the civilian labor force.

Table A-10. Persons not in the labor force and multiple jobholders by sex, not seasonally adjusted

(Numbers in thousands)

Category	Total		Men		Women	
	Feb. 2000	Feb. 2001	Feb. 2000	Feb. 2001	Feb. 2000	Feb. 2001
NOT IN THE LABOR FORCE						
Total not in the labor force	68,723	69,788	25,522	26,310	43,200	43,478
Persons who currently want a job	4,431	4,500	1,743	1,871	2,688	2,629
Searched for work and available to work now[1]	1,273	1,339	577	613	697	727
Reason not currently looking:						
Discouragement over job prospects[2]	262	289	159	186	103	103
Reasons other than discouragement[3]	1,011	1,050	418	427	594	623
MULTIPLE JOBHOLDERS						
Total multiple jobholders[4]	7,735	7,592	4,037	3,989	3,698	3,603
Percent of total employed	5.8	5.6	5.7	5.6	5.9	5.7
Primary job full time, secondary job part time	4,267	4,258	2,465	2,496	1,802	1,762
Primary and secondary jobs both part time	1,602	1,627	470	459	1,131	1,168
Primary and secondary jobs both full time	290	304	181	210	109	94
Hours vary on primary or secondary job	1,547	1,360	909	792	638	568

[1] Data refer to persons who have searched for work during the prior 12 months and were available to take a job during the reference week.

[2] Includes thinks no work available, could not find work, lacks schooling or training, employer thinks too young or old, and other types of discrimination.

[3] Includes those who did not actively look for work in the prior 4 weeks for such reasons as child-care and transportation problems, as well as a small number for which reason for nonparticipation was not determined.

[4] Includes persons who work part time on their primary job and full time on their secondary job(s), not shown separately.

 ESTABLISHMENT DATA

Table B-1. Employees on nonfarm payrolls by industry

(In thousands)

Industry	Not seasonally adjusted				Seasonally adjusted					
	Feb. 2000	Dec. 2000	Jan. 2001p	Feb. 2001p	Feb. 2000	Oct. 2000	Nov. 2000	Dec. 2000	Jan. 2001p	Feb. 2001p
Total	128,970	132,773	129,991	130,647	130,482	131,789	131,842	131,878	132,102	132,237
Total private	108,283	111,954	109,555	109,802	110,088	111,325	111,437	111,443	111,600	111,698
Goods-producing	25,033	25,468	25,028	24,947	25,624	25,665	25,635	25,569	25,639	25,564
Mining	521	541	537	538	533	542	541	540	548	551
Metal mining	44.3	43.3	43.1	41.3	45	44	43	44	43	42
Coal mining	80.4	78.8	78.8	78.6	81	80	78	78	79	79
Oil and gas extraction	293.1	314.2	315.3	317.4	296	309	311	311	318	321
Nonmetallic minerals, except fuels	103.2	104.2	100.0	100.8	111	109	109	107	108	109
Construction	6,120	6,601	6,374	6,369	6,618	6,745	6,734	6,717	6,875	6,891
General building contractors	1,417.5	1,509.2	1,476.4	1,473.5	1,491	1,517	1,523	1,527	1,546	1,546
Heavy construction, except building	756.6	826.7	771.2	774.2	885	892	882	867	899	911
Special trade contractors	3,946.3	4,265.4	4,126.5	4,121.4	4,242	4,336	4,329	4,323	4,430	4,434
Manufacturing	18,392	18,326	18,117	18,040	18,473	18,378	18,360	18,312	18,216	18,122
Production workers	12,635	12,532	12,361	12,295	12,697	12,583	12,584	12,515	12,442	12,361
Durable goods	11,055	11,046	10,907	10,870	11,088	11,052	11,058	11,037	10,949	10,903
Production workers	7,567	7,532	7,419	7,384	7,592	7,542	7,546	7,520	7,454	7,411
Lumber and wood products	819.2	801.2	787.6	780.3	832	812	807	802	798	796
Furniture and fixtures	553.7	553.1	546.6	540.9	553	555	554	552	547	541
Stone, clay, and glass products	548.4	557.3	548.3	546.4	567	564	563	561	567	563
Primary metal industries	696.9	684.2	677.5	673.3	699	691	690	683	677	672
Blast furnaces and basic steel products	226.4	220.0	218.8	217.0	(1)	(1)	(1)	(1)	(1)	(1)
Fabricated metal products	1,524.8	1,532.9	1,516.9	1,502.3	1,525	1,533	1,535	1,530	1,517	1,504
Industrial machinery and equipment	2,134.7	2,126.6	2,118.2	2,109.2	2,131	2,124	2,127	2,124	2,118	2,107
Computer and office equipment	366.6	363.6	362.3	361.2	368	361	361	362	363	363
Electronic and other electrical equipment	1,682.3	1,731.6	1,720.9	1,713.6	1,684	1,719	1,724	1,728	1,724	1,713
Electronic components and accessories	644.7	696.1	696.6	695.4	645	687	694	696	698	695
Transportation equipment	1,855.0	1,815.6	1,753.3	1,767.1	1,855	1,812	1,814	1,813	1,757	1,768
Motor vehicles and equipment	1,027.1	991.5	936.2	950.3	1,029	991	989	988	940	953
Aircraft and parts	452.9	457.8	454.0	454.9	453	456	455	456	452	453
Instruments and related products	844.1	851.0	851.2	850.4	844	847	850	851	853	852
Miscellaneous manufacturing	394.3	392.5	386.7	386.1	398	395	394	393	391	388
Nondurable goods	7,337	7,280	7,210	7,170	7,385	7,326	7,302	7,275	7,267	7,219
Production workers	5,068	5,000	4,942	4,911	5,105	5,041	5,018	4,995	4,968	4,950
Food and kindred products	1,640.9	1,660.9	1,636.9	1,631.5	1,672	1,673	1,667	1,666	1,669	1,666
Tobacco products	38.6	39.2	38.2	36.7	37	37	37	37	36	35
Textile mill products	546.4	525.6	518.1	510.8	549	536	530	525	521	513
Apparel and other textile products	660.7	624.2	616.8	611.6	665	633	630	625	626	615
Paper and allied products	661.2	656.9	651.6	646.3	663	660	657	656	653	648
Printing and publishing	1,546.7	1,562.1	1,552.0	1,544.8	1,550	1,559	1,557	1,554	1,555	1,548
Chemicals and allied products	1,028.8	1,021.6	1,018.4	1,016.7	1,031	1,023	1,024	1,022	1,023	1,019
Petroleum and coal products	127.8	128.4	123.9	124.6	132	131	130	128	128	129
Rubber and misc. plastics products	1,010.6	992.5	984.1	978.0	1,010	1,001	998	991	986	977
Leather and leather products	75.3	71.0	69.7	68.6	76	73	72	71	70	69
Service-producing	103,937	107,305	104,963	105,700	104,858	106,124	106,207	106,309	106,463	106,673
Transportation and public utilities	6,873	7,147	7,019	7,028	6,937	7,046	7,060	7,066	7,077	7,105
Transportation	4,424	4,641	4,518	4,524	4,479	4,549	4,563	4,581	4,571	4,593
Railroad transportation	222.2	216.0	213.4	212.2	225	219	220	217	216	216
Local and interurban passenger transit	505.2	515.4	509.4	514.4	494	498	500	500	500	503
Trucking and warehousing	1,786.7	1,852.3	1,814.0	1,810.7	1,828	1,843	1,839	1,847	1,850	1,853
Water transportation	186.9	199.9	194.8	194.6	196	206	206	206	205	205
Transportation by air	1,247.6	1,367.5	1,301.3	1,305.6	1,259	1,297	1,310	1,321	1,312	1,327
Pipelines, except natural gas	12.4	12.5	12.4	12.3	12	12	13	12	12	12
Transportation services	462.7	477.6	473.0	474.3	465	474	475	478	476	477
Communications and public utilities	2,449	2,506	2,501	2,504	2,458	2,497	2,497	2,505	2,506	2,512
Communications	1,593.2	1,652.6	1,648.6	1,652.3	1,598	1,641	1,644	1,653	1,651	1,656
Electric, gas, and sanitary services	856.2	852.9	852.1	851.3	860	856	853	852	855	856
Wholesale trade	6,965	7,097	7,022	7,022	7,011	7,087	7,093	7,085	7,074	7,071
Durable goods	4,159	4,206	4,175	4,175	4,177	4,207	4,206	4,201	4,193	4,194
Nondurable goods	2,806	2,891	2,847	2,847	2,834	2,880	2,887	2,884	2,881	2,877

See footnotes at end of table.

Table B-1. Employees on nonfarm payrolls by industry—Continued

(In thousands)

Industry	Not seasonally adjusted				Seasonally adjusted					
	Feb. 2000	Dec. 2000	Jan. 2001p	Feb. 2001p	Feb. 2000	Oct. 2000	Nov. 2000	Dec. 2000	Jan. 2001p	Feb. 2001p
Retail trade	22,440	23,914	22,872	22,722	22,978	23,193	23,238	23,245	23,250	23,287
Building materials and garden supplies	965.1	1,002.7	965.4	958.6	1,020	1,022	1,020	1,019	1,016	1,013
General merchandise stores	2,664.5	3,053.7	2,729.0	2,608.7	2,762	2,740	2,770	2,742	2,694	2,699
Department stores	2,329.6	2,660.3	2,377.1	2,268.4	2,417	2,389	2,419	2,411	2,354	2,357
Food stores	3,471.8	3,587.8	3,520.6	3,506.5	3,503	3,519	3,516	3,523	3,537	3,544
Automotive dealers and service stations	2,366.5	2,416.7	2,395.0	2,399.1	2,394	2,431	2,430	2,428	2,425	2,429
New and used car dealers	1,094.3	1,117.0	1,113.1	1,116.9	1,100	1,120	1,120	1,121	1,121	1,123
Apparel and accessory stores	1,145.0	1,323.0	1,225.4	1,184.6	1,184	1,205	1,211	1,217	1,222	1,229
Furniture and home furnishings stores	1,097.7	1,182.7	1,142.3	1,123.7	1,102	1,128	1,130	1,137	1,136	1,133
Eating and drinking places	7,736.2	8,065.5	7,791.9	7,874.3	7,992	8,073	8,097	8,111	8,125	8,140
Miscellaneous retail establishments	2,993.1	3,282.0	3,102.6	3,066.4	3,021	3,075	3,084	3,068	3,095	3,100
Finance, insurance, and real estate	7,564	7,642	7,618	7,635	7,624	7,638	7,647	7,661	7,676	7,692
Finance	3,707	3,748	3,742	3,754	3,717	3,737	3,739	3,747	3,751	3,762
Depository institutions	2,051.0	2,036.2	2,032.2	2,030.6	2,057	2,034	2,033	2,035	2,033	2,035
Commercial banks	1,464.5	1,446.5	1,442.2	1,440.3	1,459	1,446	1,445	1,445	1,443	1,443
Savings institutions	244.4	236.7	236.4	236.1	245	238	237	237	237	236
Nondepository institutions	697.9	690.3	690.5	698.6	699	689	690	689	692	700
Mortgage bankers and brokers	336.0	321.5	323.2	328.4	338	324	323	321	325	330
Security and commodity brokers	719.2	772.1	771.7	774.3	723	766	768	773	776	778
Holding and other investment offices	238.4	249.4	247.8	250.2	238	248	248	250	250	249
Insurance	2,366	2,363	2,360	2,365	2,373	2,355	2,362	2,362	2,366	2,372
Insurance carriers	1,600.9	1,586.0	1,585.1	1,589.0	1,606	1,581	1,587	1,585	1,589	1,594
Insurance agents, brokers, and service	765.3	776.9	774.8	775.6	767	774	775	777	777	778
Real estate	1,491	1,531	1,516	1,516	1,534	1,546	1,546	1,552	1,559	1,558
Services[2]	39,408	40,686	39,996	40,448	39,914	40,696	40,764	40,797	40,884	40,979
Agricultural services	676.6	749.2	697.9	697.6	796	806	810	810	825	823
Hotels and other lodging places	1,771.6	1,860.7	1,834.4	1,850.6	1,868	1,924	1,939	1,948	1,948	1,956
Personal services	1,337.7	1,277.3	1,336.5	1,362.7	1,265	1,285	1,288	1,292	1,285	1,283
Business services	9,399.6	9,860.7	9,509.8	9,542.0	9,615	9,829	9,823	9,751	9,742	9,766
Services to buildings	986.2	1,002.3	998.9	1,004.0	1,000	1,000	1,004	1,009	1,014	1,017
Personnel supply services	3,593.0	3,839.0	3,522.4	3,511.0	3,773	3,861	3,845	3,744	3,698	3,695
Help supply services	3,208.3	3,403.2	3,111.1	3,101.7	3,382	3,432	3,413	3,338	3,282	3,285
Computer and data processing services	1,906.2	1,995.9	1,999.8	2,016.6	1,906	1,966	1,982	1,996	2,000	2,015
Auto repair, services, and parking	1,191.4	1,211.2	1,215.4	1,222.0	1,195	1,206	1,206	1,215	1,227	1,225
Miscellaneous repair services	379.7	383.4	378.7	378.3	384	386	386	383	384	383
Motion pictures	623.4	641.2	631.4	634.6	623	630	631	639	640	636
Amusement and recreation services	1,517.2	1,605.4	1,551.3	1,586.8	1,723	1,791	1,793	1,787	1,807	1,806
Health services	10,050.9	10,245.8	10,235.9	10,261.8	10,078	10,191	10,206	10,229	10,258	10,286
Offices and clinics of medical doctors	1,907.6	1,964.7	1,964.6	1,966.1	1,914	1,950	1,953	1,960	1,967	1,972
Nursing and personal care facilities	1,783.6	1,799.6	1,796.1	1,800.8	1,790	1,793	1,793	1,796	1,801	1,805
Hospitals	3,995.8	4,056.9	4,059.0	4,066.8	4,002	4,032	4,045	4,053	4,061	4,072
Home health care services	635.6	643.6	637.0	638.2	639	645	644	642	644	642
Legal services	1,000.8	1,017.3	1,013.5	1,015.5	1,007	1,016	1,014	1,015	1,018	1,021
Educational services	2,443.3	2,518.6	2,327.2	2,542.6	2,309	2,357	2,365	2,389	2,391	2,411
Social services	2,911.3	3,060.2	3,043.6	3,080.2	2,912	3,019	3,032	3,054	3,062	3,077
Child day care services	754.5	807.8	805.1	818.6	740	784	787	792	796	802
Residential care	803.7	844.6	843.6	847.7	807	838	840	845	849	851
Museums and botanical and zoological gardens	91.2	101.2	94.9	96.4	100	103	104	104	104	105
Membership organizations	2,417.4	2,437.5	2,413.8	2,430.0	2,439	2,446	2,450	2,450	2,450	2,450
Engineering and management services	3,350.3	3,471.3	3,467.4	3,501.4	3,354	3,463	3,471	3,486	3,498	3,505
Engineering and architectural services	971.8	1,017.6	1,015.5	1,018.7	984	1,015	1,015	1,021	1,029	1,033
Management and public relations	1,069.8	1,138.2	1,129.5	1,133.7	1,077	1,129	1,137	1,139	1,144	1,143
Services, nec	53.3	52.7	52.4	53.3	(1)	(1)	(1)	(1)	(1)	(1)
Government	20,687	20,819	20,436	20,845	20,394	20,464	20,405	20,435	20,502	20,539
Federal	2,688	2,601	2,596	2,602	2,700	2,625	2,615	2,566	2,614	2,616
Federal, except Postal Service	1,827.3	1,737.9	1,737.7	1,745.7	1,835	1,762	1,760	1,753	1,753	1,753
State	4,822	4,858	4,678	4,862	4,728	4,755	4,748	4,769	4,762	4,771
Education	2,095.5	2,106.5	1,924.5	2,103.2	1,981	1,988	1,977	1,990	1,982	1,989
Other State government	2,726.1	2,751.4	2,753.1	2,758.5	2,747	2,767	2,771	2,779	2,780	2,782
Local	13,177	13,360	13,162	13,381	12,966	13,084	13,042	13,100	13,126	13,152
Education	7,693.3	7,740.3	7,571.3	7,773.1	7,355	7,391	7,377	7,387	7,400	7,416
Other local government	5,484.0	5,619.4	5,590.4	5,607.4	5,611	5,693	5,665	5,713	5,726	5,736

[1] These series are not published seasonally adjusted because the seasonal component, which is small relative to the trend-cycle and irregular components, cannot be separated with sufficient precision.

[2] Includes other industries, not shown separately.

p = preliminary.

ESTABLISHMENT DATA

Table B-2. Average weekly hours of production or nonsupervisory workers[1] on private nonfarm payrolls by industry

Industry	Not seasonally adjusted				Seasonally adjusted					
	Feb. 2000	Dec. 2000	Jan. 2001p	Feb. 2001p	Feb. 2000	Oct. 2000	Nov. 2000	Dec. 2000	Jan. 2001p	Feb. 2001p
Total private	34.2	34.2	33.9	33.9	34.6	34.4	34.3	34.1	34.3	34.2
Goods-producing	40.8	40.3	40.0	39.5	41.3	40.9	40.5	39.8	40.4	39.9
Mining	44.1	44.9	44.8	45.0	44.7	45.8	44.9	44.6	45.3	45.3
Construction	38.7	37.7	37.7	37.2	39.7	39.3	38.5	37.9	38.9	38.0
Manufacturing	41.5	41.2	40.7	40.3	41.8	41.4	41.2	40.4	40.9	40.6
Overtime hours	4.4	4.4	3.9	3.6	4.7	4.5	4.3	3.9	4.1	3.8
Durable goods	42.1	41.6	41.0	40.8	42.3	41.9	41.7	40.7	41.1	40.9
Overtime hours	4.7	4.4	3.9	3.6	4.9	4.6	4.4	3.9	4.0	3.7
Lumber and wood products	40.4	40.0	39.3	39.3	41.0	40.6	40.6	39.8	39.7	40.2
Furniture and fixtures	39.8	40.0	38.9	38.4	40.3	39.7	39.4	38.8	39.0	39.1
Stone, clay, and glass products	42.4	41.9	41.0	40.6	43.5	43.2	42.7	41.7	42.2	41.6
Primary metal industries	44.4	43.3	42.6	42.1	44.5	43.8	43.6	42.5	42.5	42.1
Blast furnaces and basic steel products	45.3	43.5	42.7	42.4	45.4	44.2	44.1	43.2	42.7	42.5
Fabricated metal products	42.2	41.7	41.3	41.0	42.4	42.1	41.7	40.6	41.4	41.3
Industrial machinery and equipment	42.4	42.2	41.9	41.3	42.3	42.1	42.0	41.2	41.8	41.3
Electronic and other electrical equipment	41.5	41.5	40.7	40.1	41.6	41.2	40.9	40.4	40.7	40.3
Transportation equipment	43.9	42.2	41.5	41.0	44.0	43.1	42.9	40.8	41.6	41.1
Motor vehicles and equipment	45.0	41.8	40.9	40.4	45.0	44.0	43.2	40.1	41.0	40.3
Instruments and related products	41.3	41.3	40.9	41.0	41.2	41.2	41.0	40.4	40.8	40.8
Miscellaneous manufacturing	39.3	39.5	38.9	39.0	39.5	39.3	39.1	38.8	39.3	39.2
Nondurable goods	40.6	40.7	40.2	39.8	41.0	40.6	40.4	40.0	40.5	40.1
Overtime hours	4.1	4.2	3.9	3.6	4.5	4.3	4.1	3.9	4.1	3.9
Food and kindred products	40.9	41.5	40.9	39.9	41.6	41.4	41.2	40.7	41.2	40.7
Tobacco products	39.2	39.9	37.6	37.4	40.6	38.9	38.6	38.6	38.5	38.6
Textile mill products	41.3	41.0	40.4	39.7	41.7	40.9	40.5	40.5	40.4	39.8
Apparel and other textile products	37.6	36.8	36.2	36.1	37.7	36.9	36.8	36.3	36.6	36.1
Paper and allied products	43.0	42.8	42.7	42.0	43.5	42.5	42.6	41.9	42.6	42.4
Printing and publishing	38.0	38.3	37.7	37.6	38.3	38.2	38.0	37.7	38.1	37.9
Chemicals and allied products	42.5	43.2	42.7	42.5	42.7	43.0	42.6	42.4	42.9	42.7
Petroleum and coal products	43.4	44.2	46.2	46.5	(2)	(2)	(2)	(2)	(2)	(2)
Rubber and misc. plastics products	41.4	41.0	40.7	40.3	41.6	41.1	41.0	40.1	40.9	40.4
Leather and leather products	37.7	37.5	37.3	36.9	38.1	37.4	38.1	37.1	38.0	37.1
Service-producing	32.6	32.7	32.4	32.6	32.8	32.7	32.8	32.7	32.8	32.8
Transportation and public utilities	38.1	38.6	38.1	38.3	38.3	38.6	38.5	38.7	38.6	38.5
Wholesale trade	38.1	38.4	38.0	38.1	38.5	38.5	38.6	38.4	38.5	38.4
Retail trade	28.5	28.9	28.2	28.4	29.1	28.8	28.9	28.7	29.1	28.9
Finance, insurance, and real estate	36.1	36.1	35.9	36.2	36.1	36.1	36.1	36.2	36.1	36.2
Services	32.6	32.5	32.3	32.5	32.7	32.6	32.6	32.6	32.6	32.6

[1] Data relate to production workers in mining and manufacturing; construction workers in construction; and nonsupervisory workers in transportation and public utilities; wholesale and retail trade; finance, insurance, and real estate; and services. These groups account for approximately four-fifths of the total employees on private nonfarm payrolls.

[2] This series is not published seasonally adjusted because the seasonal component, which is small relative to the trend-cycle and irregular components, cannot be separated with sufficient precision.

p = preliminary.

ESTABLISHMENT DATA

Table B-3. Average hourly and weekly earnings of production or nonsupervisory workers[1] on private nonfarm payrolls by industry

Industry	Average hourly earnings				Average weekly earnings			
	Feb. 2000	Dec. 2000	Jan. 2001p	Feb. 2001p	Feb. 2000	Dec. 2000	Jan. 2001p	Feb. 2001p
Total private	$13.58	$14.03	$14.09	$14.15	$464.44	$479.83	$477.65	$479.69
Seasonally adjusted	13.54	14.02	14.03	14.10	468.48	478.08	481.23	482.22
Goods-producing	15.07	15.67	15.61	15.64	614.86	631.50	624.40	617.78
Mining	17.20	17.17	17.22	17.13	758.52	770.93	771.46	770.85
Construction	17.42	18.21	18.20	18.22	674.15	686.52	688.14	677.78
Manufacturing	14.19	14.68	14.61	14.65	588.89	604.82	594.63	590.40
Durable goods	14.73	15.26	15.15	15.19	620.13	634.82	621.15	616.71
Lumber and wood products	11.63	11.96	11.94	11.96	469.85	478.40	469.24	470.03
Furniture and fixtures	11.51	12.01	11.99	12.05	458.10	480.40	466.41	462.72
Stone, clay, and glass products	13.96	14.50	14.48	14.51	591.90	607.55	593.68	589.11
Primary metal industries	16.28	16.64	16.65	16.56	722.83	720.51	709.29	697.18
Blast furnaces and basic steel products	19.32	19.22	19.50	19.16	875.20	836.07	832.65	812.38
Fabricated metal products	13.67	14.12	14.09	14.11	576.87	588.80	581.92	578.51
Industrial machinery and equipment	15.40	16.04	15.99	15.94	652.96	676.89	669.98	658.32
Electronic and other electrical equipment	13.72	14.05	14.03	14.10	569.38	583.08	571.02	565.41
Transportation equipment	18.58	19.70	19.28	19.43	815.66	831.34	800.12	796.63
Motor vehicles and equipment	19.03	20.36	19.75	19.95	856.35	851.05	807.78	805.98
Instruments and related products	14.41	15.06	14.92	14.97	595.13	621.98	610.23	613.77
Miscellaneous manufacturing	11.53	11.91	11.90	11.91	453.13	470.45	462.91	464.49
Nondurable goods	13.36	13.80	13.79	13.82	542.42	561.66	554.36	550.04
Food and kindred products	12.23	12.66	12.64	12.60	500.21	525.39	516.98	502.74
Tobacco products	17.48	18.54	18.28	18.77	685.22	739.75	687.33	702.00
Textile mill products	10.85	11.02	11.04	11.04	448.11	451.82	446.02	438.29
Apparel and other textile products	9.03	9.21	9.24	9.23	339.53	338.93	334.49	333.20
Paper and allied products	15.99	16.54	16.45	16.36	687.57	707.91	702.42	687.12
Printing and publishing	14.13	14.58	14.55	14.59	536.94	558.41	548.54	548.58
Chemicals and allied products	17.67	18.33	18.24	18.46	750.98	791.86	778.85	784.55
Petroleum and coal products	22.03	21.68	21.64	22.10	956.10	958.26	999.77	1027.65
Rubber and misc. plastics products	12.57	13.03	13.05	13.03	520.40	534.23	531.14	525.11
Leather and leather products	9.96	10.22	10.28	10.21	375.49	383.25	383.44	376.75
Service-producing	13.11	13.54	13.64	13.71	427.39	442.76	441.94	446.95
Transportation and public utilities	16.05	16.53	16.59	16.68	611.51	638.06	632.08	638.84
Wholesale trade	14.91	15.59	15.54	15.59	568.07	598.66	590.52	593.98
Retail trade	9.35	9.65	9.68	9.68	266.48	278.89	272.98	274.91
Finance, insurance, and real estate	14.93	15.32	15.46	15.64	538.97	553.05	555.01	566.17
Services	13.77	14.29	14.36	14.42	448.90	464.43	463.83	468.65

1 See footnote 1, table B-2.

p = preliminary.

ESTABLISHMENT DATA

Table B-4. Average hourly earnings of production or nonsupervisory workers[1] on private nonfarm payrolls by industry, seasonally adjusted

Industry	Feb. 2000	Oct. 2000	Nov. 2000	Dec. 2000	Jan. 2001p	Feb. 2001p	Percent change from: Jan. 2001-Feb. 2001
Total private:							
Current dollars	$13.54	$13.88	$13.96	$14.02	$14.03	$14.10	0.5
Constant (1982) dollars[2]	7.87	7.89	7.91	7.93	7.90	N.A.	(3)
Goods-producing	15.20	15.57	15.66	15.63	15.70	15.75	.3
Mining	17.14	17.08	17.13	17.08	17.01	17.00	-.1
Construction	17.60	18.00	18.20	18.14	18.32	18.32	.0
Manufacturing	14.21	14.56	14.63	14.60	14.58	14.67	.6
Excluding overtime[4]	13.45	13.81	13.90	13.93	13.89	14.00	.8
Service-producing	13.01	13.36	13.44	13.53	13.52	13.61	.7
Transportation and public utilities	16.00	16.38	16.42	16.51	16.54	16.66	.7
Wholesale trade	14.89	15.36	15.46	15.57	15.48	15.57	.6
Retail trade	9.32	9.56	9.60	9.66	9.61	9.65	.4
Finance, insurance, and real estate	14.87	15.18	15.27	15.34	15.44	15.58	.9
Services	13.66	14.00	14.12	14.20	14.22	14.31	.6

1 See footnote 1, table B-2.

2 The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) is used to deflate this series.

3 Change was -.4 percent from December 2000 to January 2001, the latest month available.

4 Derived by assuming that overtime hours are paid at the rate of time and one-half.

N.A. = not available.

p = preliminary.

Table B-5. Indexes of aggregate weekly hours of production or nonsupervisory workers[1] on private nonfarm payrolls by industry

(1982=100)

Industry	Not seasonally adjusted				Seasonally adjusted					
	Feb. 2000	Dec. 2000	Jan. 2001P	Feb. 2001P	Feb. 2000	Oct. 2000	Nov. 2000	Dec. 2000	Jan. 2001P	Feb. 2001P
Total private	146.4	151.8	146.5	147.0	150.6	151.6	151.5	150.6	151.8	151.0
Goods-producing	112.5	113.3	109.7	108.0	117.5	116.1	114.7	112.2	114.6	112.5
Mining	49.1	51.1	50.3	50.3	51.0	52.2	51.1	50.6	52.1	51.9
Construction	163.2	173.7	165.6	163.2	186.0	186.4	181.4	178.1	188.6	183.2
Manufacturing	105.8	104.2	101.5	99.8	107.0	105.0	104.3	101.9	102.5	101.1
Durable goods	111.2	109.4	106.1	104.6	112.1	110.2	109.7	106.7	107.0	105.7
Lumber and wood products	143.0	138.0	133.0	131.8	147.6	142.3	141.3	137.6	136.4	137.7
Furniture and fixtures	137.7	137.3	131.9	128.8	139.4	137.0	135.6	132.6	132.7	131.2
Stone, clay, and glass products	108.8	108.7	104.0	102.4	115.7	114.6	112.8	108.7	111.2	108.9
Primary metal industries	92.1	88.1	85.7	83.9	92.3	90.0	89.4	86.2	85.4	83.8
Blast furnaces and basic steel products	71.6	67.3	65.1	64.4	72.1	69.0	68.9	66.7	65.2	64.9
Fabricated metal products	120.1	119.4	116.7	114.4	120.7	120.6	119.6	116.0	116.9	115.4
Industrial machinery and equipment	106.0	105.3	104.5	102.2	105.4	104.6	104.4	102.6	104.0	101.9
Electronic and other electrical equipment	107.1	110.3	106.8	104.8	107.5	108.2	108.0	107.1	107.1	105.1
Transportation equipment	126.8	118.0	111.7	111.3	127.0	120.9	120.4	113.7	112.6	111.6
Motor vehicles and equipment	170.8	151.9	140.7	140.8	170.9	161.0	157.0	144.4	141.3	140.2
Instruments and related products	74.6	74.5	73.6	74.3	74.3	73.6	73.8	72.9	73.6	74.1
Miscellaneous manufacturing	100.5	99.1	95.8	96.0	102.2	99.5	99.0	97.9	98.4	97.4
Nondurable goods	98.3	97.2	95.0	93.3	100.0	97.9	97.0	95.4	96.5	94.8
Food and kindred products	112.6	115.9	112.7	109.5	117.0	116.6	115.6	114.2	116.1	114.4
Tobacco products	53.6	53.1	49.0	46.3	52.3	48.2	47.8	47.8	45.8	44.0
Textile mill products	79.2	75.5	73.3	70.9	80.2	77.2	75.4	74.7	73.7	71.4
Apparel and other textile products	57.9	53.5	52.1	51.6	58.5	54.5	54.0	52.8	53.7	51.8
Paper and allied products	105.1	103.8	103.0	100.6	106.7	103.6	103.4	101.3	102.8	101.7
Printing and publishing	120.8	123.2	119.9	118.5	122.0	122.8	121.5	120.2	121.5	120.0
Chemicals and allied products	102.2	101.4	99.5	98.8	102.6	101.0	100.3	99.4	100.1	99.3
Petroleum and coal products	63.1	57.9	59.1	60.5	68.3	62.0	61.0	58.2	62.5	64.1
Rubber and misc. plastics products	147.8	142.6	140.2	138.3	148.3	144.5	143.8	139.3	141.0	138.2
Leather and leather products	31.9	30.2	29.2	28.6	32.8	30.5	31.0	29.6	29.8	29.1
Service-producing	161.6	169.0	162.9	164.8	165.5	167.6	168.0	167.9	168.4	168.3
Transportation and public utilities	132.9	141.4	136.8	137.4	134.7	139.2	139.2	140.4	140.0	139.7
Wholesale trade	129.6	133.2	130.1	130.4	132.1	133.3	134.0	133.2	133.3	132.7
Retail trade	138.4	149.9	139.4	138.9	144.9	144.6	145.4	144.4	146.3	145.5
Finance, insurance, and real estate	137.5	139.3	138.4	139.6	138.8	139.5	139.8	140.3	140.3	141.2
Services	203.2	209.8	204.3	206.2	206.7	210.5	210.9	211.0	211.0	211.3

1 See footnote 1, table B-2.

P = preliminary.

Table B-6. Diffusion indexes of employment change, seasonally adjusted

(Percent)

Time span	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Private nonfarm payrolls, 356 industries[1]											
Over 1-month span:												
1997	57.3	59.7	62.8	63.2	57.7	57.7	61.2	60.1	61.5	65.3	62.1	61.2
1998	63.2	56.6	60.5	58.7	58.3	59.7	53.9	58.1	56.2	53.8	59.0	57.4
1999	54.1	58.8	53.9	59.6	52.8	57.9	58.8	53.8	57.3	60.7	60.8	59.0
2000	60.8	54.1	60.7	56.5	45.9	56.2	58.7	51.4	53.7	55.2	50.6	53.4
2001	p52.1	p47.2										
Over 3-month span:												
1997	62.6	64.0	66.3	66.7	63.2	62.1	61.5	66.2	67.4	69.4	69.0	69.1
1998	64.3	66.6	63.2	66.3	63.6	58.0	57.4	57.9	59.7	58.1	58.6	59.4
1999	58.3	57.3	58.4	54.4	57.3	58.8	58.1	60.7	59.6	63.5	64.3	63.1
2000	61.0	62.6	61.9	57.4	56.7	58.3	57.9	58.4	50.8	52.1	52.9	p52.8
2001	p50.0											
Over 6-month span:												
1997	66.3	67.0	66.6	66.3	65.6	67.1	66.3	68.5	69.0	70.4	69.7	70.4
1998	69.8	67.4	65.2	61.8	62.9	61.4	59.0	58.4	57.4	59.7	59.3	59.1
1999	60.0	58.0	57.6	58.6	54.4	59.7	60.4	62.1	64.0	62.8	65.2	64.6
2000	65.6	60.8	61.0	61.9	59.3	56.0	54.4	57.2	54.5	p51.8	p49.7	
2001												
Over 12-month span:												
1997	69.0	67.3	68.3	69.7	69.5	70.1	70.1	70.4	70.5	70.1	69.4	70.4
1998	69.7	67.3	67.3	65.9	63.9	62.5	61.5	62.1	61.0	59.8	59.8	58.1
1999	60.3	58.3	57.6	59.4	59.6	60.5	61.9	61.0	62.6	62.9	62.5	63.2
2000	64.9	63.8	60.8	59.8	57.9	55.2	p54.4	p52.9				
2001												
	Manufacturing payrolls, 139 industries[1]											
Over 1-month span:												
1997	49.6	52.5	56.1	54.0	51.4	54.3	50.7	53.6	56.5	61.9	60.4	55.4
1998	57.9	50.7	53.6	50.7	47.1	50.0	37.8	50.0	45.7	39.9	41.7	43.9
1999	45.0	41.0	42.8	46.4	40.3	46.4	54.7	38.1	46.4	51.8	51.4	50.4
2000	52.2	47.8	51.1	51.1	45.7	51.1	57.6	36.3	38.8	45.7	42.8	40.6
2001	p38.5	p28.1										
Over 3-month span:												
1997	50.7	53.2	55.8	56.1	53.2	52.5	52.5	55.8	59.7	66.5	64.7	64.0
1998	56.8	56.8	52.2	52.2	48.6	41.4	39.2	40.3	43.2	37.1	36.7	40.6
1999	36.7	37.1	37.1	34.5	37.8	43.5	39.9	45.0	42.1	50.4	51.1	50.7
2000	47.8	52.5	49.3	48.9	49.6	53.6	44.2	36.3	28.8	35.3	36.0	p32.0
2001	p24.1											
Over 6-month span:												
1997	53.2	53.2	52.5	52.9	51.8	53.2	54.7	61.2	61.2	64.4	64.7	63.7
1998	60.1	54.3	50.4	39.9	43.5	42.1	38.8	36.7	36.0	39.9	34.5	32.7
1999	35.6	33.5	33.5	37.1	32.7	38.8	41.0	45.7	48.2	43.2	48.6	51.1
2000	51.4	47.5	50.4	53.6	45.0	38.1	33.5	35.3	29.9	p25.2	p22.3	
2001												
Over 12-month span:												
1997	54.7	52.5	54.0	54.0	55.4	56.8	57.2	57.9	58.3	56.8	56.8	57.2
1998	55.0	51.8	51.8	46.8	40.6	39.9	37.8	38.1	37.1	36.0	34.2	33.5
1999	37.4	32.4	31.7	35.3	36.0	37.1	38.8	39.6	42.4	42.4	42.4	46.0
2000	47.8	44.6	39.2	39.2	34.2	29.9	p28.4	p24.5				
2001												

[1] Based on seasonally adjusted data for 1-, 3-, and 6-month spans and unadjusted data for the 12-month span. Data are centered within the span.

p = preliminary.

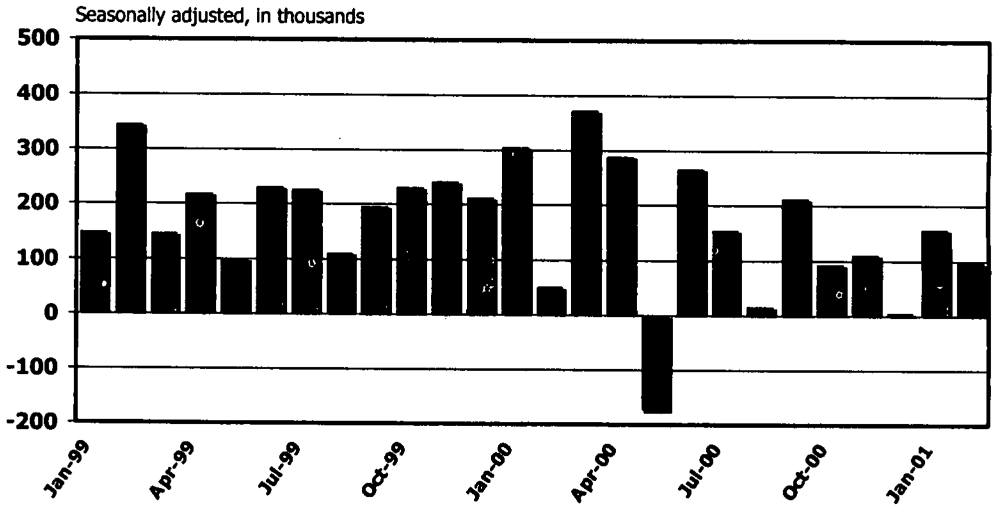
NOTE: Figures are the percent of industries with employment increasing plus one-half of the industries with unchanged employment, where 50 percent indicates an equal balance between industries with increasing and decreasing employment.

Charts to accompany statement of

Katharine G. Abraham
Commissioner
Bureau of Labor Statistics

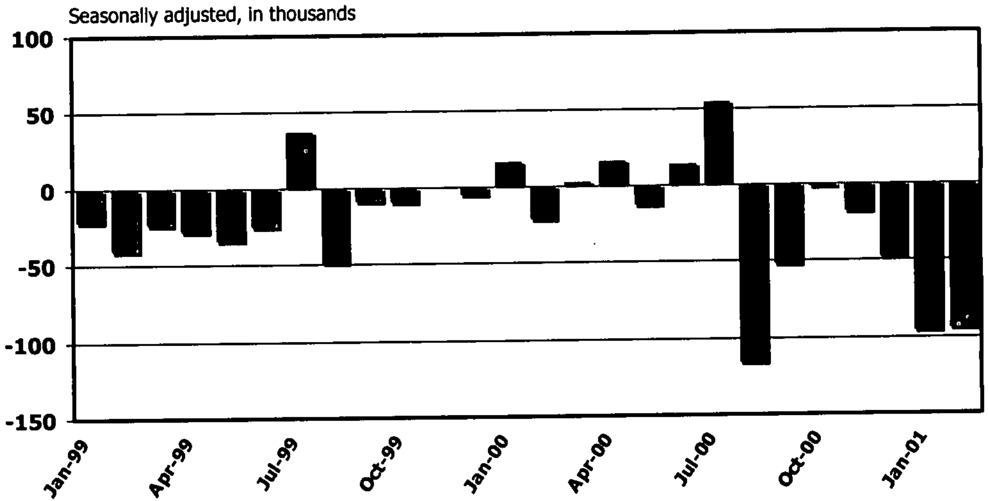
Friday, March 9, 2001

Employment in total private nonagricultural establishments
Over-the-month change, 1999 - 2001



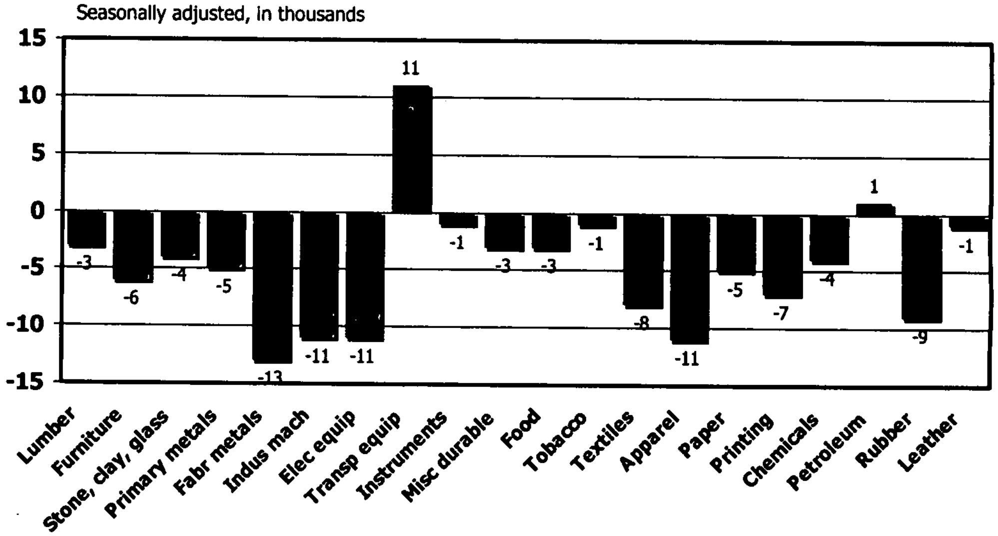
Source: Bureau of Labor Statistics, March 9, 2001

Employment in manufacturing
Over-the-month change, 1999 - 2001



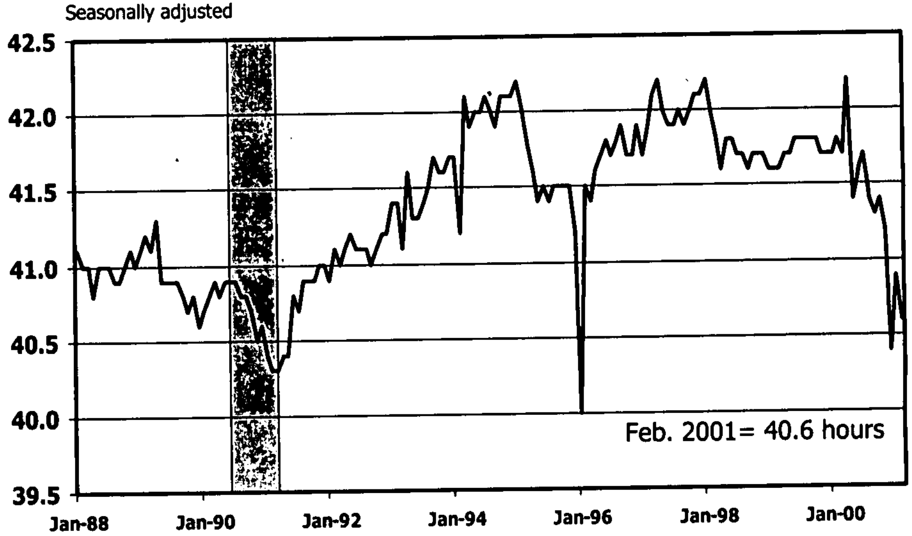
Source: Bureau of Labor Statistics, March 9, 2001

Employment in manufacturing industries
Over-the-month change, February 2001



Source: Bureau of Labor Statistics, March 9, 2001

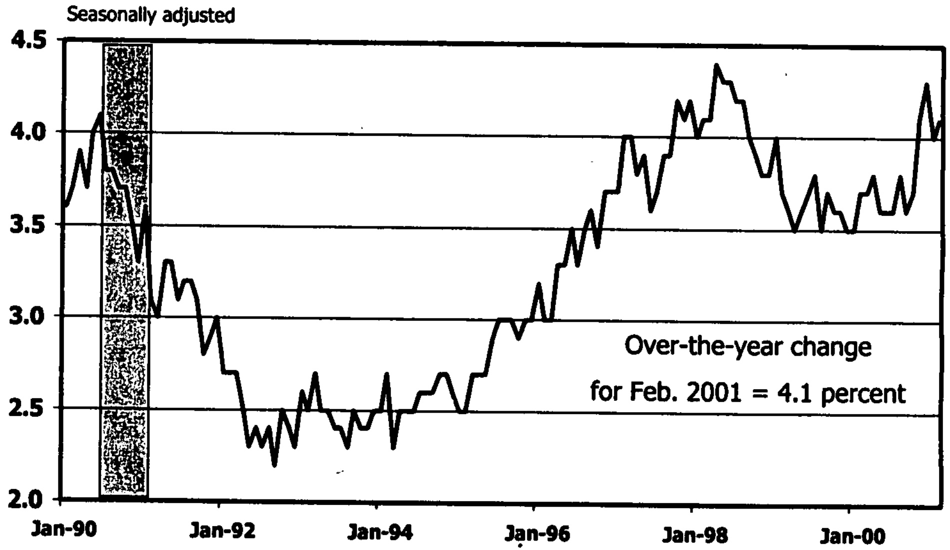
Average weekly hours in manufacturing, 1988-2001



Note: Shaded area denotes recession.

Source: Bureau of Labor Statistics, March 9, 2001

Over-the-year percent change in average hourly earnings, 1990-2001



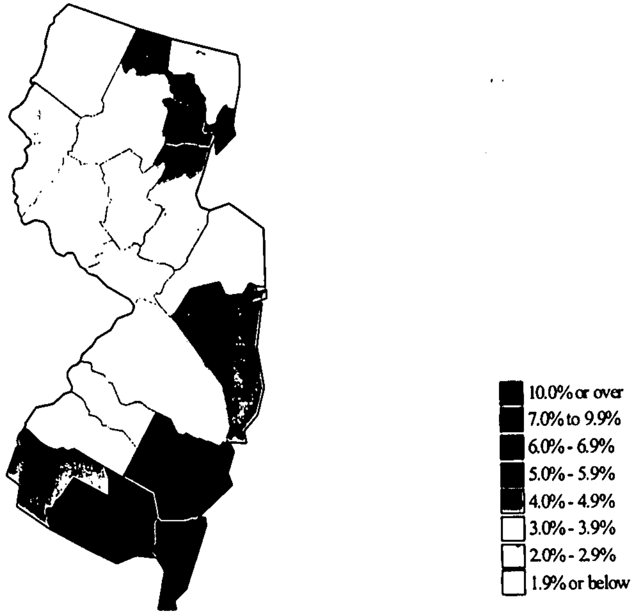
Note: Shaded area denotes recession.

Source: Bureau of Labor Statistics, March 9, 2001

Unemployment rates by county in New Jersey

Provisional 12-month averages for 2000

(New Jersey = 3.8 percent; U.S. = 4.0 percent)



SOURCE: Bureau of Labor Statistics
Local Area Unemployment Statistics
March 2001

NOTE: Data are based on preliminary 12-month averages. Benchmarked annual averages will be available approximately May 2, 2001.

NEW JERSEY
Labor Force Data by County, Provisional 12-month Averages for 2000

- *High unemployment rate counties are found in the Southern part of the state, where tourism and agriculture are important industries.*
- *Two Northern counties that have experienced losses in manufacturing jobs and have high concentrations of minorities also exhibit higher than average unemployment.*
- *Low unemployment rate counties are predominantly in the Western and Central parts of the state.*

County	Labor Force	Employment	Unemployment Level	Unemployment Rate
Atlantic County, NJ	126,550	119,206	7,344	5.8
Bergen County, NJ	446,705	432,867	13,838	3.1
Burlington County, NJ	227,646	221,004	6,642	2.9
Camden County, NJ	262,498	252,208	10,290	3.9
Cape May County, NJ	45,435	41,474	3,961	8.7
Cumberland County, NJ	63,864	59,160	4,704	7.4
Essex County, NJ	372,925	355,194	17,731	4.8
Gloucester County, NJ	132,478	127,455	5,023	3.8
Hudson County, NJ	283,193	266,736	16,457	5.8
Hunterdon County, NJ	69,914	68,692	1,222	1.7
Mercer County, NJ	168,641	163,182	5,459	3.2
Middlesex County, NJ	410,640	397,610	13,030	3.2
Monmouth County, NJ	310,478	300,141	10,337	3.3
Morris County, NJ	265,053	258,852	6,201	2.3
Ocean County, NJ	213,607	205,096	8,511	4.0
Passaic County, NJ	233,538	221,865	11,673	5.0
Salem County, NJ	32,530	31,110	1,420	4.4
Somerset County, NJ	170,339	166,614	3,725	2.2
Sussex County, NJ	76,842	74,584	2,258	2.9
Union County, NJ	269,101	258,341	10,760	4.0
Warren County, NJ	51,534	49,885	1,649	3.2

U.S. Department of Labor
Bureau of Labor Statistics
Local Area Unemployment Statistics
March 2001

NEW JERSEY
Seasonally Adjusted Statewide
Labor Force Statistics

Month	Labor Force	Employment	Unemployment Level	Unemployment Rate
		1998		
Jan	4,165,138	3,967,222	197,916	4.8
Feb	4,152,852	3,959,195	193,657	4.7
Mar	4,144,944	3,950,400	194,544	4.7
Apr	4,146,341	3,947,264	199,077	4.8
May	4,141,002	3,950,321	190,681	4.6
Jun	4,133,688	3,945,029	188,659	4.6
Jul	4,128,871	3,940,596	188,275	4.6
Aug	4,125,663	3,940,142	185,521	4.5
Sep	4,136,146	3,948,654	187,492	4.5
Oct	4,143,365	3,956,857	186,508	4.5
Nov	4,148,087	3,959,057	189,030	4.6
Dec	4,163,423	3,973,049	190,374	4.6
		1999		
Jan	4,179,224	3,987,209	192,015	4.6
Feb	4,189,882	4,001,057	188,825	4.5
Mar	4,205,447	4,006,111	199,336	4.7
Apr	4,213,970	4,014,756	199,214	4.7
May	4,216,722	4,013,185	203,537	4.8
Jun	4,218,690	4,015,577	203,113	4.8
Jul	4,223,781	4,022,508	201,273	4.8
Aug	4,218,454	4,021,093	197,361	4.7
Sep	4,207,290	4,015,470	191,820	4.6
Oct	4,203,570	4,017,039	186,531	4.4
Nov	4,195,747	4,016,015	179,732	4.3
Dec	4,190,871	4,017,403	173,468	4.1
		2000		
Jan	4,171,225	4,014,086	157,139	3.8
Feb	4,167,808	4,007,463	160,345	3.8
Mar	4,162,672	4,011,896	150,776	3.6
Apr	4,166,187	4,012,688	153,499	3.7
May	4,168,471	4,013,251	155,220	3.7
Jun	4,169,074	4,014,697	154,377	3.7
Jul	4,166,934	4,013,575	153,359	3.7
Aug	4,182,682	4,023,868	158,814	3.8
Sep	4,197,873	4,037,564	160,309	3.8
Oct	4,214,409	4,053,940	160,469	3.8
Nov	4,234,038	4,071,388	162,650	3.8
Dec	4,252,271	4,091,633	160,638	3.8
		2001		
Jan [p]	4,250,978	4,098,429	152,549	3.6

[p] preliminary

U.S. Department of Labor
Bureau of Labor Statistics
Local Area Unemployment Statistics
March 2001