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THE EMPLOYMENT SITUATION: MAY 2008

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

JUNE 6, 2008

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JOINT ECONOMIC COMMITTEE

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FRIDAY, JUNE 6, 2008

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

The Committee met at 9:30 a.m. in room SD–562 of the Dirksen Senate Office Building, the Honorable Charles E. Schumer (Chairman of thd Committee) and Maurice D. Hinchey presiding.

Senators present: Schumer.

Representatives present: Hinchey.

Staff present: Christina Baumgardner, Heather Boushey, Tanya Doriss, Chris Frenze, Tamara Fucile, Gretta Goodwin, Rachel Greszler, Colleen Healy, Bob Keleher, Jeff Schlagenhauf, Christina Valentine, and Colm Willis.

Representative Hinchey [presiding]. We are ready to start the hearing. I want to thank you all very much for being here, and I would now like to call upon Senator Schumer, the Chairman of the Joint Economic Committee, to address us.

OPENING STATEMENT OF HON. CHARLES E. SCHUMER, CHAIRMEAN, A U.S. SENATOR FROM NEW YORK

Chairman Schumer. Well thank you, and I want to thank you for chairing this, Congressman Hinchey.

These numbers are very, very troubling. The spike in the unemployment rate to 5.5 percent, up half a percentage point in just 1 month, is like a tsunami hitting our economy and our jobs.

This is the biggest single month's surge in unemployment since 1986, and along with the last 5 months of job losses, it should put the economy front and center on the White House agenda. And numbers like this will ensure that the economy will be the number one issue in the Presidential campaign.

In 2008 our economy shed 324,000 jobs, including 49,000 that we just lost last month. Just about every sector of our economy shed jobs in May. Sadly, more than three-quarters of a million newly unemployed workers are now looking for jobs.

If you count those who are working part-time, but want to work full-time, or have fallen off of the unemployment rolls entirely, the total under-employment rate is an awful 9.7 percent.

Some groups were particularly hard hit in May: Black unemployment was up from 8.6 to 9.7; and students from 15.4 to 18.7. The new numbers make very troubling the President's refusal to sign an Unemployment Insurance extension.

Between January and June in 2008, nearly 1.5 million workers will exhaust their Unemployment Insurance benefits. In the first quarter of 2008, 732,000 people exhausted their benefits—36.4 percent of all UI recipients.

We hope these numbers will cause the President to re-think his opposition to an extension of unemployment benefits. The bottom line is not pretty for American workers, their family, or our economy.

Today's Jobs Report is just another wake-up call for this Administration to quit its threats to veto additional Unemployment Insurance for hard-hit workers and to actively work with Congress to address the more systematic problems dragging down our economy.

Thank you to the witnesses, and thank you to Chairman Hinchey.

[The prepared statement of Senator Schumer appears in the Submissions for the Record on page 38.]

OPENING STATEMENT OF HON. MAURICE D. HINCHEY, A U.S. REPRESENTATIVE FROM NEW YORK

Representative Hinchey. Mr. Chairman, thank you very much. I appreciate you joining us.

I want to express my appreciation to Chairman Schumer, Chairman of the Joint Economic Committee, and Carolyn Maloney, the Vice Chair, for arranging this particular hearing because I think it is a great opportunity for us to have information that you can provide to us, Mr. Rones, as well as the two people that you have with you here, Mr. Galvin and Mr. Layng. We very much appreciate it.

As Senator Schumer was just saying, the economic circumstances that we are confronting here as a Nation are continuing to get worse and worse. Many of the situations that we are confronting are reminiscent of those that we confronted as a Nation back in the 1970s when we had both a declining economy which was exemplified by increasing unemployment, and the downgrading of economic circumstances for working people; but also an increase in inflation.

That is very much similar to the circumstances that we are confronting today. This new information that we have just learned this morning shows the increase in unemployment has jacked up to 5.5 percent. As Senator Schumer was saying, if you include the people whose Unemployment Insurance has run out, who have been unemployed for more than 26 weeks, people who are struggling along to find a job, they're only working 1, or 2, or 3 days a week; if you put those people into the numbers of Unemployment, it gets up close to 10 percent.

With the rising cost of gasoline, home heating oil, fuel generally, and the rising cost of food, we are seeing a complex set of economic circumstances that are confronting median income people.

As we know, most of the Gross Domestic Product of our economy is driven by the spending of median-income people. As their circumstances decline, then the circumstances of the economy generally will continue to decline.

So we are deeply troubled about the set of circumstances that we have to confront here, and we are very much obliged to you, Mr. Rones, and the others who are with you today for the testimony that you are about to give to us.

And so, Mr. Rones, I turn it over to you and thank you very much.

[The prepared statement of Representative Hinchey appears in the Submissions for the Record on page 40.]

STATEMENT OF PHILIP L. RONES, DEPUTY COMMISSIONER, BUREAU OF LABOR STATISTICS, U.S. DEPARTMENT OF LABOR, WASHINGTON, DC

Commissioner Rones. Thank you for the opportunity to address the Committee and to discuss fully the employment and unemployment data we released this morning.

The labor market continued to weaken in May. The——

Representative Hinchey. You need to turn the microphone on.

Commissioner Rones. OK. I'm sorry. The labor market continued to weaken in May, as you mentioned. The unemployment rate increased by ½ a percentage point to 5.5 percent, and jobless rates rose for most of the major demographic groups.

Over the month, non-farm payroll employment continued to trend down by 49,000. Thus far in 2008, job losses have totaled 324,000. In May, employment declined in construction, manufacturing, retail trade, and temporary help services, and health care continued to add jobs.

Within the goods-producing sector, employment in construction declined by 34,000. Job losses in this industry continued to be widespread, and since its peak in September of 2006, construction employment has fallen by 475,000. Two-thirds of that decrease, however, has occurred in just the past 7 months.

Manufacturing employment also continued to decline in May by 26,000. Thus far this year, monthly job losses have averaged 41,000, about twice the average monthly decline of 2007 and 3 times the decline in 2006. Over the month, jobs declines continued in two construction-related manufacturing industries: wood products and nonmetallic mineral products.

Within the servicing providing sector of the economy, retail trade employment continued to decline, by 27,000 jobs. Since peaking in March 2007, the industry has lost 184,000 jobs. Over the month, job declines continued in department stores.

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

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

Average hourly earnings for production and nonsupervisory workers in the private sector rose by 5 cents, or 0.3 percent in May and by 3.5 percent over the past 12 months. From April 2007 to April 2008, by comparison, the CPI for Urban Wage Earners and Clerical Workers (CPI–W) rose by 4.2 percent.

Turning now to the data from our survey of households, the jobless rate, as we mentioned, rose sharply in May to 5.5 percent. Unemployment rates increased for adult men, adult women, teens, whites, and blacks. The number of unemployed persons grew by

861,000 to 8.5 million, with the increase disproportionately large among 16- to 24-year olds.

The over-the-month jump in unemployment reflected additional workers who had lost their jobs, as well as an upsurge in new and returning job seekers.

In May, the number of newly unemployed persons—those who have been jobless less than 5 weeks—increased substantially by 760,000. The number of long-term unemployed continued to rise.

The number of persons who had been unemployed for 27 weeks or more totaled 1.6 million in May, up from 1.1 million a year ago.

Over the month, the number of persons in the labor force increased by 577,000, primarily among youth. The labor force participation rate edged up to 66.2 percent.

In May, 62.6 percent of the population was employed, down 4/10 of a percentage point from a year earlier. Since May of last year, the employment-population ratio for adult men has declined by a full percentage point, while the rate for adult women has been about unchanged.

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

I would note that large over-the-month changes in the seasonally adjusted estimates from the household survey can occur between April and July. There is a substantial flow of workers, particularly young workers, into the labor force during these months. The interaction of several factors, including the underlying state of the economy, the timing of our survey reference week, and school schedules can impact the month-to-month in our Labor Force measures.

While we always caution against reading too much into a single month's data, that is particularly the case at this time of the year.

So to summarize May's labor market developments, the jobless rate rose to 5.5 percent, which is the highest since October of 2004. And nonfarm payroll employment continued to trend downward.

My colleagues and I would of course now be happy to answer your questions.

[The prepared statement of Commissioner Rones appears in the Submissions for the Record on page 44.]

Representative Hinchey. Well thank you very much.

The long-term unemployment rate seems to have gone up significantly. In other words, the number of people who find themselves unemployed for long times even beyond the 26 weeks that Unemployment Insurance provides benefits for.

How significant is that, Mr. Rones?

Commissioner Rones. Well obviously it is significant. We actually see increases both in the newly unemployed and the long-term unemployed. We have—excuse me, I have the numbers here—18.3 percent of the unemployed had been jobless for more than half the year as of May of 2008. That number had been as high as 23.4 percent as we were recovering from the last recession, and that goes back to March of 2004.

Representative Hinchey. It was that high back in 2004?

Commissioner Rones. Yes. But again, that is after the recession had played out. And generally long-term unemployment takes a while to peak. Obviously those newly unemployed from this month won't reach that point for another 5 or 6 months.

So, you know, obviously we have seen an increase in long-term duration unemployment, but we have seen an increase in unemployment across the board.

Representative Hinchey. And part-time unemployment, you said went up by 7 million? Part-time?

Commissioner Rones. The number of people part-time who would prefer full-time work?

Representative Hinchey. Yes.

Commissioner Rones. That number was up—excuse me just a second while I get that.

Representative Hinchey. If I remember correctly, I think it was that the number of people that were employed part-time, has gone up by 7 million?

Commissioner Rones. No, I don't think that's right, but just give me 1 second, please.

Yeah, it's 764,000 over the last 12 months. It's now 5.2 million.

Representative Hinchey. There's another interesting set of circumstances with regard to the way in which people are employed.

I understand that the service sector now is something like 80 percent of employment; is that correct?

Commissioner Rones. It's actually 84 percent of jobs in our payroll survey, are in the payroll—in the service sector, and that includes Government.

Representative Hinchey. That includes Government?

Commissioner Rones. Right.

Representative Hinchey. What is the recent history of that? Say, over the course of the last two decades, with regard to the changes in manufacturing, as opposed to service employment?

Commissioner Rones. Obviously, over the decades, we've shifted from a goods-producing to service-producing economy, and that's been a steady increase, and the 84 percent is an all-time high.

In recent months, while the economy has started losing some jobs, generally, we're at a point now where service-producing sector is fairly flat, that it's neither gaining nor losing, but the goods-producing sector—and we're talking about, particularly, manufacturing and construction, as you know—continue to decline.

Representative Hinchey. It would be interesting to take a look at the history of that, say, over the course of the last two or three decades. I know you may not have that handy right now, but if you wouldn't mind, if you could come up with those numbers and give them to us at some point?

Commissioner Rones. We'll be glad to do that.

[The historical data referred to appears in the Submissions for the Record on page 87.]

Representative Hinchey. We appreciate that. As you mentioned, a large part of the service, or a significant—at least, part of the service sector is Government employment and a significant part of Government employment, is employment by the States.

But I understand that, given the set of circumstances that a number of States have to deal with, that the likelihood is service employment for the States will decline.

Is that true or not? Do you know, offhand?

Commissioner Rones. Well, I have books of information about what is and what has been. Obviously, we can't look into the future.

I read the same reports that you read about tax takes for the State. Generally speaking, we haven't seen declines in Government employment yet.

As for the future, I just don't know.

Representative Hinchey. What we have seen is actual increases in Government employment.

Commissioner Rones. That's correct.

Representative Hinchey. In fact, the main increases in employment have been Government employment.

Commissioner Rones. Right, Government and, particularly, healthcare, as well, but, yes, you're right.

Representative Hinchey. But private-sector employment has either been stagnant or declining recently.

Commissioner Rones. That's exactly right.

Representative Hinchey. So now we're confronting a situation where the economic circumstances facing both the Federal Government and State governments is going to make it, I think, increasingly difficult for them to continue to engage in employment.

For example, the National Debt here now is something in the neighborhood of $9.4 trillion. That National Debt has gone up very substantially over the course of the last several years.

And many of the States, especially the ones that are significant in terms of employment, like California, New York, and others, are looking at situations where the employment rate is not likely to increase; it's likely to decline.

It seems to me that that is going to make perhaps a significant contribution to the unemployment rate.

Commissioner Rones. When we look at our state data, it's interesting that some of the larger declines in employment, so far, have been in the States where there have been well-publicized runups over the last decade in housing prices, and we've seen those really fall off.

Places like California, Florida, Arizona, Nevada, are States that have been often cited in the press as States with particular problems in the areas you've mentioned, and, in fact, we're seeing those effects in our employment data.

Obviously, the employment declines reduce income, reduce taxes, so, yes, I agree with that assessment.

Representative Hinchey. Well, I think that's troubling, because part of the debate that we've been having in the context of the hearings by the Joint Economic Committee over the course of the last year or so, actually, is the question about recession.

Is this economy approaching recession? Are we actually involved in a recession? That's a question where there are still differences of opinion.

But I don't think there's any question that the economy is receding. It is receding and has been receding for some time.

And based upon the information that we have, including the information that you've provided us this morning, the likelihood is that receding of this economy is likely to continue, and it's likely to continue, perhaps even at an accelerating rate.

And I wonder if you might have any insight with regard to that at the moment?

Commissioner Rones. Well, again, I have no insight as to what might happen next month or 6 months from now. When employment is declining, generally that's associated with a recession, but one thing I would say about that is, if you look at the pace of job loss over the last 5 months, which is since employment peaked in December, we've lost about $^{2}/_{10}$ of 1 percent of employment over those months.

If you take the first 5 months of the last two recessions, the job losses have been about double that, so, obviously, I won't try to add to that debate as to whether there's a recession or whether there isn't.

What we can do is provide the data that says this is what's going on in our part of the economy, which is the job market. And it's clear that almost everything we measure has shown some deterioration, not the level of deterioration that's typically associated with a recession.

And as I think you know, generally, recessions are viewed or even named after the fact, after you get a lot of data, and in hindsight, you can say that looks like a recession. The National Bureau of Economic Research, is actually responsible for the recession dating.

Representative Hinchey. I wonder if Mr. Galvin or Mr. Layng had any comments on that? No? Nothing additional? No?

Someone else does, however. We see that the funding level available in the President's budget proposal will require BLS, for example, to eliminate the American Time Use Survey.

Commissioner Rones. That's correct.

Representative Hinchey. Now, this survey explores how Americans spend their time, how much time they spend with their families, at their jobs, doing housework.

It also shows that over the past two decades, families have had less time together, less time for each other, but have put in more time at work.

And we know that to be the case. Can you tell us more about the importance of the American Time Use Survey, what that indicates?

Commissioner Rones. When we began the Time Use Survey, there were some people who thought, well, why is the Bureau of Labor Statistics involved in what is more a social than an economic measure? Actually, for us and for many economists who encourage us to do this, it actually rounded out our view of the economy.

What the Time Use Survey allows you to do is to take the thing that we always measure—work—and put it in the context of your entire life.

And so you can look at, within the family structure, the tradeoffs that people make between labor supply, that is, providing themselves—offering themselves to the job market and taking care of other family responsibilities. It's the only way to measure those things.

The reason the Administration has proposed to cut this, is not specifically any comment on the value of the Time Use Survey, but in this budget environment, for us to maintain our core programs, including the Current Population Survey and Current Employment

Statistics Survey, which we're reporting on today, we had to offer up some cuts.

I would add to that,that while the loss of the Time Use Survey would be important to a group of data users, right now, with our budget situation, we will cut next year $50 million worth of programs, including 25 percent of the sample from our Household Survey that gives you the unemployment statistics, that gives you the duration of the employment data that you use to deliberate on extension of benefits, as you mentioned earlier.

We will not be able to do the improvements to the CPI that we would normally do every decade, that we have not been able to get funding for, and even beyond those two cuts, there will be $30 million additional worth of cuts that we will have to take.

The money to support the BLS, outside of the Time Use Survey and some other minor cuts, that money is in the President's budget, as it was in 2008, but we have not been able to get funding through Congressional appropriations.

I'd argue, and I'll make this argument and will either ring true or it won't, but much of what you do here in Congress and what the Administration does, absolutely requires statistics. As I said, with the unemployment extensions, the discussion is based on the data that comes from the statistical system.

You are escalating half a trillion dollars a years of Social Security payments, based on the CPI, which has a housing component, which is almost a third of the CPI. It has a housing sample that was selected based on the 1990 Decennial Census, and we have no way of updating it.

I could give you a long list, but that will give you an idea of where we are within our budget situation.

Representative Hinchey. Well, I very much appreciate that. I mean, the job of this Joint Economic Committee, you know, one of those unusual Committees made up of both Houses, is to understand the set of circumstances, the economic set of circumstances that we are confronting as a Nation, and to make recommendations to both Houses as to how we might deal with those set of circumstances.

And without the facts, without the statistics that you're talking about, obviously will make those recommendations, or even a basic understanding, increasingly more difficult.

So, BLS is considering eliminating that survey.

Commissioner Rones. The Time Use Survey.

Representative Hinchey. Pardon me?

Commissioner Rones. The Time Use Survey?

Representative Hinchey. Yes.

Commissioner Rones. Yes, that is in the President's budget, that that will be cut in order to preserve, particularly, the Household Survey.

But, again, if the President's budget itself isn't funded, we have, instead of $4 million worth of cuts for the Time Use, we have $50 million worth of cuts.

Representative Hinchey. So who has been responsible for these cuts? This is something that the Administration has recommended, that the funding be continued, but the Congress has cut them back?

Commissioner Rones. I'm afraid that is the case.

Representative Hinchey. That is the case?

Commissioner Rones. We had what—in 2008, the President's budget essentially funded all of BLS's core activities. In the end, the House mark that we had last year was actually also fully funded, if the Senate mark didn't, but it was $14 million short.

In the end, with the Omnibus Appropriation, we were cut $30 million a day, and so our 2008 budget is actually absolutely below the 2007 budget, and yet we still have to pay all the normal cost increases.

So we're at a $30 million deficit now. What the President's budget in 2009 does, is restores those cuts and gives us funding for the mandatory increases in 2009, as well.

Representative Hinchey. So your budget basically has been declining over the course of the last several years?

Commissioner Rones. This year, it absolutely declined. In the years prior to that, it's gone up some with inflation, but not enough to keep up with costs, so we've had to do actually a series of cuts.

In 2006 for instance, we had to make cuts, smaller cuts, but cuts in eight of our different programs. So we've had a situation even before that where we get—and this is very typical across the Government—that the increase in wages for our employees is not fully funded, so you have to absorb the difference, so you're absorbing a percent a year, year after year after year.

But the big cut, really—it all hit the fan, if we can speak that way, in 2008.

Representative Hinchey. Right.

Commissioner Rones. And you know how difficult those deliberations were over that final 2008 budget. To fund some other priorities that the Congress had, they looked in places where they thought they could cut, and BLS somehow was on that list.

One other thing that I'd say is we distribute hundreds of billions of dollars to the States and localities based on our statistics, our local area unemployment statistics. The Child Health Insurance Program distributes—it's a $40 billion program over 10 years, I think.

Those funds are all distributed, based on our data, whose quality will erode year after year. In some cases, some of the data will disappear. When I think of the size of the commitments made on the basis of our data, the hundreds of billions of dollars, it's hard for me to think of making really bad judgments, because you have bad data.

Representative Hinchey. Well, I appreciate that. And I'm awfully glad that this subject has come up, so that we understand it more clearly than we have in the past.

How much has your budget gone down over the course of the last couple of years? You're saying that it hasn't gone down very much? It's only in the last year that it's declined.

Commissioner Rones. Right. You would normally get—in our case, we might normally get, let's say, a $15- or $20-million increase, just to cover the increased cost of your rent and your salaries and such.

So for instance, in 2006, we took a 1-percent rescission at the end of the budget process, so to us, 1 percent at the time, was $5 million and we cut $5 million worth of activities.

In 2007, we cut about $7 million, and we did that largely—we stopped training; we stopped travel; we limited hiring. By 2008, with that $30-million cut, we still are doing virtually no training; no travel we're not replacing equipment, and we've had a virtually complete hiring freeze, except for our data collection, and temporarily cut some data products.

If you don't get the data in, you don't get anything, right? So, again, the shortfall in 2008 was $30 million and the shortfall that the President's budget is looking to address in 2009, is almost $50 million.

Representative Hinchey. [presiding]. OK, well, this is obviously something that we're going to have to address here in the context of this budget situation that we're dealing with now.

We need to have accurate information here, and your presentation of it is crucial. So, we very much appreciate what you're doing and we've got to make sure that that continues to be accurate.

Commissioner Rones. Thank you.

Representative Hinchey. Last month, we were talking about the unemployment rate, which has gone from 5 to 5.5 percent unemployment.

How many people were unemployed? What's the actual number there? Do you have that handy?

Commissioner Rones. The total number of unemployed, seasonally adjusted, was just about 8.5 million, and it was 7.6 million in April.

Representative Hinchey. OK, so there's a trend here or maybe there's a trend here of increasing unemployment, with the numbers going up.

One of the things that people were talking about in terms of a positive aspect of the economy, was productivity. Productivity was talked about over the course of the past few days, saying that, well, while some people are saying the economy is suffering, the fact is that productivity went up.

But if productivity is going up while employment is going down, how is that happening? Do you have any insight into that, how the productivity rate is going up while the number of people who are employed is going down, and while such a large percentage of the people who are employed are involved in the service sector, including employment in Government?

Commissioner Rones. The calculation of productivity is affected by two things: First, it's output, and the other is the amount of labor that goes into that output. That essentially is what our measure of productivity is.

So, if the labor going into it goes down, if the output is not going down as fast, productivity will actually go up, and so that looks like a positive thing, I guess, by itself, but we don't look at the statistics—any one statistic by itself.

In the context of a short-term indicator of the broader economy, you see that probably the most important thing that we're looking at, is not whether productivity is up a little, or down a little in a particular quarter, but the labor market data that we're presenting today and that we present each month, are probably much more important than those productivity statistics.

Representative [presiding]. Right, and the level of productivity may, at least in part, depend upon how many people are employed.

Commissioner Rones. Well, it does, arithmetically, it does.

What happens—let's say—and this is just hypothetically—that the people who are losing jobs are in jobs that are more labor-intensive, let's say, in the service sector, retail trade, some of these areas that are, you know, pretty labor-intensive.

Productivity actually tends to go up in that situation, so it's one thing to look at whether productivity is up or down; it's another to try to interpret, well, why is it going up or down? Is it because—is the problem on the output side or is it on the labor side?

And so it's—you know, there are no simple explanations for productivity increases and decreases.

Representative Hinchey. OK, well, thanks very much.

One of the issues about unemployment that I find among the most troubling is the long-term unemployment rate, the fact that we've had such a significant number of people who are long-term unemployed.

When we look at the situation in specific States, for example, with the State that I represent, New York, the number of long-term unemployed is about 36 percent of the unemployed, and that number has been increasing, so the percentage of long-term unemployed has continued to go up.

Commissioner Rones. Right. Let's see, now, there are differences from State to State on each of these measures. I think you're right; these figures are fairly high for New York.

The problems that we're seeing in the job market, are not showing up in any particular region of the country. Any measure you ask me for, and you say, well, where are you seeing this problem, you see States on the worst-hit list, all across the country.

So each economic cycle tends to have its unique geographic pattern. This is one where housing, in particular, is really important. Many of those areas that have been hard-hit by housing, are being hard-hit by job loss, employment decline, unemployment, and eventually long-term unemployment.

Representative Hinchey. One of the issues that we're attempting to deal with here is the issue of long-term unemployment and the way in which stimulating the economy should be addressed. One of the things that a number of us have been suggesting is that a way in which we can provide economic stimulation, is to deal with long-term unemployment and the effect that that's having on the economy.

More and more people are experiencing long-term unemployment beyond the 26 weeks.

Commissioner Rones. Right.

Representative Hinchey. And if you're—I think, and I'd be interested in the actual numbers here, but it seems to me that the percentage of long-term unemployment now is higher than it was in the context of the most recent two recessions—one in 2001 and the other in the early 1990s.

Do you have the figures on that handy?

Commissioner Rones. Yes, we do. What's actually going on is the starting point is higher.

Representative Hinchey. The starting point is higher?

Commissioner Rones. Yes, and so long-term unemployment as a share of the unemployed never came down to where it had come down in the past expansions.

So the pėak—and I had given you the figures earlier, where, you know, the peak had been, let's say, 23.4 percent in March 2004, we're not at that point or close to that point yet, but the starting point is higher than the starting point had been in past recessions.

Representative Hinchey. What was that? Twenty-four percent?

Commissioner Rones. The 24 percent was the peak for the long-term unemployed as a share of the total unemployed.

Representative Hinchey. OK. So, do you have any information with regard to long-term unemployment now, as opposed to long-term unemployment, say, in 1991?

Commissioner Rones. Yes, if you'd just give me 1 minute.

[Pause.]

Commissioner Rones. The problem of having so much information, is finding precisely what you need.

[Pause.]

Commissioner Rones. There we go. All right, so the current share of the total unemployed who have been jobless for 17 weeks and over is 18.3 percent. If you go back to the early 1990s—now again, this is a series that tends to peak well after the beginning of a recession, but the peak actually was—let's see now, in 1994, it peaked at a little over 21 percent, so we're not there yet, but again, we're starting at a point that's not that far from that level.

Prior to the recession in 1990, we were starting at a point that was around 9 percent, and again, here we're starting at a level more around 16 percent and it's gone up to 18 percent.

Representative Hinchey. OK. All right, well, all of that is very interesting and very critical to our understanding and how we're going to try to deal with this situation.

Another issue is the level of wage growth. Looking at the numbers, it seems that we're experiencing a period of time when wages are actually pretty flat in the context of the increased cost of living.

Here we go, the annual change in real earnings, OK, thank you. So one of the major issues that we're interested in is the whole question about Gross Domestic Product and how significant Gross Domestic Product is for the economy and how median income spending makes up a little more than two-thirds of the Gross Domestic Product.

So if you have median income that is not increasing and you have the cost of living that is going up substantially, then you're likely to see a continuing downturn in the Gross Domestic Product and a genuine downturn in the economy.

So again, there is more of a likelihood of a recession and, frankly, if this set of circumstances continues, the likelihood of a deeper recession. This is one of the things that troubles me.

So, the way in which wages have been affected over the course of the last year and over the course of the last several months is that wages are not going up, that wages are pretty flat, and in some cases, they're actually going down.

Commissioner Rones. In the calculation that you have up here, there are really two things going on: One is the issue of wages and the other is prices.

Just to clarify, wage growth has continued on a fairly steady path. We're getting, let's say 3.5 percent wage growth a year which is very similar to what we've had in recent years.

There have been little ups and downs, but wage growth has been fairly steady. The thing that has increased has been the CPI, and as you know, that's largely the result of very large increases in energy and large increases in food costs, as well.

Representative Hinchey. Yeah. So when you're looking at the rate of inflation, you see one level of increase. When you look at something that we might call the increased cost of living, you see something else, something that is very substantially higher.

When you look at the rate of inflation, that rate of inflation doesn't include the cost of energy or the cost of food.

Commissioner Rones. I see that a lot in press analyses. Our price index information includes all of the goods and services that people spend on, so our core CPI, if we say that the CPI is up 5 percent over the year—I'm just throwing out a hypothetical number—that is going to include energy; it will include food; it will include all the other commodities or goods that people purchase, all the services they purchase.

There is a thing called—a calculation call the Core Rate, and that's just something that our data users have asked us to produce, and that is, what would the rate of inflation be if you stripped out the more volatile series, which tend to be food and energy?

But our CPI, and, I would assume the CPI that you've used to do these calculations of real earnings, that includes food and energy.

Representative Hinchey. OK, so what's the rate of increase then, including food and energy?

Commissioner Rones. I'm going to let Mr. Layng, who runs our CPI, I'm going to let him answer that.

Representative Hinchey. Thank you.

Mr. Layng. It was 4.2 percent in April.

Representative Hinchey. Gone up 4.2 percent in April, increased by 4.2 percent?

Mr. Layng. Correct. The issue of the Core versus the All Items is the CPI press release every month; the lead number is always everything, and then we break that down into food and energy and all items, less food and energy, and we don't use the term, "core."

Some people pick that number up and use it as the number and gives a misperception to the public as to what's really going on to everything.

Representative Hinchey. OK, well, isn't that the right way to do it?

Mr. Layng. The right way to do it is to report everything, but when the reporters—sometimes they'll focus on what the reporters call "core," because people like the Federal Reserve tend to focus on that, when they're analyzing monetary policy.

But in terms of the numbers that BLS produces, it is everything.

Representative Hinchey. OK. So, with regard to wages, wages have not fallen over the course of the past year?

Commissioner Rones. Nominal wages certainly have not, but as the chart shows, real wages have, because——

[The chart, "Annual Change in Real Earnings: May 2007 - May 2008," appears in the Submissions for the record on page 89.]

Representative Hinchey. Real wages have?

Commissioner Rones. Right, because the CPI has been growing at a faster rate than wages.

Representative Hinchey. Well, the information that we have, shows that incomes for people in the top level of incomes, those incomes have gone up very significantly.

But if you're looking at people in the middle income, their incomes have not gone up.

If you look at people in the lower income level, their incomes have gone down.

Commissioner Rones. We have seen for quite some time, issues with the dispersion of income. I think it's largely been the case that the income growth has been highest among those people who are most educated, who have the highest earnings, and that's been the case, not just in the past 5 months or year, but for really a couple of decades.

I mean, people—career counselors use that as an argument to get people to focus on their education and to go to college, obviously.

But yes, I mean, it is the case that wage growth, generally speaking, has been higher at the top end.

Representative Hinchey. At the top end? And in the middle-income range?

Commissioner Rones. Well, I don't have the whole time series here, so I don't want to speculate on that. I can certainly provide that for the record.

Representative Hinchey. OK.

Commissioner Rones. I know we have those data.

The information referred to appears in the Submissions for the Record on page 87.]

Commissioner Rones. One thing I just want to point out, is, when you talk about incomes going down, incomes are affected by a couple of things: One is the wage rates, as we've talked about, but the other is just whether you're employed or not.

And so incomes could go down, not only because there's an issue with wage rates, but as we've seen in the last 5 months, there's an issue with declining employment, as well, and nothing affects family income as much as unemployment does.

Representative Hinchey [presiding]. Right. Well, I know, but these are the things that we're trying to understand, comprehensively trying to put it altogether and understand it. I know that what you're saying is exactly true.

But what we're trying to understand, is what is the impact here on the economic circumstances that most people are confronting. What are we seeing?

We're seeing the cost of living going up very, very substantially, but we're not seeing incomes going up proportionately to deal with the rising cost of living.

So the effect of that, if that continues, and every indication is that it will continue, then the likelihood is that blue- and white-collar working people are going to find themselves increasingly in a more difficult set of economic circumstances as time goes on.

And that's one of the reasons why we're seeing significant increases in debt, for example. There's been a dramatic increase in debt for working people, and a lot of that debt is credit card debt.

So, you know, all of that indicates clearly that the economic situation we're facing is getting darker and darker, more and more difficult for more and more people, for the vast majority of people.

And so this is something that we're going to have to deal with here, because, if we don't, then we're going to face a bigger and bigger problem. I think that the first element of dealing with it is recognizing what we have to deal with.

And there are people who are arguing that, no, no, everything is fine; the economy is good; there's no recession and nothing is receding; everything is fine; don't worry about it.

But it seems to me, when you look at all the numbers here, it's quite the opposite. There's a growing negativity in the economic circumstances of the vast majority of people, particularly, you know, blue- and white-collar working people, across the board. They're getting hit harder and harder.

So I'm wondering if that seems to be accurate to you.

Commissioner Rones. I think the description that you've made, describes what's happened up till now, that is, you have some reduction in income for many families because of the job loss we've seen over the last few months, and of course, while we hadn't been in negative numbers before that, the pace of job growth had really slowed down in 2007, as well.

And as you point out, there is an issue with the buying power of the income, of the earnings that are out there, because inflation has been heading upwards somewhat recently.

Representative Hinchey [presiding]. Well, let me ask you one more question, and you may not want to comment on this, but one of the issues that we're facing here is what we've just been talking about. Back in the 1970s, when we had a somewhat similar set of circumstances, a lot of people experienced declining economic circumstances and increases in the cost of living because of driving up costs of energy, et cetera.

There was at that time, a major push to increase wages, benefits, things of that nature to try to keep pace with the growing cost of living. But there are some who are making arguments now that that was a mistake back then, and we don't want to set up that kind of situation here today.

Now, if we adopt that argument that it was a mistake back then and we don't want to set up that situation here today, then I'm wondering, what do we do? What else do we do? How do we help people deal with the rising cost of living? How do we help people deal with their rising debt?

How do we help them deal with the need to purchase essential elements of their set of circumstances so that they can continue to function with regard to the economy and providing benefits for their families? I mean, that's not ultra benefits, but just basic benefits like food and fiber, for example; getting back and forth to work;

getting back and forth to school, you know, doing those kinds of things.

So I'm wondering if you have any particular insight on that experience back in the 1970s, how we may be confronting another set of "stagflation" circumstances here today, a downward economy, and upward cost of living. And if we're not going to deal with it in the way that we dealt with it back in the 1970s, what do you think we ought to be doing to confront this situation so that people do not continue to suffer?

The vast majority of Americans are suffering under this present set of economic circumstances.

Commissioner Rones. I'll bargain with you for half an answer, if I may.

Representative Hinchey. OK.

Commissioner Rones. The half that I'll give you—and I think you knew this coming in—the half I'll give you is looking back at the economy in the 1980s. We had a peak of unemployment of about 10 percent; we had inflation that was considerably higher; we had very high interest rates over a period of time.

Many of the issues that go along with a troubled economy also exist now—trouble in the construction sector, rising unemployment, job loss.

The magnitude of all of those things is much less now than it was in the 1970 recession, so that's the comparison I'd make.

What would we do about it? I'm going to invoke the kind of separation of powers for a statistical agency. We can't take a position on policy issues.

Once we do, then we're seen as being political, and once we're seen as being political, people will dismiss our data as being political, and I think none of us wants that.

Representative Hinchey. OK, well I accept the half answer and I appreciate the set of circumstances that you're dealing with. I would also observe though, that at a certain point back in the 1970s, the unemployment rate was 5.5 percent; the cost of energy was going up at roughly about the same rate that it's going up now, and the other set of circumstances that we're dealing with, are similar to that which we're dealing with now.

The likelihood is that the set of circumstances we're dealing with are going to continue to worsen as they did back during that period of time. So it just seems to me that we ought to be trying to do something now to head off the danger, rather than waiting till it gets so bad that we have to do the kinds of things that were done back in the 1970s, which became so controversial.

Anyway, that probably doesn't provide the opportunity for half an answer.

Commissioner Rones. That's all on the policy side, but I appreciate the sentiment.

Representative Hinchey. OK, well, I appreciate you and your two colleagues, and I very much appreciate—Vice Chair Maloney is going to submit a statement for the record here for this hearing. She's going to submit a statement for the record, based upon the fact, at least in part, that she initiated this hearing, so I can fully understand, her involvement in this and her interest in this issue.

[The prepared statement of Representative Maloney appears in the Submissions for the Record on page 42.]

Representative Hinchey. So we thank you very much for providing all the information that you have. We're going to look at this information very, very closely, and see if there's some ideas that we might be able to use to try to head off a more difficult set of issues that we might have to deal with in the future.

Commissioner Rones. Thank you very much.

Representative Hinchey. Thank you very much, gentlemen. Mr. Rones, thank you very much.

A new set of witnesses is coming in. Let me just introduce them and describe what they are about.

Heidi Hartmann is the president and founder of the Institute for Women's Policy Research. Dr. Hartmann focus on economic issues affecting women, including poverty, employment discrimination, caregiving, and retirement.

Dr. Hartmann is co-author of "Still a Man's Labor Market: A Long-Term Earnings Gap." She has published numerous articles in journals and books, and she lectures widely on women, economics, and public policy.

Eileen Appelbaum joined Rutgers University in March of 2002, as a professor in the School of Management and Labor Relations and director of the Center for Women and Work. She holds a concurrent appointment as professor in the Business School of the University of Manchester in the United Kingdom. Formerly, she was research director at the Economic Policy Institute in Washington, DC, and professor of economics at Temple University, and held a visiting position at the University of Auckland, in New Zealand.

And Diane—how do you pronounce it?

Ms. Furchgott-Roth. "Firch-got" (ph.) Roth.

Representative Hinchey. OK, thank you very much. Diane Furchgott-Roth is a senior fellow at Hudson Institute and directs the Center for Employment Policy.

From February 2003 to April 2005, Ms. Furchtgott-Roth was Chief Economist of the U.S. Department of Labor.

Previously, she served as Chief of Staff of the President's Council of Economic Advisors. Ms. Furchgott-Roth was also a resident fellow at the American Enterprise Institute, and prior to that, she served as Deputy Executive Director of the Domestic Policy Council and Associate Director of the Office of Policy Planning in the White House under George H. W. Bush.

Well, thank you all very much. We very much appreciate your being here. So, if you don't mind, we'll start in that way, and ask Dr. Heidi Hartmann if she would please begin.

STATEMENT OF DR. HEIDI HARTMANN, PRESIDENT, INSTITUTE FOR WOMEN'S POLICY RESEARCH, WASHINGTON, DC

Dr. Hartmann. Thank you. Good morning, Mr. Chairman. I thank you for the opportunity to testify today and alert you and your colleagues in the Congress to some of the emerging issues for women, as the current period of slow or possibly negative economic growth proceeds.

First, I want to stress that the context of women's employment has changed over time. If women ever worked for "pin money," they certainly don't anymore. Women's earnings are a large and critical share of the economic support of families, and we have estimated that women's earnings constitute 45 percent of all earnings that support families.

Women's earnings are especially important to the children who live in families that do not have fathers living with them. Even though the typical woman who works full-time, year'round, earns only about three-quarters of what a typical man earns; more than 7 million families with children relied solely or mainly on the mother's earnings in 2006.

Second, it's important to understand that men's employment has generally been more sensitive to both the ups and the downs of the business cycle than has women's.

If we look at employment-to-population ratios for the last 10 years—do we have a chart of that?[1] We can see that employment-to-population ratios typically rise in good times, as more people work, and they fall as the economy weakens and workers both lose jobs and stop looking for work.

For men—I guess we don't have that chart[1] right now—the ratio was highest in 2000 and 2001, and then it fell more in the downswing and rose more in the upswing than did the ratio for women.

And this greater responsiveness of men than women over the business cycle really has to do with where men are located in the economy. They tend to work in the more cyclical sectors like manufacturing and construction, and women tend to work in the more stable sectors like education and healthcare.

One thing I want to point out though, is that even though women's employment tends to be less cyclical than men's, the 2001 recession really marked a watershed for women. For the first time in 40 years, after decades of continuous employment growth, women experienced a sustained period of job loss.

And I believe you can see that in this chart, that after the 2001 recession, you see the lowest line there shows that women's employment growth was negative after that recession, and that's the only time that has happened in post-World War II American history.

And, in fact, women's total employment didn't recover from its pre-recession peak until August of 2004. If we have another recession like that, with a slow recovery of employment after a recession, after the downturn, then it will be very difficult for women to further catch up with men. They will suffer in both their employment growth and in their earnings, so recession is particularly difficult for women, because they still need to catch up to men.

And another thing I'd like to point out, is that really, we haven't recovered from that 2001 recession at all. The employment-to-population ratio is still below where it was before the last recession.

Wage growth has been very weak, so whereas sometimes when you enter a recession, you enter it after a strong boom; families

[1] *See* "Figure 1. Employment to Population Ratios Have Not Yet Recovered from the 2001 Recession," in the Submissions for the Record, page 50.

have a little surplus built up; they've had strong earnings growth; they've had strong employment; that's not happening this time.

If we enter a recession now and it becomes deep, it will be very, very bad for families because they have no backlog that they've built up through a boom. That boom was 10 years ago, so that is a big problem for families today.

The financial anxiety that appears to affect women more strongly than men right now—we looked recently at a survey from February 2007, and women were 50 percent more likely than men to worry about their economic security, and they are more likely than men to have to put off getting health care, to wait to buy things their children need, and they are also more likely than men to go hungry.

With these general trends as background, I want to take a look at a couple of vulnerable areas before I close.

One especially vulnerable group is single mothers. Single mothers have a higher unemployment rate, either than all men or all women. They may face more constraints when they look for jobs. They may also face more employment discrimination.

The unemployment rate for female heads of household was 6.8 percent in April of 2008, and that was 10 percent higher than in the previous April. Rates were also very high for adult African American women, as well as for African American men, and all of those groups have higher rates than either white men or white women.

And in May, the data just released this morning show a very high rate of increase for African American women, in particular.

I also want to point out that the employment rates overall for mothers in the last 5 years have been very troubling. We have lost 302,000 jobs for mothers, and 302,000 fewer mothers are working today than were working in 2001.

There are a lot of different theories for why this might be. It might be preference; it might be job loss in the industries where women work; it might be the lack of family friendly policy, but in any case, a recession or weak job growth will only exacerbate the problems that mothers face.

One other area of weakness I'd like to look at is the real estate rental and leasing services industry. We do have a chart[2] for that, as well, and it shows very high volatility in employment in the past couple of years, for both men and women. You can see that the blue line—men—is more cyclical, went up more in the 2006–2007 period or early 2007, but more recently women's employment has fallen much more rapidly.

Women have lost almost 100,000 jobs in that industry, and men about 40,000. Now, in the real estate crisis, as a whole, men have lost more jobs, because of the construction industry, but just looking at the real estate services, women have lost more jobs than men, so that's an industry in which women appear to be more vulnerable than men.

I do want to comment on pay equity, something that Representative Carolyn Maloney asked me to comment on. Pay equity is some-

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[2] *See* "Figure 3. Women's Employment Has Suffered More Than Men's in the Real Estate Crisis" in the Submissions for the Record on page 53.

thing that typically improves in a recession: Women do better than men in recession, because their wages don't fall as fast, because women's employment is a little bit better and more stable. But women's earnings also don't grow as much in the boom, so men gain on women in a boom, and, in a relative sense, women gain on men in the recession.

But the overall fact is that since the 1980s, we've made very little progress in narrowing the wage gap, and that is something that I think that Congress should really turn its attention to.

So, in looking at the types of policies that Congress might want to consider, I would say expanded educational opportunities for women, especially in non-traditional jobs where the wages are higher. I think that would be an excellent national investment.

One of the things we've noticed is that women in the United States, especially those with college degrees, do not work as much as women in the European countries, so we're losing out competitively. We're not making the most intensive use of our women as we could.

We notice that mothers' ability to compete in the labor force is limited, and we feel that there's a great need for more family friendly policies. Many of those are being considered by Congress right now.

We would urge stronger enforcement of Equal Employment Opportunity laws in order to combat discrimination against women, especially women of color and especially mothers. We also urge greater regulation of the credit industry, because we do have a chart[3] on the fact that women, especially women of color, are much more likely to hold subprime mortgages than white men or white women.

You can see that it's nearly triple for African American women, the rate of subprime mortgageholding, compared to white women. This was already so in 2006, so this group is especially vulnerable in this real estate crisis, and I think credit regulations are very necessary.

Finally, I think you yourself remarked about the need for economic stimulus, and Mr. Hinchey, you're particularly concerned about the long-term unemployed. I would suggest then, that building public infrastructure would be a very good investment for Congress in areas like transportation, communications, healthcare, and education.

And while some would argue that a recession is not a good time to take on ambitious new projects, of course, countercyclical spending is a function of national Government. It's been recognized by the Employment Act of 1946 which established the Joint Economic Committee. Not only does the macroeconomy benefit, but so will individuals and families.

So these are some of the policies that I would urge the Congress to consider and to exercise more oversight over.

In addition, I would like to mention the importance of the American Time Use Survey and other data. We presented data today that come from the Women Workers Series. This is a series that

[3] "Figure 6. African American Women Who Likely Qualify for Better Credit Terms Suffer Disportionately from Subprime Rates" in the Submissions for the Record on page 56.

the BLS proposed to eliminate several years ago, and did eliminate for 1 year, but because of the actions of Congress, we were able to get that dataset back. BLS restored the missing year of data and we were able to present that data to you today.

So we urge the Congress to make information a top priority. Thank you very much for this opportunity, and I would like to request that my written testimony be submitted for the record. Thank you.

[The prepared statement of Dr. Heidi Hartmann appears in the Submissions for the Record on page 48.]

Representative Hinchey. Indeed, it will be and we very much appreciate that testimony and the way in which you summarized it just now. Thank you very much.

Dr. Appelbaum.

STATEMENT OF DR. EILEEN APPELBAUM; DIRECTOR, CENTER FOR WOMEN AND WORK, RUTGERS UNIVERSITY; NEW BRUNSWICK, NEW JERSEY

Dr. Appelbaum. Good morning, Mr. Hinchey, and thank you very much for this opportunity to talk to you about how the economic downturn is affecting women workers.

And as you pointed out yourself, we have a lot of business people, commentators and Government officials who are dithering over whether or not we're actually in a recession. But America's working women know that the economy is in big trouble as they face those record high oil prices, food prices, energy prices, as you pointed out.

Income growth has been constrained now by 6 months of private-sector job loss, and housing prices are still falling. We know that we have millions of families that face the prospect of losing their homes, their jobs, their retirement savings, their health benefits, and their middle class way of life.

My remarks will focus on the effects of the economic slowdown on state budgets, how that affects cuts in spending, and how those affect women, both in terms of the services they rely on and the jobs that they hold.

I want to begin by pointing out that Congress can really help. The economic stimulus package that was passed—those checks are going out right now, and they are what stands between us and an official recession at this very moment. In the absence of those checks going out, personal income and consumption would already be declining.

In the aggregate, wages are going down, and so what's holding up the economy are those checks that, thanks to Congresswoman Pelosi and thanks to the actions of the Congress, have kept us in positive territory.

The headline in today's New York Times, on the Business page, was that economists were surprised to see that retail sales had not only not declined, but had increased. And, of course, this was driven by sales growth at Wal-Mart and at Costco. And of course, that is people who are having a really hard time making ends meet running right out and spending those checks.

So Congress can help, and I will give you other ideas for how you can continue to help, as I go on. But first let me make the case for further action.

The States are facing substantial difficulties in terms of balancing their budgets. Property tax receipts are down, other tax receipts are down. The decline in property taxes is what's different from the 1970s, by the way. You heard about other ways in which things are better now than they were in the 1970s. But one way in which they are worse, is that we did not have a housing crisis in the 1970s and people were not losing their houses.

In any case, tax receipts are down, expenditures are rising, and we have already 25 States, plus the District of Columbia that have announced that they face shortfalls. And we have several other States that have not yet measured the extent of the gap for them but are anticipating budget gaps.

At the moment the aggregate projected shortfall is $40 billion, and that is a very large number. It is about 8 to 10 percent of what their budgets are in the aggregate.

We have 8 States that are facing more than a billion dollars in gap. New York's budget gap is about $5 billion. New Jersey's is $3 billion. California is $16 billion. So these are big numbers.

States are required, as I think everyone here knows, to follow balanced-budget rules. And this of course often leads to broad-based spending cuts as the solution.

In the 2001 recession many States cut spending on health care, child care and education, and these are cutbacks in essential services that women rely on for themselves and their children, and these are also jobs that women hold.

I want to emphasize one point. We are not necessarily talking about Government jobs. If you think about it, a lot of the spending is subsidies for private sector jobs. State spending subsidizes hospitals, health care, nursing homes, child care. These are all jobs that are either in the private sector or they're provided by community organizations, or they're provided by faith-based organizations.

When those cuts in State spending come down, those are services and jobs that are going to be lost. And these are jobs overwhelmingly held by women.

One thing we know is that the current State budgets were adopted a year ago. There was no downturn a year ago, and so we are still seeing the kinds of employment and employment growth that reflects that. But the new State budgets go into effect in July of this year, in a couple of weeks, and I am predicting that by the end of the year you will begin to see declines in employment for women in health, human services, child care, and so on. So these are jobs that are going to affect women.

I won't repeat what we've already heard. So many of the jobs so far have been lost in the more cyclical industries that employ men, especially construction where so many of the job losses have occurred.

The only thing that is keeping employment from falling even more dramatically, the offsets, are the fact that health and education have continued to grow. Those are the only bright spots. And these are under real threat from the cuts in spending at the State level.

So the question is: What can be done?

I just want to emphasize that Congressional action is important. I won't repeat what Heidi has already said about the American

Time Use Survey. But if we are going to understand what is happening and how people are coping, we have to have that survey.

I think it is also important that Congress pursue policies that will reduce the likelihood that women are going to be fired and lose their jobs because of sickness or care responsibilities.

If they lose a job in this environment, it will be very difficult to get a new job. As we know, the biggest increase in unemployment this month is in re-entrants and new entrants into the work force.

So if you lose a job, if you drop out to take care of a sick child, when you come back it is going to be really hard to get another job.

You also asked the last panel about the 1970s. You talked about the rising wages. That was not driven by Government policy. That was driven by the fact that we still had strong unions. That is gone. You are not going to see that kind of wage growth this time.

And so you ask what it is that Congress can do. And of course what Congress can do is lessen both the blow of unemployment and also the blow of rising prices. As we get our exchange rate back where it needs to be so that our manufacturing sector can grow—is there anybody who really wants to see that stop happening—we want to see manufacturing improve again. But that fall in the exchange rate leads to rising prices. And the question is: In what way can Congress buffer this?

Some steps seem pretty obvious. If people knew that they had access to quality health care regardless of whether they had a job, if they knew that they had access to quality child care regardless of whether they could afford to pay for it, if they knew that they could have partial wage replacement if they had to take off time to take care of a sick child or to recover from an illness of their own, all of these things which Congress has been considering in other contexts would really make a huge difference in the current economic environment.

But there is one more thing that Congress can do: It can target fiscal relief to the States.

In the last recession, Congress waited a little too long, perhaps because the relief didn't come until 2003 and the recession of course was in 2001. But there was some fiscal help to the States, and it made a real difference.

The last time the fiscal relief was on the order of $20 billion. A package like this makes a huge difference. As States exhaust their rainy day funds, the question is: Will they have to make cuts in services and jobs?

And if there is some help from Congress in the form of a fiscal relief package for the States, I think that that can make a huge difference, as it did the last time.

State budgets do not recover until well after the recession is over, so those job cuts that affect women continue long after the official recession is done. I think this would be very important. My time is up, so I will stop there. Thank you.

[The prepared statement of Dr. Appelbaum appears in the Submissions for the Record on page 62.]

Representative Hinchey. Well thank you very, very much. I appreciate it.

Ms. Furchtgott-Roth, thank you for being with us, as well.

STATEMENT OF DIANA FURCHTGOTT-ROTH, DIRECTOR, CENTER FOR EMPLOYMENT POLICY, HUDSON INSTITUTE, WASHINGTON, DC HEADQUARTERS

Ms. Furchtgott-Roth. Well thank you very much for giving me the opportunity to testify before you today. I would like to submit my written testimony for the record, because when I wrote my written testimony I didn't know that this morning's numbers would be what they are, and even though—because they only came out at 8:30 this morning.

These numbers are very troubling. Even though unemployment by historical standards—men 20 and over, 4.9 percent; women 20 and over, 4.8 percent—they are low by historical standards, but they are still higher than they were last month, and this is very troubling, and this is something that we need to turn our attention to.

What is also troubling is that the growth industries where we saw growth in payroll jobs were the Government-dominated sectors. So there was an increase in 17,000 jobs in the Government sector, 54,000 in education and health. These are areas that are traditionally dominated by the Government.

Professional and business services, which has generally shown increases month after month, declined by 39,000.

So there is a great need for women and for men to keep this private-sector growth growing, and this is something that Congress really needs to turn its attention to.

First of all, women pay taxes many times at higher rates than men do because they are the secondary earners. So they pay tax at the top rate of their families.

Congress needs to pass legislation to keep the current levels of tax rates low. Taxes are scheduled to go up on the first of January 2011, and there are many businesses that are not making investments because they think the top rates are going to jump.

My recent book, "Overcoming Barriers to Entrepreneurship in the United States," talked about the importance of taxes. Small businesses file under the Individual Tax Rate. The top rate is now 35 percent. It is scheduled to go up to almost 40 percent in 2011, and that discourages investment.

The Estate Tax goes to zero 2010. Two thousand and ten is a great year to die. And then it jumps up in 2011, and that just does not make any sense.

Oil prices and gas prices. Women drive. They do a large share of their driving. And these high gasoline prices and high oil prices are very harmful to all Americans, and particularly women.

This is something we need to be doing something about. We talk about being energy independent. We could be drilling millions of barrels of oil a day. We do not have to be going to the Saudis asking them to increase production. We could be increasing production.

We could be tapping ANWR. We could be doing off-shore drilling. We could be drilling in the Gulf of Mexico for oil and natural gas. You know, Cuba and China have a joint project. They are drilling 60 miles off the Coast of Florida, but we are not. So they are getting the oil, and we are not getting the oil, and that should not be allowed to happen.

We should be building new refineries so that when there is a hurricane the gasoline prices do not spike. We need to allow waste storage in Yuka Mountain because no nuclear power plans are being built because there is nowhere to put the nuclear waste.

We also need to be avoiding new costs and new programs that are currently being discussed. The Warner-Lieberman-Boxer bill, this cap-and-trade bill, would be one of the highest energy tax increases in history, and women drive; they pay taxes; they don't want this.

The housing bailout, the Frank-Dodd bill, what it would do is it would raise costs, raise rates—borrowing rates on future borrowers, many of which are women, to pay for a few imprudent borrowers right now.

The Ethanol Bill. We had the ethanol mandate in the Energy bill in December. This is driving up prices of food. Congress could stall, or repeal these energy mandates. Where 8 billion gallons of ethanol were used last year, it is up to 9 billion this year. It is going to go up to 36 billion in 2022. And all that is raising food prices, raising prices in grocery stores as corn drives out other kinds of food: eggs, butter.

You know, women are especially conscious of this.

Now some see the solution to higher prices as more mandates of higher unemployment conditions for women. Some see the solution as having more mandates on employers. So some people suggest mandated sick leave. Mandated paid family leave. Equal pay not for equal work as the law is, but for work of equal worth.

So someone has to figure out what "equal worth" is. That is in the Paycheck Fairness Act and the Fair Pay Act. This not only puts more mandates on employers, discouraging them from hiring women, but it also moves us more toward the European system where women have higher unemployment rates, longer periods of unemployment, lower rates of working outside the home, fewer of them work outside the home than in America, and lower incomes.

And, Mr. Chairman, I would like to argue that this is not where we want to go. And I have the details in my written testimony which, as I mentioned, I would very much like to submit for the record.

Thank you very much for allowing me to testify today.

Representative Hinchey. Well thank you very much. If there is anything else that you want to say, there is more time.

Ms. Furchtgott-Roth. Oh, no, no. I was told to speak for 5 minutes.

[The prepared statement of Ms. Furchtgott-Roth appears in the Submissions for the Record on page 69.]

Representative Hinchey. OK, But we have been much more flexible about it today than the Committee normally is because, after all, I am the only one up here.

[Laughter.]

Dr. Hartmann. We appreciate that very much, thank you.

Representative Hinchey. Well I appreciate all of you. I appreciate the things that you have said. I think that you all make very good points about the issues that we have to deal with.

One of the questions that comes to mind immediately, based upon some of the things that were said is about health care, health insurance. That would have a major impact, I would think, on the economy. I would just wonder if you would like to make any comments about that.

If we were to be able to set up a system of national health insurance so that everybody had health insurance and could get decent health care?

Dr. Appelbaum. It would be huge. It would be a tremendous benefit to our employers. Most of our manufacturing employers do in fact still provide health care, health insurance for their employees, which adds to the cost of every automobile, every ton of steel, and our ability to export.

I mean, you have a car made in Canada and it doesn't include the health cost. You have a car made right across the border in Michigan and it does include health care costs. And for families I think one of the largest sources of insecurity, one of the main things that makes losing your jobs so traumatic is that when you lose your job you also lose your access to the health insurance system. You lose the health insurance that you've had. You lose access to your doctors. If you have children, you can imagine how traumatic that is.

I think in terms of economic security, economic fairness, and competitiveness—on all those grounds—we have got to reform the health care system.

Dr. Hartmann. I would say right now some employers are basically subsidizing other employers. Government is providing health insurance to all of its workers. So is a lot of manufacturing. So are a lot of other businesses. But there are many businesses that are not. And all of us are picking up the costs for that in tax dollars that pay for emergency medicine, and that kind of medicine is more expensive.

I think if we had national health insurance we would have a more rational health care system, potentially lower costs because people would be able to get preventive care and not be forced to wait until they are very ill and go to emergency rooms which is very expensive.

I think it would also probably improve employment prospects in the health care industry, which of course is dominated by women in most of the jobs. And I think since the American people want good health care, that is fairly obvious that we would like to have excellent health care, that is an expenditure I think that the American people want to make. And we can make that expenditure a lot more rational if we have a national health care system rather than the hodgepodge that we have today.

Ms. Furchtgott-Roth. Right. It is an extremely important problem. In my book, "Overcoming Barriers to Entrepreneurship in The United States," I talk about how health care really is a problem for entrepreneurs and we really need to do something about it.

Now we do not say, "I am losing my job," or "I am changing my job, I am going to lose my home insurance, I am going to lose my auto insurance," no, it is the health insurance. And that is because we do not have a vibrant private sector market.

What we need to do is allow insurance companies to offer plans across State lines so we can offer national plans, so we do not have people in one state just being limited to small risk pools.

That way we need to increase competition. It works in other areas of insurance, and there is no reason it should not work in this.

Now if it would work better for the Government to take over and have universal health insurance and just provide it, why wouldn't it work to have universal home insurance, or universal car insurance? Why wouldn't the Government take over all of that, it would really be superior?

So I would say that we need to basically expand and allow individuals, as the President proposed, $7000 of just credits to buy whatever health insurance program they have, at the same time as liberalizing all the rules that prevent health insurance companies from offering it.

And then people would be able to purchase plans for themselves, rather than having the Government set a particular plan. And the President did propose that last year, and it wasn't met with a lot of enthusiasm, but I think the people should take another close look at it.

Dr. Appelbaum. Can I just add that health expenditure in this country is now about 15 percent of GDP, and this is about double what it is in other industrialized countries. And yet we don't have anything like that in terms of life expectancy or child mortality to show that we are getting something for all of this extra money that we're spending. And a big chunk of it, I think, is because of the inefficiency that is provided by the private insurance system that we have in this country.

So much of our health dollars goes for all those gatekeepers who keep you from seeing the doctor that you need to see. You know, I think no fault is really the way we want to go with respect to health insurance.

We would not have to worry about doctors' liability insurance if a person who was injured in any way, whether it is an auto accident, or through some mishap in a hospital, had access to whatever health care they needed, this whole question of liability insurance for doctors would disappear.

We have health care costs that other countries simply do not have that reduce our ability to provide insurance. We have a huge number of people, including children, who do not have access to health insurance and do not have regular health care despite the fact that we spend such a large proportion of our GDP on health.

Dr. Hartmann. Another area where we might want to introduce some competition is the drug companies. They are allowed to have very long, lengthy years of patents, and they spend a lot of money marketing a slightly different drug here, and a slightly different drug there. A lot of money is wasted on that kind of competitive marketing, and also lobbying, and advertising of all kinds. One economist has estimated that about half of that 15 percent—I believe Huey Rhinehart from Princeton. So I don't really believe that Ms. Furchtgott-Roth's recommendation of greater competition is going to work in the health care market overall.

It does require some Government action. Government action does affect things like the patent laws and definitely can affect people's purchasing power. The $7000 tax credit that the President proposes is not going to help an awful lot of people buy health insurance.

Ms. Furchtgott-Roth. Well I think a $7,000-policy is a lot—there are a lot of people, 47 million people without health insurance right now, many of them would welcome $7000 to be able to purchase health insurance.

A couple more cost-cutting ideas. One of the main ones, and there's been a lot of work on this, is electronic record keeping. We waste a lot of time with paper prescriptions, paper records. You go into a doctor's office and you see files of paper. You change doctors, you have to fill out a new folder of paper. And if we were to go electronic, that could save billions of dollars a year. And also a lot of unnecessary deaths caused by medical error.

I would also like to say as an emigrant coming from England, which has a pretty good reputation for its national health service, how much superior medical care one can get here in the United States.

We do pay more for it, but we get a lot more for that also. I took my grandmother when she had a stroke to a hospital and it was a Friday afternoon. I took her on a Friday afternoon. She had a stroke. I took her to the hospital and I said: When is the doctor—she was checked in. I said, When is the doctor going to come?

They said, Oh, the doctor comes on Monday.

I said, Isn't it possible to get a doctor over the weekend?

Oh, no, the doctors don't come over the weekend.

I said, well, you know, coming from the United States, could I pay a doctor to see her?

They said, Well, you wouldn't want to trust anyone who you would pay.

So, no, that wasn't an option. And they said, Besides, someone's had a stroke, seeing a doctor right away doesn't matter very much.

So there is a kind of rationing that goes on. And that is why a lot of people come to the United States for our level of medical care. We have a lot more innovation in terms of pharmaceuticals, waiting times are shorter, and there's a lot of advantages to just keeping the kind of system that we have now.

Representative Hinchey. Well it is an interesting debate here, but it is a very important subject. I think that one of things you were saying about the complexity of the paperwork, part of that at least, or maybe most of it comes about as a result of insurance companies that are making it much more complex and difficult for people to actually get the health care they need and get the payments for the health care.

So I know that that's the kind of experience that a lot of people have had. But this is an interesting discussion. As you were pointing out, I mean we spend more for health care in the United States than any other country, but nevertheless we do not have the best health care.

We have a number of examples of how our health care is of lower quality for a lot of people than it is for many other people in other countries. You know, we have more deaths of infants, and a lot of other issues that really make it more difficult for us, in spite of the fact that we spend more than any other country does for health care.

But it is also interesting how this situation is evolving. I can remember back several decades ago when the American Medical Association was adamantly opposed to national health insurance. Now they are firmly in support of it.

And as I think all three of you were observing, many industries and employers who had been opposed to it are now for it because they see how much it is costing them and how much better it would be for them and for our economy if we did have a system of national health insurance.

Dr. Appelbaum. I would just add, a system of national health insurance is not the same thing as the kind of national health system that they have in the United Kingdom.

The German Model, for example, is very similar to the United States. If you were in Germany you really would not be able to see the difference. You would have an insurance company. You would have hospitals to go to. There would be doctors and hospitals that were in your insurance plan, and so on, but Germany nevertheless has universal coverage.

So we would need to explore the many ways of doing it. And I just can't help, since we've just had one example of an N of 1, and as an economist I hate N of 1 examples, but I personally have had two horrible experiences in the past year myself.

I developed a terrible headache. My doctor said, get yourself immediately to a hospital. You may be having a sentinel bleed, which is like a warning that you're going to have a stroke, and I got to one of the very best hospitals in Philadelphia. I was visiting in Philadelphia at the time. And it was in the evening and they could not get a neurologist—they wanted to do a spinal tap, but I've had back surgery and so they couldn't do the spinal tap that they needed to do. They needed, I'm sorry, an X-ray type person, a radiologist, to come in so that they could look with a fluoroscope and see exactly where to put the needle, and they could not get a radiologist to come in.

I didn't see a neurologist until the next morning. If I had had a stroke that night, right, where would we be today? So we could have N of 1 examples all over the place. I have other stories, but I'll save them.

Only people who have health insurance and have not had to use it think we have great health insurance in this country.

Representative Hinchey. Those are very good points, and I am awfully glad that you are here.

Dr. Appelbaum. Me, too.

[Laughter.]

Representative Hinchey. Earlier, you were talking about the difference between women in the European Union and working circumstances and women in the United States. Could you touch on that a little bit more?

Dr. Hartmann. Yes. I have a table[4] in the written testimony that looks at women between the ages of 25 to 54, and one of the things this shows is that between 1994 and 2006 the United States was one of only two countries that had an actual decline in wom-

[4] *See* "Table 3. U.S. Women's labor Force Participation Rate Lags Many Other OCEO Countries: Prime-Age Women (25 to 54)" in the Submissions for the Record on page 57.

en's labor force participation. And the United States is the sixth lowest.

In other words, of all these 25 countries, other advanced countries like us—you know, England, Germany, et cetera—the United States is sixth from the bottom in the labor force participation rate of women, and we had a decline in the last 12 years, whereas every other country had an increase.

Diana's data is different. I am not exactly sure why, but this is from the OECD. Then there is another set of data from the OECD that looks at women with a college education. And here the United States is at the very bottom compared to the other countries.

The top rate is 90 percent or more in Sweden. Also high in Denmark and the United Kingdom. The United States is at the bottom at just under 80 percent.

Now 80 percent labor force participation is good, but for college educated you would like it to be higher. I would love to see it be 90 percent, as in some of these other countries.

Why? Because we are not using educated women as well as we could. We want to be a productive country. We want to be competitive, and we are leaving some of our talent out of the labor market. And these other countries such as Sweden have excellent systems of subsidized child care, paid family leave. These are things we are moving toward in this country, but we are not there yet.

I think if we want to make the best use of all of our talent, you know I always say the next Einstein could be a Latina girl from a barrio. You know, we need to have equal opportunity, and we need to have things that enable women to do this work.

I am sure Diana will argue that we don't need any Government involvement; that it's just women deciding to stay home. Well you know, women respond to market incentives like everyone else. And if I am a young woman and I am looking at my salary and I am seeing that my husband's salary is more than mine, and we want to have children, and someone maybe is going to work part-time, or stay home a little while with the kids, that is more likely to be the lower earner.

So the market is not rewarding women as well as it does men, and I think women do react to those signals sometimes in making decisions about family care. So that would be one of the reasons to try to equalize the family care burden between men and women, and to equalize pay rates in the labor market, so to really kind of get us on the road toward providing more of the social supports that we see in Europe.

Ms. Furchtgott-Roth. Well the data I got—and there is no point in arguing about data—was from the Bureau of Labor Statistics. Our Labor Force participation rates overall, not looking at a particular segment of our college-educated women, are higher than Australia, Japan, France, Germany, Italy, the Netherlands, so those are countries that have these mandated Government-subsidized child-care policies. They also have mandated family leave.

But I think that Dr. Hartmann's expression, "we don't use our women as well as we could," which she also said in her testimony, it's not a question of "using" our women; it is a question of choices. What do women want?

The data show that labor force participation rates for women about 25 to 45 of child-bearing age peaked in 1999 when economic growth was very strong. So it is not as though they dropped out because of a recession. It is not like it was 2002 and they couldn't find jobs and so they dropped out.

They are making a choice because of higher incomes because they want to spend more time with their children and less time making money.

On the other hand, women 55 and over, their labor force participation has continued to increase. So they are at an all-time high. I would just argue that there is a lot, in the 1970s, the 1980s, it was fashionable to say, well, you can just leave your kids at home, they'll be fine in daycare, they'll be fine in after-school care, but I think a lot of mothers just want to look after their kids themselves. They think they give them better care.

And so a smaller percentage, a small percentage, decided that they wanted to stay home maybe for a small period of time, take time out of the work force, and that's why we have the decline in labor force participation rates of women.

And I would not say it is a problem. I do not say we have to use them better. They need to make their own choices.

Dr. Appelbaum. However, their choices are very much constrained by their opportunities. One of the things that we know is that what women would really like to do, or at least many women would like to do when their children are young, is to combine care of their child with a job that is less than full-time hours. But the jobs in this country that are less than full-time hours are not jobs for professionals. They're not jobs for managers. They are largely low-wage jobs.

So this is a choice that many women find impossible to make.

Dr. Hartmann. I would also add that it is a problem for the Nation if well-educated people, or any people with talent and skill, are not using it in a competitive economy, an international global economy. It is very important.

We subsidize higher education. We subsidize public education at the K through 12 levels, and we want our investment to pay off.

If we had a bunch of men with Ph.D.s sitting around doing nothing, or driving taxicabs, we would think that was a bad investment. I personally think that we should be encouraging women to move into the labor market in greater numbers, and to advance there.

The way we can encourage that is to remove barriers. We do not have a good example of what women's free choice would be if the current barriers didn't exist. At the point in time when there are no barriers, I might agree with Diana that we could look and see what parents do, what fathers do and what moms do, when there are no barriers for anyone, but we are really not there yet.

And we pretty much know, all the social science research evidence points to the fact that there are substantial barriers remaining for women in the labor market that are artificial barriers and that do need to be removed.

Representative Hinchey. Well I think you're right.

Ms. Furchtgott-Roth. Well France——

Representative Hinchey. I think one of the ways in which we can advance our economy and really advance the benefits of our country would be to involve women more in the job market and in the general economic circumstances of the country. That would be beneficial to them, obviously, but it would beneficial I everybody across the board in the country.

But excuse me.

Ms. Furchtgott-Roth. Well women get about 60 percent of BAs and MA degrees in the United States, so women are heavily into the educational system. They are profiting from it. But it would be a little bit difficult to say, OK, we are only going to take you at university if you say you're going to work full-time afterwards. It wouldn't really be a choice.

And also saying it's a bad investment, people are not just in the work force or out permanently. They go in and out depending. About 25 percent of women historically have always worked part-time, and there are jobs in many kinds of different sectors of the economy.

You can see doctors, for example, female doctors working 2 or 3 days a week in a group practice. This is also possible for lawyers. So these jobs are available if people want them.

Representative Hinchey. There was some discussion about the decline in employment by the end of the year. Do you want to say a little bit more about that?

Dr. Appelbaum. Well I mean as you know employment has been declining. The only points of strength are in education, health care, social services, child care, and that's all—those are overwhelmingly jobs that are either publicly provided or publicly—a big part of them publicly subsidized even if they are in the private sector.

And these budget gaps that the States are facing are going to lead, in my view, to cutbacks in those services and to declines in employment. I would just close this up, but I have some numbers, just to give you an idea.

New Jersey has proposed $1.67 billion in spending cuts, and the major cuts are in hospitals—some of which are going to close—health care, local Government, community services, and after-school programs.

Well when those programs are cut, we know whose jobs they are. Those are women's jobs that we are talking about.

New York faces $2.25 billion in spending cuts with large reductions planned in spending on hospitals and health care. In addition to that, we are going to reduce nursing home reimbursements, cuts for economic development, cuts for neighborhood and rural programs. They are zeroing out training programs for displaced homemakers, and the State is going to cut back its share of spending on things like public assistance benefits and youth detention centers.

California proposes cuts in school aid. Twenty thousand teachers in California have already received pink slips. Don't bother to come back in September.

Arizona is going to eliminate child care subsidies.

Florida is freezing reimbursements to nursing homes and eliminating hospice care for thousands of terminally ill Medicaid patients.

So the service cuts are going to really impact families, but the job cuts are going to impact women. And this is all going to begin this July, and you are just going to see it accelerating.

Some of the States have rainy day funds, so they are not going to have such deep cuts. So if you take a look at a State like New York, you are facing a $5 billion deficit, but you are cutting only $2.25 billion of spending because you have a rainy day fund.

But what is going to happen next year when that rainy day fund is exhausted? So what we saw in 2001 in that recession, and what I think we are going to see again, is that unless the Congress acts and provides some fiscal relief to the States, we are going to see these kinds of cutbacks in this year, from 2008 to 2009, and again 2009 to 2010.

By that time I am hoping that the other part, the private sector jobs, will be recovering so you may not see it as a recession any longer, but nevertheless women's jobs are going to be negatively affected.

My biggest concern for the economy comes from the housing sector. I personally do not believe that the economy will get back on its feet until we hit bottom in terms of the fall in home prices and the backlog of sales and so on, and I don't see that happening any time soon.

I don't think we are in a situation like we were in the 1970s. I am not predicting depression-level unemployment rates, but we have a very long period of very slow growth, or negative growth until the economy picks up again. We need to be thinking about that.

Dr. Hartmann. You know, I'd like to——

Representative Hinchey. Well I think what you're saying is absolutely right. I am deeply worried about it, too. I think that we are likely to be involved in a long period here of a very staggering economy.

Dr. Appelbaum. That's my view.

Representative Hinchey. Whether or not, how deep it's going to go——

Dr. Appelbaum. That's right.

Mr.

Representative Hinchey [continuing]. Is still a big question.

Dr. Appelbaum. Yes.

Representative Hinchey. But it looks like we are going to have a lot of difficult experiences over an extended period of time.

Dr. Appelbaum. That's my view.

Representative Hinchey. It is something, I would agree, that we are going to have to try to deal with.

Dr. Hartmann. I think that is right. And I think the housing crisis is complicated, but I do want to take issue with one thing Ms. Furchtgott-Roth said, which was that it is just a bunch, a few individuals who made very poor decisions.

It is a little bit like—you know, I can't remember the name of the car where the gas tank blew up when it was in a rear-end accident—it was not a good product that was on the market, an unsafe product.

We have had a lot of unsafe products on the market in the financial services industry. The industry as a whole did not look at the unscrupulous products that members of their industry were dishing out. They did not look at the fact that the people who were getting commissions for selling higher rates to people were falsifying people's records, and they securitized it anyway and said, oh, look, great, big new securities, buy them everybody, buy them everybody. No risk because all the different mortgages are all pooled together in these big new securities.

So it is very hard for regulators to keep up with the innovations in the financial services market. They are very clever people out there, and they dream up these things, and then they turn out to increase—you know, increase the rate at which these poor products were sold because they gave sales people incentives to sell these inferior products.

So in one of the charts I have it shows that even African American women, for example, with above-average income still had a disproportionate amount of subprime loans that they were holding. They qualified for better credit, but sales people were getting commissions to sell them a poor loan vehicle.

Yes, quite possibly if they had read the 60 pages they were presented with at the closing, maybe they would have noticed it, but I know that I have signed closing papers and I haven't read every page, because if I had I would have been there 5 hours. And you got only a few minutes, and you sign the thing and you walk out and you assume that the people that are professionals are treating you well and not doing you dirt.

And I think these people unscrupulously targeted these communities, targeted disadvantaged people that had good credit and sold them very poor products. And I think that simply requires more regulation.

Ms. Furchtgott-Roth. Right. I mean, it is a great problem that all these mortgage-backed securities rated AAA with very high ratings turned out to have far lower values. I mean, it is a big problem.

Going back to your question about employment and declines in employment, actually men are being harder hit by the current downturns. They are heavily represented in manufacturing and construction. Those are the two sectors that have been hurting month after month.

Services almost up to now have been keeping its head above water, and it is still in positive territory, and the service jobs are dominated by women. Until now. This month was an exception.

But you find that women have—the unemployment rates don't go so low when there is a downturn, so right now the unemployment rate for women 20 and over is 4.8, and it is higher for men, 4.9. Last month it was 4.3 for women. It was higher for men, 4.6. And it is the same with men and women 16 and over: 5.6 for men, and 5.3 for women.

You also find that women do not gain as many jobs when it is an upturn. So there is less variation in women's employment. But it still means that we need to do something about the fundamental factors in the U.S. economy that go to job creation and private-sector job creation.

I would say fixing the specter of tax rates that are going to rise by 5 percentage points on small businesses in 2011 I think should be a very high priority.

Representative Hinchey. Well we are just about out of time. I just wanted to raise one last question with regard to the debt that people are experiencing.

There is a dramatic increase in debt above and beyond, mortgage debt. A lot of that has to do with credit card debt.

One of the things that we are beginning to consider here is the idea that there should be a cap on interest rates for credit card debt. I would be interested to hear what you might think about that.

Dr. Hartmann. Well I would be very much in favor of that. I actually remember when we had Usury laws. That's how old I am. I grew up in New Jersey and I believe we had a cap of something like 8 or 9 percent in New Jersey at the time.

Now it did mean that, you know, what is true is that some people who are high risk will perhaps not be able to borrow if the cap is set very low, but I think the kinds of caps that we have been enacting lately are honestly still way too high. I believe the Congress recently enacted something like a 26 percent rate for servicemen at PayDay Lending firms.

I mean, let's get real. How about something like 12 percent, or 15 percent? This is pretty absurd. You know, it is unclear why it has been allowed to fester. I guess again Ms. Furchtgott-Roth would prefer the free market, blah, blah, blah. I would prefer us to encourage things like credit unions which do try to take care of the people with lower incomes and educate them and serve them well.

I think we do need a lot of financial education in the country, but the capitalist economic system is great. It is very dynamic. It has created a fabulous standard of living overall. But I feel it works better when we kind of regulate that torrent of growth and we kind of moderate it and channel it and really help it serve the people well.

Representative Hinchey. Thank you.

Dr. Appelbaum. I would just agree with Heidi.

Representative Hinchey. OK. Well thank you very much——

Ms. Furchtgott-Roth. Oh——

Representative Hinchey. Yes, please.

Ms. Furchtgott-Roth. Well I would say that caps on interest rates, I think that you all in Congress just have so much to do in terms of what we are going to do about the energy situation, the tax situation, different kinds of things like that, that worrying about what is the correct interest rate at what point in time I think is a lot to figure out.

You have to keep thinking about adjusting it if there is inflation, or lowering it. And then as Heidi mentioned, some people would not be able to borrow. So you have to figure out how many people, and what kinds of credit you don't want to have borrow money. And that would stop them from progressing.

In other words, progressing in the labor force, perhaps borrowing money to start a small business. So I would say that this is something that Congress should not be addressing at the current time.

Representative Hinchey. Well thank you very much.

Dr. Hartmann. Thank you.

Representative Hinchey. Ladies, I very much appreciate your being here, and all of the things you have had to say. It was very, very interesting and very informative.

Dr. Appelbaum. Thank you very much.

Dr. Hartmann. Thank you.

Ms. Furchtgott-Roth. Thank you very much for inviting me to testify.

Representative Hinchey. Thank you. The hearing is now adjourned.

[Whereupon, at 11:23 a.m., Friday, June 6, 2008, the hearing was adjourned.]

Submissions for the Record

Joint Economic Committee

Senator Charles E. Schumer
Chairman

In reaction to today's disturbing jobs report, Senator Charles E. Schumer, Chairman of the Joint Economic Committee (JEC), released the following statement in advance of the JEC hearing with the Bureau of Labor Statistics:

"The spike in the unemployment rate 5.5% from 5.0% a month ago is like a tsunami hitting our economy, jobs. This is the biggest single-month surge in unemployment since 1986 and along with the last five months of job losses, it should put the economy front and center on the White House's agenda. And numbers like these insure that the economy will be the number one issue in the presidential campaign.

"In 2008, our economy has shed over 324,000 jobs – including 49,000 we lost just last month. Just about every sector of our economy shed jobs in May. Sadly, more than three-quarters of a million newly unemployed workers are now looking for jobs. If you count those who are working part time but want to work full time or have fallen off the unemployment rolls entirely, the total under-employment rate is 9.7 percent.

"Some groups were particularly hard hit in May. Unemployment is up severely for blacks – from 8.6 percent to 9.7 percent. And with students out for summer recess, the unemployment rate went from 15.4 percent to 18.7 percent for teenagers.

"The number make it particularly troubling the President's veto threat for extending unemployment insurance. In 2008 alone, nearly 1.5 million workers will exhaust their UI benefits, and in the first quarter of 2008 alone 732,000 people did run out of benefits.

"The bottom line is not pretty for American workers, their families, or our economy. Today's jobs report is just another wake up call for this administration to quit its threats to veto additional unemployment insurance for hard-hit workers and to actively work with Congress to address the systemic problems dragging our economy down."

Key points on today's jobs report are:

- The **unemployment rate went up to 5.5 percent** in May from 5.0 percent in April and the highest it has been since October 2004.
- **49,000 jobs were lost** in May and spanned nearly all sectors including manufacturing, construction, retail, professional and business services. The only area where few jobs were created was health care.

- The number of **newly unemployed workers is 760,000 higher** than last month.
- The last time we had **five consecutive months of losses** in non farm payrolls and in manufacturing was 2003. For the private sector, you would have to go back to 2001
- Total unemployment is 9.7 percent - up.
- Black unemployment is 9.7 percent - up from 8.6 percent.
- Teenage unemployment is 18.7 percent – up from 15.4 percent

Some important facts about unemployment insurance:

- Between January and June 2008, nearly 1.5 million workers will exhaust their unemployment insurance benefits
- In the first quarter of 2008, 732,710 people exhausted their benefits. This represents 36.4 percent of UI recipients.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

www.jec.senate.gov

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Statement of Maurice Hinchey
Joint Economic Committee Hearing
June 6, 2008

Good morning. I would like to thank Chairman Schumer and Vice Chair Maloney for asking me to chair today's hearing on the May employment situation. Deputy Commissioner Rones, we thank you for testifying today. I am pleased that we will also have a second panel of witnesses to discuss the impact of recession on women and families.

This morning we received a terribly disappointing jobs report. Unemployment spiked up a half a percent last month, to 5.5 percent, and job losses continued to spread broadly throughout the economy. In May, 861,000 people joined the growing ranks of the unemployed. The private sector has shed 411,000 jobs since its peak in November, and wages are lower today than they were a year and a half ago.

Such sharp increases in unemployment only happen during a recession. The President and his economists can continue to debate the semantics of whether or not we are in a recession, but clearly the labor market is now there. Families are growing more anxious about their future as the economic foundation beneath them shifts and deteriorates. The economy has slowed to a crawl as consumer spending has stalled in the face of record fuel costs, slumping home values, dimming job prospects, and falling real wages. Families are spending more and more on the rising costs of basic necessities, like gasoline and milk, leaving little left for much of anything else.

Too many families have lost ground on President Bush's watch. The weak recovery has left families heading into the current downturn with income that is about $1,000 lower than it was when President Bush took office. On top of lackluster income growth, families are now seeing falling home values, rising foreclosures, and tightening credit conditions. With little in the way of savings, families don't have much to fall back on.

And now, 2008 is turning into a dark year for workers. Job losses have begun to mount and wages continue to fall, relative to rising prices. As you can clearly see from the chart, annual wage growth has fallen for the past seven months.

Today's data portends a difficult road in front of us. Job losses are fanning out across the economy, with sharp losses in construction, manufacturing, retail trade and temporary help. Manufacturing overtime hours are now at their lowest point since May 1991, when we were in the midst of the recession of the early 1990s. Most of the newly unemployed are just entering the labor market and unemployment is hitting our young people hard.

Women's earnings have become increasingly important to family economic well-being, especially in a downturn. The typical working wife brings home over one-third of her family's income. But, pay and employment discrimination have long played a part in making it harder for women to save and accumulate assets. We are seeing the impact of this now: as Dr. Hartmann will discuss, women, especially women of color, are more likely than men to have a sub-prime loan, putting them at greater risk of losing their home through foreclosure.

This downturn may be particularly hard on women as it moves forward. As Dr. Appelbaum will point out, states are facing huge budget shortfalls in the face of the housing declines and when the cuts come, women's jobs will be on the chopping block. Women also fall through our safety net since they are less likely to qualify for unemployment insurance benefits.

The Recovery Rebates that are making their way to families have helped moderate this economic downturn. We see their effect in other data released this week on personal income and retail sales, which both show an increase due to these rebates. But clearly, today's unemployment data shows us that we need to do more. State fiscal relief and extended unemployment insurance benefits must be made a top priority.

I've introduced a bill that will help working families afford to borrow by capping credit card interest rates at 20 percent. This bill will help women and their families: among those with credit card balances, nearly twice as many single women have high-interest credit cards, compared to single men. This is just one of the many ways this Congress needs to focus on helping families cope with the current economic downturn.

I look forward to the testimony of our witnesses today.

JOINT ECONOMIC COMMITTEE
SENATOR CHARLES E. SCHUMER, CHAIRMAN
REPRESENTATIVE CAROLYN B. MALONEY, VICE CHAIR

Statement of Carolyn Maloney, Vice Chair
Joint Economic Committee Hearing
June 6, 2008

Good morning. I would like to thank Deputy Commissioner Rones for testifying today on the May employment situation.

The unemployment rate spiked up half a percentage point in May, to 5.5 percent, and job losses continued to mount. Nonfarm payrolls shed jobs for the fifth straight month, something we have not seen since early 2003, and over the past six months, the private sector has shed 411,000 jobs. These grim statistics point towards the clear conclusion that the labor market is in a downturn. Congress should no longer wait to take action on a second stimulus package.

We continue to seen mounting evidence that a significant downturn in the economy may be underway. In recent months, the economy has grown at a tepid pace and growth in consumer spending has slowed. Families are feeling the squeeze of rising gas and food prices and year-over-year wages have fallen for seven straight months. With job prospects dimming and real wages falling, many families will be forced to cut back on spending, further exacerbating the economic decline.

The weak recovery of the 2000s has left families unprepared to weather an economic downturn. Real family income is about $1,000 lower now than it was in 2000 and families have accumulated little in the way of savings. Declining home prices means that many families will be unable to access home equity lines of credit to make ends meet, as they did in prior recessions. The credit squeeze may also limit families' ability to borrow to send their children to college.

Decades ago, families could rely on women's earnings to boost household income during a recession. But over the past decade, women have become just as susceptible to job losses as men. There is no longer a pool of women available to enter the labor force in hard times.

Congress has already taken a first step to help buffer families from the effects of the downturn and the Recovery Rebates are now making their way to families. However, there is more to be done to blunt the effects of this downturn and to get the economy back on track. Extending unemployment benefits is critical and beyond that, the states need our help as well. Over half of the states are projecting budget shortfalls for fiscal year 2009 and this will lead not only to cutbacks in necessary services, but likely higher unemployment for women who disproportionately work in social service agencies and education.

With rising prices and falling wages, families need everyone at work. We can do more to help families balance work with being able to be there for their families. Next week, we plan to vote on my bill, co-sponsored with Mr. Davis of Illinois and Mr. Davis of Virginia, to extend paid parental leave to every federal worker. This is the kind of policy that helps families be good workers and good parents, which is especially important in an economic downturn.

We are committed to doing our part to help families cope through these hard economic times. The New Direction Congress will launch a Second Economic Recovery Effort - starting with the Supplemental spending bill - that will bring relief to homeowners facing lost value in their homes or foreclosure, create highway construction jobs, and help American families struggling to make ends meet. We can already see the boost from the Recovery Rebates in the upticks in personal income and retail sales last month, but clearly, today's data show that we need to do more to stem the tide of this recession.

Chairman Schumer and I look forward to the continued focus on labor market conditions by this committee.

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Statement of

Philip L. Rones
Deputy Commissioner
Bureau of Labor Statistics

before the

Joint Economic Committee

UNITED STATES CONGRESS

Friday, June 6, 2008

Madam Chair and Members of the Committee:

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

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

Within the goods-producing sector, employment in construction declined by 34,000. Job losses in the industry continued to be widespread. Since its peak in September 2006, construction employment has fallen by 475,000; two-thirds of that decrease (-320,000), however, has occurred in just the past 7 months.

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

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

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

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

Average hourly earnings for production and nonsupervisory workers in the private sector rose by 5 cents, or 0.3 percent, in May and by 3.5 percent over the past 12 months. From April 2007 to April 2008, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) rose by 4.2 percent.

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

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

Over the month, the number of persons in the labor force increased by 577,000, primarily among youth, and the labor force participation rate edged up to 66.2 percent. In May, 62.6 percent of the population was employed, down four-tenths of a percentage point from a year earlier. Since May of last year, the employment-population ratio for adult men has declined by a full percentage point to 71.9 percent, while the rate for adult women has been about unchanged at 58.1 percent. The number of persons working part time who prefer full-time employment was essentially unchanged in May at 5.2 million but has increased by 764,000 over the last 12 months.

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

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

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

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The Impact of the Current Economic Downturn on Women

Heidi Hartmann, Ph.D.
Institute for Women's Policy Research

Testimony presented to
the Joint Economic Committee

At the hearing:
"The Employment Situation: May 2008"

June 6, 2008

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Good Morning, Madame Vice Chairman. I am Heidi Hartmann, President of the Institute for Women's Policy Research and a labor economist with the Ph.D. degree from Yale University. Thank you for the opportunity to testify today and alert you and your colleagues in the Congress to some of the emerging issues for women as the current period of slow or possibly negative economic growth proceeds.

First, I want to stress that the context of women's employment has changed over time. If women ever worked for "pin money" they certainly no longer do. Women's earnings are a large and critical share of the economic support of families in the United States today: Women's earnings constitute 45 percent of all earnings that support families.[1] The most typical family with children today is one in which both parents are working. That and the large number of families supported by working mothers alone mean that just about as many children have working mothers as have working fathers. Women's earnings are especially important to the support of children who do not live with their fathers. Even though the typical woman who works full-time, year-round earns only about ¾ of what the typical man earns, more than 7 million families with children relied solely or mainly on the mother's earnings in 2006.[2]

Second, it is important to understand that men's employment has generally been more sensitive to both the ups and the downs of the business cycle than has women's. Figure 1 shows the employment to population ratio for men and women from 1998 through 2008 in March of each year. Employment to population ratios typically rise in good times, as more people work, and fall as the economy weakens, and workers both lose jobs and stop looking for work. For men the ratio was highest in 2000 and for women in 2001. Those peaks were followed by several years of very weak employment to population ratios as the employment effects of the 2001 recession lingered and some recouping in 2006 and 2007, only to see a decline in March of 2008, with the job losses of the last several months. The ratio for men both fell more in the downswing and rose more in the upswing than did the ratio for women. The greater responsiveness of men's employment than women's across the business cycle is mainly due to their different locations in the economy. Men typically work more in manufacturing and construction, industries where employment can easily be adjusted to the more volatile changes in demand that occur in those industries with economic expansion and constriction. Women tend to work more in the service sector in areas like education and health care, where demand is less volatile and employment changes are somewhat less responsive to changes in demand in any case.

Figure 1. Employment to Population Ratios Have Not Yet Recovered from the 2001 Recession

Source: U.S. Department of Labor, Bureau of Labor Statistics Current Population Survey. Not Seasonally Adjusted.

Even though women's employment tends to be less cyclical than men's, the 2001 recession marked a watershed for women. For the first time in 40 years, and after decades of continuous employment growth, women experienced a sustained period of job loss.[3] (This job loss between 2002 and 2004 can be seen both in Figure 1 and in Figure 2, which shows total nonfarm employment annually from 1998 to 2008.) Women's total employment did not recover to its pre-recession peak until August of 2004, and employment growth since that recession has been slower than it was in the decade before.[4] The risk that another such recession in 2008 or 2009 would further slow women's long-term employment growth is serious, particularly since women still lag considerably behind men in earnings and employment over their life time.[5]

Figure 2. Men's Employment is More Sensitive to the Business Cycles than is Women's Employment
Total Nonfarm Workers, Women and Men, 1998-2008, March

Source: U.S. Department of Labor. Bureau of Labor Statistics Current Employment Statistics Survey. Accessed May 29, 2008. Not Seasonally Adjusted.

Third, neither men's nor women's employment ratios have ever fully recovered from the last recession in 2001. As can be seen in Figure 1, the recent peak for both women and men was in 2007, but both peaks were below their high points in 2000 and 2001: Men's was 2.0 percentage points lower, women's 1.2 percentage points lower. Thus, if the economy is in another period of slow or negative growth now, the impact on workers and families can be expected to be more severe, simply because families are not coming off a recent period of strong employment and earnings growth. The boom years of the late 1990s, when earnings and employment rose substantially, are now 10 years in the past.

The lack of recent strong employment and earnings growth,[6] coupled with the loss of equity in homes as house prices have fallen, contributes to strong feelings of economic insecurity, to a lack of consumer confidence, and to reduced purchasing power and lower standards of living for American families. This financial anxiety appears to affect women more strongly than men. For example, as early as February 2007, women were 50 percent more likely than men to worry about their economic security. Their concern reflects the reality of women's lives: They are more likely than men to have to put off getting health care, wait to buy things their children need, or go hungry.[7]

Overall, unemployment rates are not especially high by historical standards for either women or men now (at 4.8 percent for women in April 2008 and 5.1 for men),[8] but job losses have occurred for both women and men over the past several months. Looking first at non-seasonally-adjusted data, women's employment peaked in December 2007; between then and March 2008 (the latest available data as of yesterday), women lost 759,000 jobs. Since men's peak employment level in October 2007, they have lost 1,596,000 jobs. Turning to the seasonally adjusted data series, and limiting our view to the first three months of this year, we see that so far, men's concentration in cyclical industries has made them extremely vulnerable to job loss; their employment is down 313,000 from December 2007. To date, women overall have been protected by their relative concentration in non-cyclical industries.

With these general trends as background, let us look now at women who are especially vulnerable in this recession and to specific industries where women have experienced employment losses.

Single mothers generally have a higher unemployment rate than either all men or all women. They may face more constraints that make it more difficult for them to find a job that is compatible with their available child care; they may also be subject to discrimination on the part of employers both because of their gender and parental status. Race may also play a role in limiting these women's employment opportunities since single mothers are disproportionately of minority races. The unemployment rate for female heads of households was 6.8 percent in April 2008 (not seasonally adjusted), 10 percent higher than in the previous April. Adult African American women's unemployment rate was 6.9 percent in April 2008, a full 23 percent higher than it was the previous April. For adult African American men, the unemployment rate was 8.4 in April of 2008, nearly unchanged from 8.3 the previous April. Unemployment rates for adult white men and women were considerably lower at 4.0 and 3.5, respectively, in April 2008 (Table 1). [9]

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Table 1. Unemployment Rates for Adults Aged 20 and Older, April 2007 and April 2008, and Percent Change			
	Apr-07	Apr-08	Percent Change
Total	3.8	4.3	13%
Women	3.6	4.0	11%
Men	4.0	4.6	15%
White	3.4	3.8	12%
White Women	3.3	3.5	6%
White Men	3.5	4.0	14%
Black/African American	6.8	7.6	12%
Black/African American Women	5.6	6.9	23%
Black/African American Men	8.2	8.4	2%
Women Who Maintain Families*	6.2	6.8	10%

*Women Who Maintain Families data are only available for ages 16 and Older
Source: U.S.Department of Labor. Bureau of Labor Statistics Current Population Survey.
Accessed June 4, 2008. Not Seasonally Adjusted

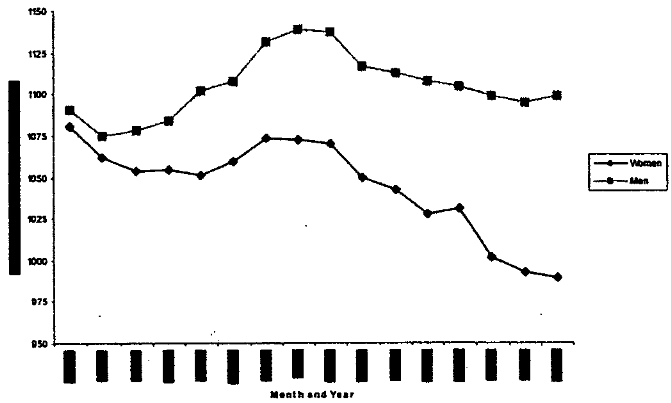
The employment trends for mothers for the past several years are particularly troubling. In terms of the numbers of mothers employed in the United States, the peak year was 2001, when 25,030,000 women with children under 18 years of age worked for pay. By 2006, that number had **fallen** to 24,728,000, a drop in the absolute number of working mothers of 302,000. At the same time, the total number of employed women in the United States grew from 63,586,000 to 66,925,000, an increase of 3,339,000.[10] Research is inconclusive about the reasons for this five-year decline in mothers' employment: Some experts believe mothers are simply choosing to work less; others point to a lack of support for working parents, such as sufficient paid time off, subsidized child care, or flexible working arrangements; others note possible discrimination in the labor market specifically against mothers; others point to a short- or long-term weakness on the demand side of the labor market in areas that have traditionally employed large numbers of women.[11] A recession or weak job growth will only exacerbate the problems that face mothers who want and need to work but must find work that is compatible with their family's needs.

Several areas of the economy are showing weaknesses in women's jobs, even in cases where men's jobs continue to grow. (To be sure the converse is occurring, too; there are sectors with declines in men's jobs but continued increases for women).

Two areas of the economy show significant long-term job losses for both women and men. In manufacturing, men have lost 2.5 million jobs since 1998, and women have lost 1.5 million jobs. The decline has been fairly steady, but employment fell more steeply in the two years after the 2001 recession. In the information industries, women have lost 451,000 jobs since 2001, while men have lost 255,000 (not seasonally adjusted).

Not surprisingly, the real estate, rental and leasing industry shows high volatility in employment in the past couple of years. Over the ten-year period, men's employment has been more cyclical, while women's shows fairly steady growth until 2006. Since women's peak employment in December of 2006, women have lost 91,300 jobs in this industry (to March 2008). In contrast, men's employment grew until July 2007, and since then men have lost 40,600 jobs in the industry (not seasonally adjusted; see Figure 3). Women now hold slightly fewer than 1 million jobs in the industry, and men hold about 1.1 million.

Figure 3. Women's Employment has Suffered More than Men's in the Real Estate Crisis
Women and Men (Thousands) in the Real Estate, Rental, and Leasing Industry,
December 2006-March 2008

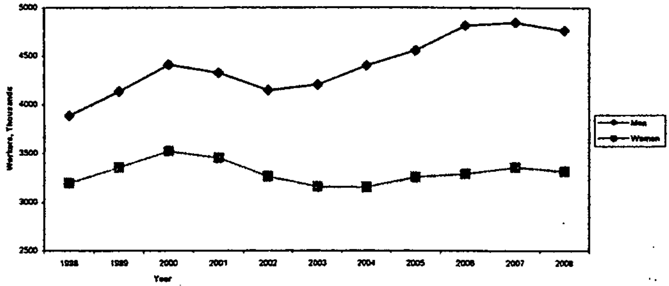


Source: U.S. Department of Labor. Bureau of Labor Statistics Current Employment Statistics Survey. Accessed June 3, 2008. Not Seasonally Adjusted.

The administrative and waste services industry is another industry that shows a typical cyclical pattern that resulted in job loss around the 2001 recession, eventual job growth, and now, again, recent significant job losses for both women and men. The industry provided relatively strong job growth over the ten-year period since 1998, especially for men, who gained about 900,000 jobs (compared with 115,000 for women). But since the industry's employment peak in October of 2007, men have lost 394,900 jobs and women have lost 192,000 (not seasonally adjusted; see Figure 4).

Figure 4. Employment in Administrative and Waste Services Has Been Cyclical, Declining in Downturns and Rising when the Economy Grows

Women and Men Workers, 1998-2008, March



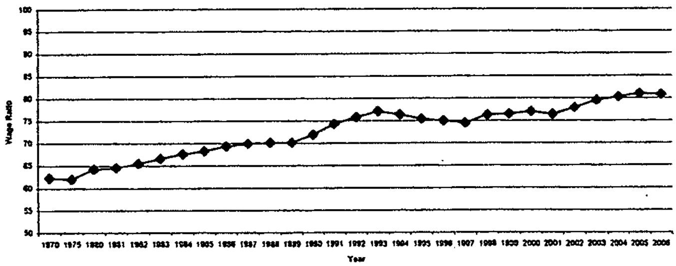
Source. U.S. Department of Labor, Bureau of Labor Statistics Current Employment Statistics Survey.
Not Seasonally Adjusted.

Besides job losses in selected industries (and often eventually across the board as a recession deepens), workers suffer in other ways when economic growth slows or turns negative. Real wage growth slows and even falls so that workers are no longer able to keep up with inflation. Currently price increases in utilities, transportation, and food are especially high, items that impact every family's pocketbook. Those homeowners paying exorbitant and increasing interest rates on home loans are also experiencing high housing costs. Virtually all homeowners have lost equity in their homes, as housing prices have fallen, and this too can depress consumption. Both men and women have experienced several years of negative wage growth, when measured in real dollars, since the 2001 recession: 2006 (the latest year for which data are available) marked the fourth consecutive yearly earnings loss for women and the third for men. [12]

Interestingly, pay equity seems to improve a bit in poorer economic times and fall back in better times. Like men's employment, which is more responsive to business cycles than women's, so their wages seem to be. Men's wages typically rise more in booms than do women's and correspondingly fall further in recessions. Since women's wages are more stable, men typically gain on them in booms, but women gain on men, at least in relative terms, in recessions, since their wages do not fall as fast. Figure 5 illustrates this pattern using median weekly wages. The gap remains significant across the business cycle, however, and overall, progress in narrowing the wage gap has slowed since the 1980s, and the fall in women's labor force participation, noted above, is also cause for concern regarding women's long-run economic prospects.

Figure 5. The Gender Wage Ratio, 1970-2006, Full-Time Workers

Women's Median Weekly Earnings as a Percent of Men's



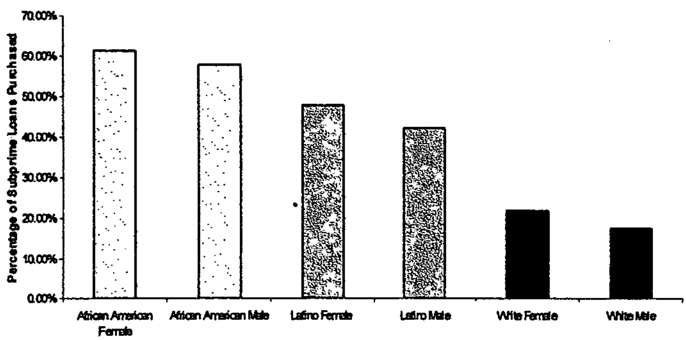
Source: Institute for Women's Policy Research, The Gender Wage Ratio: (2008).

Because this economic period is characterized by a meltdown in the real estate market, let's take a look at how women are doing in the credit market for home purchases: badly, in a word. Women of all races are more likely to hold subprime mortgages than white men, but African American women fare particularly badly, with approximately 60 percent holding subprime mortgages. Table 2 shows subprime mortgage rates for people at all income levels considered together and also separates out a group of homeowners who are better off than the typical American, those who have twice the median income. As Figure 6 shows, for this group with higher incomes, African American women are particularly ill-served: Their rate of subprime mortgage holding is more than three times that of white women, for example.[13]

Table 2. Incidence of Subprime Loan Purchasing by Borrower Gender and Race, All Income Levels, 2005	
Borrower Gender/Race	
African American Female	61%
African American Male	58%
Latino Female	48%
Latino Male	42%
White Female	22%
White Male	17%
Borrower Gender/Race Twice the Median Income	
African American Female	46%
African American Male	40%
Latino Female	39%
Latino Male	31%
White Female	13%
White Male	10%

Source: Fishbein, Allen J. and Patrick Woodall. 2006. "Women are Prime Targets for Subprime Lending: Women are Disproportionately Represented in High-Cost Mortgage Market." Consumer Federation of America. (June 2, 2008).

Figure 6. African American Women Who Likely Qualify for Better Credit Terms Suffer Disproportionately from Subprime Rates
Incidence of Subprime Loans for Home Purchases by Borrower Gender and Race, All Income Levels 2005



Source: Consumer Federation of America Report "Women are Prime Targets for Subprime Lending" by Allen J. Fishbein and Patrick Woodall, December 2006
Accessed June 2, 2008

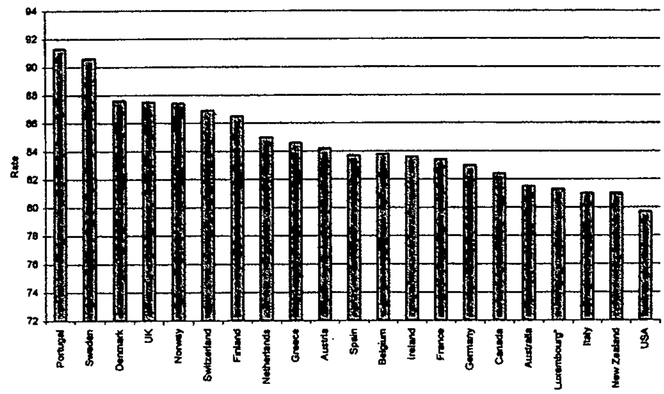
Before turning to what types of policies the Congress might consider to address the economic challenges women face in the current economic situation, we can gain some additional insight on women's situation by comparing women in the United States to women in other countries. Table 3 presents data on women's labor force participation from the OECD. In the approximately 20-year period from 1994 to 2006, women's labor force participation grew in almost all countries; some countries experienced gains of as much as 15 and 16 percent. Only Sweden and the United States experienced declines in women's labor force participation, but Sweden's rate remains the highest of the 21 countries shown in Table 3 (86 percent of women in Sweden are in the labor market). In contrast, the United States, which also had declining labor force participation, has one of the lowest rates: With only 76 percent of women in the labor force, the United States ranks sixth from the bottom. Among college-educated women, however, the United States ranks at the very bottom: Only about 80 percent of American women college graduates are in the labor force compared with 90 percent and above in Sweden and Portugal. With such depressed labor force participation of women in the United States compared with other countries whose economies are similar to ours, the United States is losing out in the competition for talent and brains. To compete more successfully in world markets, the United States must use its female labor power more intensively and more productively than we are currently doing. Our nation cannot afford to let the current economic slowdown further discourage women from pursuing the most challenging employment they are capable of.

Table 3. U.S. Women's Labor Force Participation Rate Lags Many Other OECD Countries: Prime-Age Women (25 to 54), 1994-2006

Country	1994	2006	Change
Australia	67.7	74.4	+6.7
Austria	71.7	80.9	+9.2
Belgium	67.2	77	+9.8
Canada	75.4	81.3	+5.9
Denmark	82.7	85.1	+2.4
Finland	84	85.3	+1.3
France	76.7	81.2	+4.5
Germany	72.6	80.3	+7.7
Greece	53.9	69.1	+15.2
Ireland	53.6	70.5	+16.9
Italy	52.6	64.3	+11.7
Luxembourg (2005)	55.7	72.2	+16.5
Netherlands	64.5	77.8	+13.3
New Zealand	71.7	76.4	+4.7
Norway	79.4	83.4	+4.0
Portugal	74.4	82.7	+8.3
Spain	54.6	71.2	+16.6
Sweden	86.9	86.2	-0.7
Switzerland	74.1	81.2	+7.1
UK	74.1	77.9	+3.8
USA	75.6	75.5	-0.1

Source: Hegewisch, Ariane and Janet C. Gornick. 2008. "Statutory Routes to Workplace Flexibility in Cross-National Perspective." Institute for Women's Policy Research.

Figure 7. Labor Force Participaton Rates for College Educated Women Aged 25 to 64, 2005



Source: Hegewisch, Ariane and Janet C. Gornick. 2008. "Statutory Routes to Workplace Flexibility in Cross-National Perspective." Institute for Women's Policy Research.

What Can the Congress Do?

The slowdown in women's labor force participation, especially of mothers, and the lack of recent progress in further narrowing the wage gap noted in my testimony point to the need for more active oversight by the Congress.

- Enhancing educational opportunities for women, with career counseling targeted at non-traditional jobs for which there is local or national demand and which pay higher wages than traditionally female jobs, would be an excellent national investment and should be a top priority.

- Increasing mothers' ability to compete in the labor force—more paid leave for family needs, more subsidized child care, and more flexible working arrangements—is needed to enable mothers (and fathers) to hold jobs that pay well and provide fringe benefits (too many mothers are crowded into low-paid part-time jobs now).

- Enforcing Equal Employment Opportunity laws more vigorously and developing new protections for workers who must provide family care—social science research documents continued discrimination in the labor market based on gender, race, ethnicity, and parental status as well as other factors. The United States cannot compete effectively if it does not use all its human resources to their fullest capacity.

- Regulation of the credit industry and financial services and products must be strengthened and kept up to date with evolving practices. Vulnerable homeowners and others have been targeted with artificially high credit rates by profit-seeking lenders, and the industry failed to curtail these excesses. Indeed, through the creation of new products like securitized mortgages, it encouraged unsound loan products. Stronger regulations are clearly needed here to prevent a similar future meltdown, with its pervasive ripple effects throughout the economy. Measures must also be taken to ameliorate the effects of the current housing crisis on homeowners.

- Additional economic stimulus is likely to be needed to help the economy recover from the current slowdown/downturn and to increase purchasing power. Extending unemployment insurance benefits and providing more fuel assistance or food stamp aid are among the programs that should be considered. Building public infrastructure in areas like transportation, communications, health, and education should also be considered.

While many will argue that a recession is not a good time to take on ambitious new projects, it is in fact precisely the time to do so. Countercyclical spending is a function of national government; it is the responsibility of modern governments presiding over complex and sophisticated economies. The Employment Act of 1946, which established the Joint Economic Committee, recognized this fact. Not only will the macroeconomy benefit, but individuals and families will also receive crucial help from these policies at a time of rising insecurity.

For example, with respect to paid time to care for families (a subject addressed by several bills currently in Congress: The Healthy Families Act for paid sick days and the Senate and House versions of a Family Leave Insurance Act and the Federal Employees Paid Parental Leave Act for paid family leave), workers need these protections more than ever in a recession. Rising job loss makes workers worry about being fired. They may be unusually hesitant to stay home to care for sick children and other medically needy family members, or to stay home following childbirth long enough to recover fully. It does not serve the public interest to have workers sacrifice the health needs of their families. For the vast majority of the labor force that is still employed, this help is critical in order to reasonably and responsibly balance work and family.

Before closing I also want to point out how important it is that social scientists and policy analysts and the Congress have the necessary data to understand the employment situation and design appropriate policy responses. This testimony is based upon IWPR's analysis of the data from the Women Worker Series of the Current Employment Statistics survey. In 2005, the U.S. Bureau of Labor Statistics proposed that collection of information from employers regarding the number of employed women should be terminated. It was only because of the efforts of Senators Edward Kennedy, Tom Harkin, Hillary Clinton, and Alan Spector, and Representatives Rosa DeLauro, Chris VanHollen, Carolyn Maloney, and Ralph Regula, among several others, that the BLS was required to re-start this data collection and reconstitute the missing year of data (at considerable expense that could have been avoided).

Now, the President proposes to discontinue the American Time Use Survey, an important component of the Current Population Survey, the survey which generates the unemployment rate data every month, the data we have just heard about this morning. The time use survey provides a wealth of data about how Americans use their time, for work, for job search, for education, for child and elder care, for leisure, and community service, and it does so efficiently and cost-effectively. This is our only regularly implemented nationally representative source of information about how women and men spend their time, whether and how that time use differs between women and men or minorities and whites, or the aged and the young, or the married and the single.

Both of these important data series allow us to monitor short- and long-term trends. This is a key capacity for evaluating existing public policies and developing new ones that respond to changes in women's and men's experiences and needs. It must be top priority for the Congress to ensure its members have the information they need to make sound policy.

Thank you for this opportunity to address these important issues. I would be happy to follow up with you on any of these issues.

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[6] Although Figure 2 shows that total employment for both women and men now exceeds employment in 2001 (the previous peak), the lack of recovery of the employment to population ratios shown in Figure 1 indicates that the employment growth that has occurred since the last recession has not been strong enough to absorb all the population growth during the same period.

[7] Lovell, Vicky, Heidi Hartmann, and Claudia Williams. 2008. *Women at Greater Risk of Economic Insecurity: A Gender Analysis of the Rockefeller Foundation's American Worker Survey.* Washington, DC: Institute for Women's Policy Research.

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Economic Downturn: For Women, the Worst is yet to Come

Testimony Presented to a Hearing of the Joint Economic Committee on

The Employment Situation, May 2008

Friday, June 6, 2008
562 Dirksen Senate Office Building

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Rutgers, The State University of New Jersey

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Good morning Chairman Schumer, Vice Chair Maloney, members and staff of the Joint Economic Committee of Congress, and participants in this hearing. I am Eileen Appelbaum of Rutgers University, where I am the Director of the Center for Women and Work. I am very pleased to have this opportunity to speak to you about the difficulties facing working women as a result of the worsening downturn in the economy.

While some business commentators and members of the current administration continue to dither over whether the economy is in recession, America's working women know the economy is in real trouble. Oil prices are close to record highs. Families are spending more for food and gasoline and finding it harder and harder to make ends meet. Income growth has been constrained by five straight months of private sector job declines, four months of overall job loss. The housing bubble is still deflating and house prices continue to fall, so we can expect another wave of home foreclosures and still more turmoil in credit markets. Millions of American families face the prospect of losing their homes, their jobs, their retirement savings, their health insurance and their hold on a middle class way of life. Between November 2007 and April 2008, the private sector of the economy shed 326,000 jobs [7, 9] - and the end is not yet in sight.

In order to keep my remarks brief, I will focus on the effects of the economic slowdown on state budgets, on the effects that cuts in state budgets have on women - both in terms of reductions in services and on women's employment, and on steps Congress can take to help. Congressional action is important - had it not been for the economic stimulus payments that Congress passed and the government has now started sending out, personal income and consumption would already be declining. Private wages and salaries fell at an annual rate of $18.2 billion in April [1].

States Face Substantial Economic Stress

The economic slowdown is leading to substantial economic stress in the states. State budgets are falling out of balance as tax receipts decline and expenditures increase. Not only do states face a drop in personal and corporate income taxes as workers lose their jobs and businesses face declining sales, but the bursting of the housing bubble also means that property tax receipts are falling. Currently, 25 states plus the District of Columbia face shortfalls in their fiscal year 2009 budgets (starting in just 30 days on July 1, 2008 in most states), and more states expect budget problems. The total projected shortfall at this time is $40 billion which, on average, is between 8 and 9 percent of states' general funds in 2008. Eight states face projected shortfalls of more than $1 billion.[i] New York's budget gap is expected to be about $5 billion; New Jersey's is about $3 billion [4].

States are required to follow balanced budget rules, and often turn to broad-based spending cuts as a solution. The consequences can be severe, both for people and for the economy. In the 2001 recession, many states cut health and education services- cutbacks that reduced essential services that women rely on and that led to job losses in occupations that are large employers of women workers. In 2001 34 states cut eligibility for public health programs and well over 1 million people lost health coverage; 23 states cut eligibility for subsidies or otherwise limited access to child care; and 34 states cut real per-pupil aid to K-12 school districts. The result was

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that employees were laid off, contracts with vendors were canceled, and payments to non-profit organizations that provide direct services to women and families were reduced [3].

States facing budget deficits in the coming fiscal year have proposed budget cuts that will cut services and reduce employment in 2008-2009. New Jersey faces $1.67 billion in spending cuts.[ii] Major cuts have been proposed for hospitals, some of which may close, and for spending on health care, local governments, and community service agencies, as well as libraries, museums and after-school programs [5]. New York faces $2.25 billion in spending cuts,[iii] with large reductions planned in spending on hospitals and health care, nursing home reimbursements, economic development, neighborhood and rural programs, training for displaced homemakers, and the state share of spending by New York City and counties on public assistance benefits and youth detention centers [6]. California proposes cuts in school aid, Arizona proposes eliminating child care subsidies for several thousand children, Florida proposed freezing reimbursements to nursing homes and eliminating hospice care for thousands of terminally ill Medicaid patients, and so on [3].

Current state budgets were adopted a year ago - well before the economic downturn began. As a result, the economy has not yet lost jobs in private or public services that depend on state spending or subsidies. In fact, this has been the bright spot in an otherwise dismal jobs picture. That is about to change. Spending cuts by state and local governments will lead over the next year and beyond to employment declines in education and in health and care work - jobs overwhelmingly held by women.

Job Losses Are Cascading

Job loss in nonagricultural private industry began in December 2007 (January 2008 for the overall economy). Unemployment, which reached 5.92 million in April 2008 (5% of the labor force), has increased by 640,000 workers in the year since April 2007. Over the year, the male unemployment rate rose from 4.6 to 5.2%; the female unemployment rate rose from 4.4 to 4.8% [8]. Women as well as men have been affected by the downturn, but cutbacks in employment in the first half of 2008 were largely (though by no means entirely) concentrated in industries that are large employers of men. This will change as the recession unfolds - cuts in jobs in which women are the main workforce can be expected to increase in the second half of 2008 and in 2009.

The first sign of trouble in the job market was the loss of 14,000 private sector jobs between November and December of 2007. By April of 2008, more than 400,000 jobs - about two-thirds of them held by men [10] - had been lost in private sector companies, with major job losses in residential building, residential contractors, real estate and rental, building material and garden stores, manufacturing, and temporary help services [7, 9].[iv]

Job losses started later or more slowly in other industries. More than 168,000 jobs have been lost since the start of the downturn in nonresidential building, nonresidential trade contractors, wholesale trade, retail trade (except building material and garden stores), and financial activities (except real estate and rental) [7, 9] - with job losses about evenly split between men and women. Job losses in financial activities are only now beginning to accelerate. New York

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City lost 36,000 Wall Street jobs in the last recession, and the city's Independent Budget Office is projecting an "imminent" loss of 33,000 as this recession unfolds [2].

Private sector employment continued to grow in education, hospitals/healthcare, and social assistance, limiting net private sector job loss between November and April. These industries added 238,000. State and local government added 104,000 jobs. In addition, professional and business services (except temporary help) added 70,200 jobs, and food service and drinking places added 66,300 [7, 9]. More than two-thirds of these jobs are held by women [10], and many are at risk because of state cuts in spending and services made necessary by gaps in state budgets as the downturn worsens.

As happened in the 2000-2001 recession, job loss is fanning out across the economy and the threat to women's jobs is increasing. Sales receipts at eating and drinking places are down, and employment is sure to follow. States facing budget deficits are cutting services women rely on and employment in jobs women hold. States are also planning cuts in payments to vendors and nonprofits for health and social services, which will lead to cutbacks in private sector employment in hospitals, home health care, nursing care facilities, as well as child care services and other types of social assistance. There jobs range from 77 - 83% female [10], so job losses will be heavily concentrated among women if states have to cut back.

As in past economic downturns, women's employment can be expected to decrease sharply - but later in the business cycle than is the case for men. Job losses for women are likely to continue even after the official end of the recession.

How Will Families Cope?
Women face job loss, reductions in hours, loss of wages, and loss of health, education, child care, and social services. Policy makers need to know how women are coping with difficulties obtaining services they need in order to work and to care for their families. What adjustments are they making? In what ways are they and their families suffering? The American Time Use Survey, an annual household survey, measures how people divide their time among paid work, care, chores, and leisure. It is useful for evaluating the effectiveness of policies designed to encourage work or to help women and others with care giving responsibilities balance the demands of work and family. The Survey is especially important today, as the economy moves from expansion to contraction. The ATUS can help policy makers understand how families alter behavior in the face of changed economic circumstances, and this, in turn, can have important implications for how the downturn plays out. It is important that this Survey be fully funded.

It is also critically important that Congress pursue policy options that reduce the likelihood that women will be fired and lose their jobs because of sickness or care giving responsibilities. In the current economic environment, finding employment if you lose your current job for family reasons will be daunting. The U.S. thinks of itself as a pro-family country, but sadly we have very few public policies that would make this a reality for working women. I especially want to thank Congresswoman Carolyn Maloney for her many efforts to improve this situation. Congresswoman Maloney has co-sponsored many important pieces of legislation. These include the Healthy Families Act, which would provide every worker with a minimum of 7 paid sick days, and the Family Leave Insurance Act, which would enable workers to draw

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partial wage replacement while recovering from a serious illness or from childbirth, caring for a seriously ill family member, or bonding with a new child. Workers should not have to choose, as so many still do, between their jobs and their families. They should not have to come to work sick, endangering the health of customers, clients, and co-workers in order to keep their jobs. We are all grateful to Congresswoman Maloney for working so hard to change this.

States need fiscal relief from Congress
As states take steps to balance their budgets, jobs in health, social assistance, and state and local government will be axed. Budget rules force states to take these actions that will only deepen the recession. The federal government can provide help to the states during this economic downturn to avoid some of these cuts. Congress can enact a state fiscal relief package that provides targeted temporary assistance to states in which employment is stagnant or declining, or in which property values are declining precipitously. This will lessen the need for these states to cut services and increase job losses. Fiscal relief could be divided between a temporary increase in the federal share of Medicaid and SCHIP and general grants to states to enable them to maintain other critical programs. Such a package would lessen the need for states to take actions that only exacerbate the recession and make economic recovery more difficult.

In the last recession, Congress passed a $20 billion state fiscal relief package. That legislation provided states with $10 billion for Medicaid and $10 billion for other programs. While it was passed rather late in the business cycle, the package nevertheless averted an even worse impact on services cuts and job losses as states exhausted their rainy day funds. Similar legislation today, passed in a timely manner and targeted to states that are feeling the effects of the economic downturn, would cover about half the projected state shortfall for the 2008-2009 fiscal year – and would roughly reflect the effect of the slowing economy on state budgets. It would not only benefit women and families facing cuts in services and employment, but would help the economy by shortening the recession and preventing it from becoming even deeper.

Conclusion
Women as well as men have lost jobs in the economic downturn that began in the private sector in December 2007, but for women, the worst is yet to come. The economic slowdown has created substantial economic stress for states, many of which are planning broad-based spending cuts in the second half of 2008 and 2009 to balance state budgets. These cuts have a disproportionately negative effect on women. They threaten programs that women and children rely on. And they reduce employment in health and care work jobs that are held overwhelmingly by women. Congressional action can be effective in shortening the recession and minimizing these effects. Already, the economic stimulus package that Congress passed earlier this year is staving off an actual decline in national income (GDP) as rebate checks go out to families. This provides breathing room for Congress to adopt further policies to shorten the recession and lessen its impact. Others have pointed out the importance of initiatives such as extending unemployment insurance benefits to the historically high number of unemployed workers who have exhausted their 26 weeks of eligibility; rebuilding the nation's basic infrastructure and expanding access to high speed Internet and communications; and investing in energy conservation and green technologies. My purpose today is to make clear that Congress should broaden its focus to include a substantial package of state fiscal relief, should add the $6 million required to fully restore the American Time Use Survey to the BLS budget

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and, most importantly, should pass the Healthy Families Act and the Family Leave Insurance Act - all of which have become even more critical for women as the economy contracts.

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[i] Listed in order of the size of the state budget deficit in relation to the state's general fund (a measure of the severity of the problem), the eight states are Arizona ($1.9 billion), California ($16.0 billion), Florida ($3.4 billion), New York ($4.9 billion), New Jersey ($2.5 - $3.5 billion), Illinois ($1.8 billion), Massachusetts ($1.2 billion), and Ohio ($0.7 - $1.3 billion).

[ii] In New Jersey, the proposed budget includes cuts in spending on hospitals of $144 million and other health care cuts of $167 million. Local governments will lose $202 million; community service agencies will lose $42 million, and libraries, museums, and after-school programs will be downsized and hours cut back.

[iii] In New York, the proposed budget includes cuts in spending on hospitals and other health care of $980 million, and an additional $85 million cut in nursing home reimbursements. Spending on economic development and on neighborhood and rural programs will be cut by $55 million. The proposed budget shifts more of the costs of public assistance benefits and youth detention centers to NYC and the counties and reduces the state contribution by $76 million. It also eliminates funding for training displaced homemakers, a cut of $5.3 million.

[iv] Industries with largest job losses November 2007 to April 2008 (total private sector job loss of 403,900):

- Residential building 52,700
- Residential contractors 110,300
- Real estate & rental 23,400
- Building material & garden stores 42,900
- Manufacturing 198,000
- Temp help services 81,200

Testimony on the Employment Status of Women

Diana Furchtgott-Roth
Senior Fellow, Hudson Institute

Mr. Chairman, members of the Committee, I am honored to be invited to testify before your Committee today on the subject of the employment situation of women in the economy. I have followed and written about this and related issues for many years. I am the coauthor of two books on women in the labor force, "Women's Figures: An Illustrated Guide to the Economic Progress of Women in America," and "The Feminist Dilemma: When Success Is Not Enough."

Currently I am a senior fellow at the Hudson Institute. From February 2003 until April 2005 I was chief economist at the U.S. Department of Labor. From 2001 until 2003 I served at the Council of Economic Advisers as chief of staff and special adviser. Previously, I was a resident fellow at the American Enterprise Institute. I have served as Deputy Executive Secretary of the Domestic Policy Council under President George H.W. Bush.

Since about 1980, women in the United States have enjoyed a low unemployment rate, one comparable to men's. This has remained true over the past year, as the economy has slowed. According to BLS data, the 2007 unemployment rate for American women was 4.5 percent and the rate for men was 4.7 percent. In April, 2008, the female unemployment rate in the United States was 4.8 percent, compared to the male rate of 5.1 percent. Chart 1 demonstrates that the unemployment rate for American women moves closely to the rate for men.

In other countries, unemployment rates for women are higher than in the United States. In 2007, compared to the rate for American women of 4.5 percent, the rate for women in Canada was 4.8 percent; Australia, at 4.8 percent; France, at 9.1 percent; Italy, at 7.9 percent; Sweden, at 6.4 percent; and the UK, at 5 percent. In Italy, France, the Netherlands, and Sweden, women have a significantly higher unemployment rate than men.[1]

Not only do women in the United States have a lower unemployment rate, they also find jobs more quickly. According to the latest release from the OECD, only 9.2 percent of unemployed women in the United States had been unemployed for a year or more. As shown in Chart 2, this compares favorably to Australia, where 15.2 percent of unemployed women were unemployed for a year or more; France, where it was 43.3 percent; Germany, where it was 56.5 percent; Italy, where it was 54.8 percent; Japan, where it was 20.8 percent; the Netherlands, where it was 43.6 percent; Spain, where it was 32.2 percent;

[1] Bureau of Labor Statistics, "Comparative Civilian Labor Force Statistics, 10 Countries, 1960-2007," Washington, DC: Department of Labor, Updated April 18, 2008.

Sweden, where it was 12.2 percent; and the UK, where in 2006 14.9 percent of unemployed women had been unemployed for a year or more.[2]

The labor force participation rate for American women is also high. From 1980 to 1990, the participation rate rose 6 percentage points to 57.5 percent as large numbers of women entered the workforce. Chart 3 demonstrates this trend over time. The rate peaked in 1999 at 60 percent, and in 2007 was only seven tenths of a percentage point lower, at 59.3 percent. In April 2008, 59.6 percent of women were in the labor market. The 2007 labor force participation rate for women was higher than in Australia at 59 percent; Japan, at 47.9 percent; France, at 51.3 percent; Italy, at 37.9 percent; the Netherlands, at 59 percent; and the UK, at 56.5 percent, shown in Chart 4.

Women are increasingly entering higher education to train for well-paying careers. In 2006, the last year available, women earned 62 percent of associate degrees, 57.5 percent of bachelor's degrees, 60 percent of master's degrees, and 48.9 percent of doctoral degrees, higher percentages than in any previous year of data. The same is true for first-time professional degrees, of which women in 2006 earned 49.8 percent, greater than even 2000, when women earned 5 percentage points fewer of all professional degrees.[3] Chart 6 shows

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[2] OECD Employment Outlook 2007, Statistical Annex Table G, p 267.
[3] U.S. Department of Education, National Center for Education Statistics, "Degrees Conferred by Degree-Granting Institutions, by Level of Degree and Sex of Student: Selected Years, 1869-70 through 2016-17," *Digest of Education Statistics: 2007*, Washington, DC: National Center for Education Statistics, March 2008.

these trends. Medical and dentistry degrees are increasingly popular among women.

In 2006, over half of all associate, bachelors, masters, doctoral, and first professional degrees awarded to minorities were awarded to women. African-American women earned 69 percent of associate's degrees awarded to African-Americans, 66 percent of bachelor's degrees, 71 percent of master's degrees, 65 percent of doctoral degrees, and 63 percent of first professional degrees.[4] Charts 7 through 11 show these proportions over time.

The workforce reflects this trend towards more education. In 2007, 64.2 percent of the female labor force over 25 had some college education.[5] This is higher than in 1992, when fewer than 52 percent of working women had college experience.[6] From January to April 2008, an average of 65 percent of the female workforce over 25 had some college education. While not directly comparable, these data contrast significantly with the labor force in 1970, when nearly 80 percent of women between 25 and 64 had at most a high school diploma.[7] Over

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[4] U.S. Department of Education, National Center for Education Statistics, Tables 271, 274, 277, 280, and 283, *Digest of Education Statistics: 2007*, Washington, DC: National Center for Education Statistics, March 2008.

[5] Bureau of Labor Statistics Household Data, "Employment Status of the Civilian Noninstitutional Population 25 Years and Over by Educational Attainment, Sex, Race, Hispanic or Latino Ethnicity", updated January 2008.

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[7] Bureau of Labor Statistics, "Percent Distribution of the civilian labor force 25 to 64 years of age by educational attainment and sex, 1970-2006 annual averages", *Women in the Labor Force: A Databook*, Washington, DC, September 2007, p 23.

time, post-secondary education has become more valuable in the labor market, and these trends reflect that, as shown in Chart 5.

Employment, too, has increased significantly. In April 2008, 68.3 million women were employed, compared to 63.6 million in 2000, 53.7 million in 1990, and 67.4 million in April 2007. Since 1968, between 24 percent and 28 percent of female workers have worked part-time.

From 1980 to 1997, married women entered the labor market at increasing rates. Single women reached a peak in labor force participation in 2000, when 68.9 percent of them were in the labor market.[8]

Women have not only entered the labor market at increasing rates, but have also played a part in business creation. According to a 2006 SBA report, in 2002, women owned 6.5 million businesses, compared with 5.4 million in 1997. This did not include 2.7 million businesses equally owned by men and women and nearly 500,000 publicly-held or other businesses not classified by gender of owner. Women-owned businesses therefore comprised 28 percent of all businesses in 2002. When considering only firms with employees, women-owned businesses made up 16.6 percent of employer businesses, up from 16 percent in

[8] U.S. Census Bureau, "Marital Status of Women in the Civilian Labor Force," *The 2008 Statistical Abstract*, Historical Statistics, Retrieved from: http://www.census.gov/compendia/statab/hist_stats.html

1997. In other words, 16 percent of U.S. employers were run by women in 2002.[9] Chart 12 compares these periods.

Women's businesses in 2002 were strongly service-oriented, including financial services; professional, scientific and technical services; education, health, and social services; and other services. These comprised approximately 55 percent of women-owned businesses in 2002. Businesses catering to wholesale and retail trade comprised 16 percent of women-owned businesses.[10]

This increased participation in the labor market has helped women's overall economic performance. As shown in Chart 13, in 2006, the latest year available, the female poverty rate was 13.6 percent, lower than in the 1980s and most of the 1990s. The female poverty rate has not been 15 percent or higher since 1997.[11]

Women's real incomes have risen dramatically, as shown in Chart 14. Women of all races except Asians had higher real incomes than ever before in 2006, the latest year available.[12] In 2002, women's median annual income was $18,842. In 2006, it was $20,014. White women's incomes rose from $18,871 to

[9] Small Business Administration Office of Advocacy, "Women in Business: A Demographic Review of Women's Business Ownership," Washington, DC, August 2006, p 14.
[10] U.S. Department of Commerce, "Women-Owned Firms: 2002", *2002 Economic Census Survey of Business Owners*, Washington, DC, August 2006, p 4.
[11] U.S. Census Bureau, "Historical Poverty Tables," Current Population Survey, last updated August 28, 2007, retrieved from http://www.census.gov/hhes/www/poverty/histpov/histpovtb.html
[12] Bureau of the Census, "Table P-5. Regions – People by Median Income and Sex", Current Population Survey Historical Data, last updated August 28, 2007, retrieved from http://www.census.gov/hhes/www/income/histinc/incpertoc.html

$20,082. The incomes of black women rose from $18,749 to $19,103; Asians from $20,059 to $22,082, almost the same as 2005's high of $22,332; and Hispanic women's incomes rose from $14,330 to $15,758.[13]

One of the concerns of working women is the "pay gap" - the alleged payment to women of 77 cents for every dollar earned by a man. However, men and women generally have equal pay for equal work now—if they have the same jobs, responsibilities, and skills. Members of Congress are paid identically regardless of gender, as are many other men and women with the same job. Two entry-level cashiers at a supermarket, one male and one female, are usually paid the same, as are male and female first-year associates at law firms. If they believe they are underpaid, they can sue for discrimination under current law.

The 77 percent figure comes from comparing the 2006 full-time median annual earnings of women with men, the latest year available from the Census Bureau.[14] The 2006 Department of Labor data show that women's full-time median weekly earnings are 80.8 percent of men's.[15,16] Just comparing men and

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[13] Bureau of the Census, Historical Income Tables.

[14] DeNavas-Walt, Carmen, Bernadette D Proctor, and Jessica Smith, U.S. Census Bureau, "Table 1. Income and Earnings Summary Measures by Selected Characteristics: 2005 and 2006", *Income, Poverty, and Health Insurance Coverage in the United States: 2006*, Washington, DC: U.S. Government Printing Office, 2007, p. 6.

[15] U.S. Department of Labor Bureau of Labor Statistics, *Women in the Labor Force: A Databook*, Washington, DC, September 2007, p 47.

[16] BLS uncompiled 2007 data on weekly earnings yield an earnings ratio of 80.2 percent.

women who work 40 hours weekly, without accounting for differences in jobs, training, or time in the labor force, yields a ratio of 88 percent.[17]

These wage ratios are computed from aggregate government data and do not take into account differences in education, job title and responsibility, regional labor markets, work experience, occupation, and time in the workforce. When economic studies include these major determinants of income, rather than simple averages of all men and women's salaries, the pay gap shrinks even more. A report by Jody Feder and Linda Levine of the Congressional Research Service entitled "Pay Equity Legislation in the 110th Congress,"[18] declared that "Although these disparities between seemingly comparable men and women sometimes are taken as proof of sex-based wage inequities, the data have not been adjusted to reflect gender differences in *all* characteristics that can legitimately affect relative wages (e.g. college major or uninterrupted years of employment)."

Many academic studies of gender discrimination focus on the measurement of the wage gap. Dozens of studies have been published in academic journals over the past two decades. These studies attempt to measure

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[17] Bureau of Labor Statistics, "Median usual weekly earnings of wage and salary workers by hours usually worked and sex, 2006 annual averages", *Highlights of Women's Earnings in 2006*, Washington, DC, September 2007, p 17. Statistic refers to workers who usually work exactly 40 hours a week.

[18] Jody Feder and Linda Levine, "Pay Equity Legislation in the 110th Congress," *CRS Report for Congress RL31867*, Washington, DC: Congressional Research Service, Updated January 5, 2007.

the contributing effects of all the factors that could plausibly explain the wage gap through an econometric technique called regression analysis. The remaining portion of the wage gap that cannot be explained by measurable variables is frequently termed "discrimination." Generally, the more explanatory variables that are included in the econometric regression analysis, the more of the wage gap that can be explained, and the less is the residual portion attributable to "discrimination." An analysis that omits relevant variables finds a greater unexplained residual.

However, simple wage ratios do not take into account other determinants of income. They are computed using purely mathematical calculations of U.S. labor market data published by the Bureau of Labor Statistics of the U.S. Department of Labor. Comparisons of men's and women's wages need to be made carefully, because there are differences in hours worked by men and women.

Let's take an example of how regression analysis allows us to distinguish different factors that affect earnings. A female nurse might earn less than a male orthopedic surgeon. But this would not be termed "unfair" or "discrimination" because the profession of surgeon requires more years of education, the surgeon might work different hours from the nurse, and the nurse might have fewer continuous years of work experience due to family considerations.

The standard literature in analyzing wage gaps between men and women is centered on measuring these varying factors. Professors such as Francine Blau and Lawrence Kahn,[19] Charles Brown and Mary Corcoran,[20] David Macpherson and Barry Hirsch,[21] and Jane Waldfogel[22] all take these factors into account to a greater or lesser degree. There are no peer-reviewed academic studies that measure the wage gap between men and women without using regression analysis to account for the major factors affecting wages.

To take one study as an example, Professor June O'Neill, in an article published in 2003 in the economics profession's flagship journal *The American Economic Review*,[23] shows that the observed unadjusted wage ratio between women and men in 2000 is 78.2 percent. When data on demographics, education, scores on the Armed Forces Qualification Test, and work experience are added, the wage ratio rises to 91.4. The addition of variables measuring workplace and occupational characteristics, as well as child-related factors, causes the wage ratio to rise to 95.1 percent. When the percentage female in the

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[19] Francine D. Blau and Lawrence M. Kahn, "The US Gender Pay Gap in the 1990s: Slowing Convergence," *National Bureau of Economic Research*, Working Paper 10853, October 2004.
[20] Charles Brown and Mary Corcoran, "Sex-Based Differences in School Content and the Male/Female Wage Gap," *Journal of Labor Economics* 15 (July 1997 Part 1): 431-65
[21] David A. Macpherson and Barry T. Hirsh, "Wages and Gender Composition: Why Do Women's Jobs Pay Less?" *Journal of Labor Economics* 13 (July 1995): 426-71.
[22] Jane Waldfogel, "Working Mothers Then and Now: A Cross-Cohort Analysis of the Effects of Maternity Leave on Women's Pay," in *Gender and Family Issues in the Workplace*, edited by Francine D. Blau and Ronald G. Ehrenberg (New York: Russell Sage Foundation, 1997).
[23] June O'Neill, "The Gender Gap in Wages, Circa 2000," *American Economic Review*, Vol. 93, No.2, Papers and Proceedings of the One Hundred Fifteenth Annual Meeting of the American Economic Association, Washington, D.C., January 3-5, 2003 (May 2003), 309-314.

occupation is added, the wage ratio becomes 97.5 percent, an insignificant difference.

In another study, Professors Marianne Bertrand of the University of Chicago and Kevin Hallock of Cornell University found almost no difference in the pay of male and female top corporate executives when accounting for size of firm, position in the company, age, seniority, and experience.[24]

Lower pay can reflect decisions – by men and women--about field of study, occupation, and time in the workforce. Those who don't finish high school earn less. College graduates who major in humanities rather than the sciences have lower incomes. More women than men choose humanities majors.

Employers pay workers who have taken time out of the work force less than those with more experience on the job, and many women work less for family reasons. A choice of more time out of the workforce with less money rather than more time in the workforce with more income is not a social problem. A society that gives men and women these choices, as does ours, is something to applaud.

Thank you for giving me the opportunity to appear before you today. I would be glad to answer any questions.

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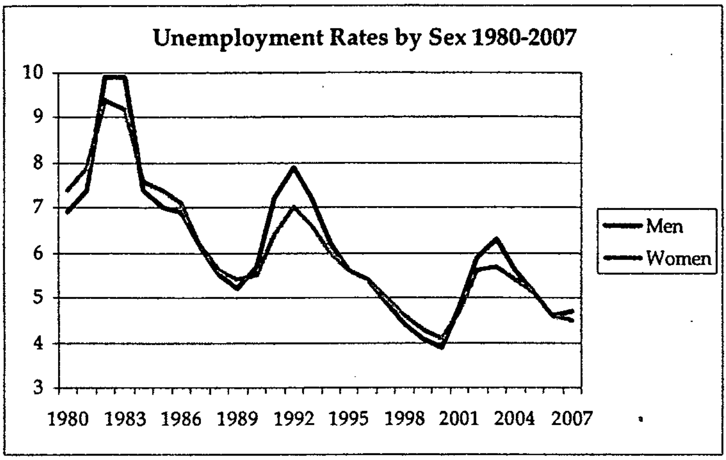
[24] Marianne Bertrand and Kevin Hallock, "The Gender Gap in Top Corporate Jobs," *Industrial and Labor Relations Review*, October 2001.

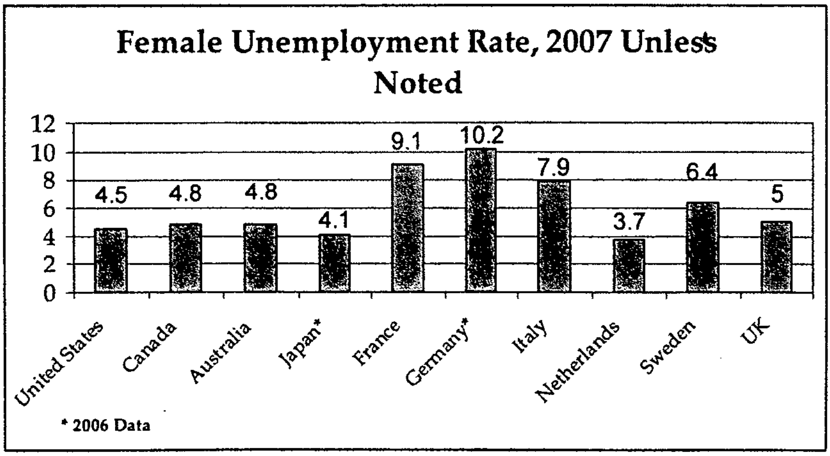
Appendix 1: Charts

Chart 1



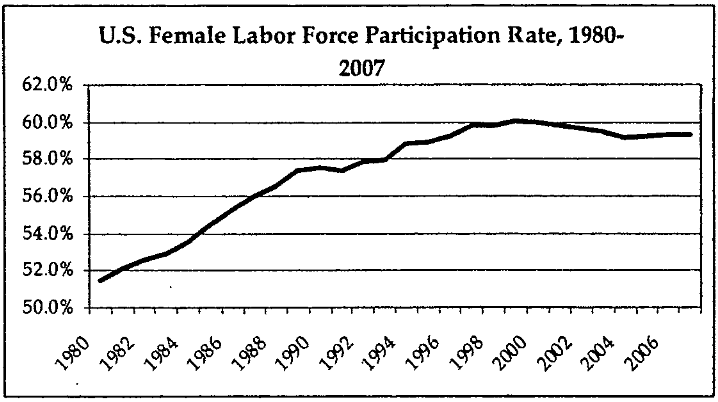
Source: Bureau of Labor Statistics

Chart 2



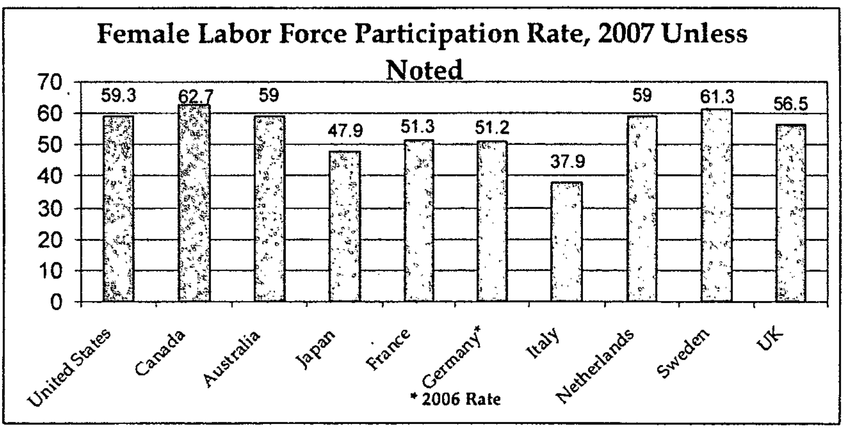
Source: Bureau of Labor Statistics, "Comparative Civilian Labor Force Statistics, 10 Countries, 1960-2007"

Chart 3



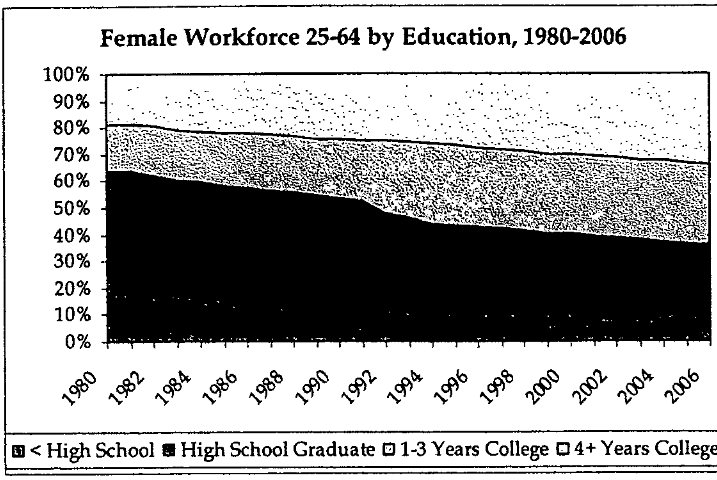
Source: Bureau of Labor Statistics

Chart 4



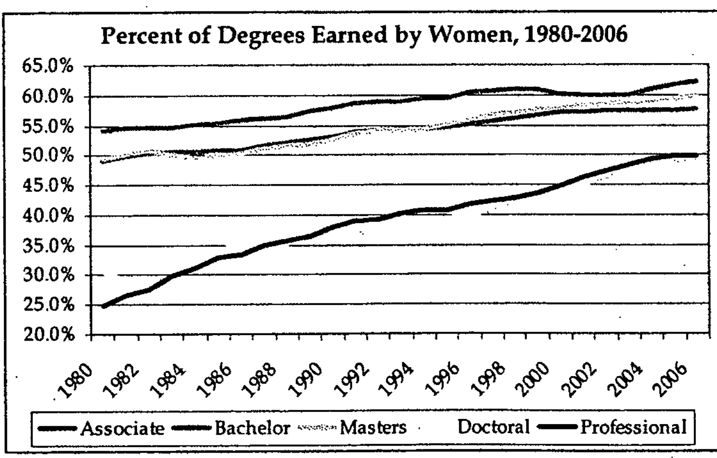
Source: Bureau of Labor Statistics, "Comparative Civilian Labor Force Statistics, 10 Countries, 1960-2007"

Chart 5



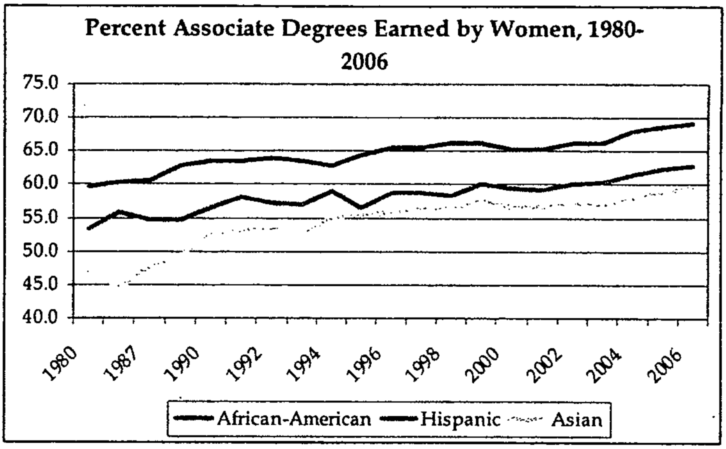
Source: Bureau of Labor Statistics, "Women in the Labor Force: A Databook" 2007

Chart 6



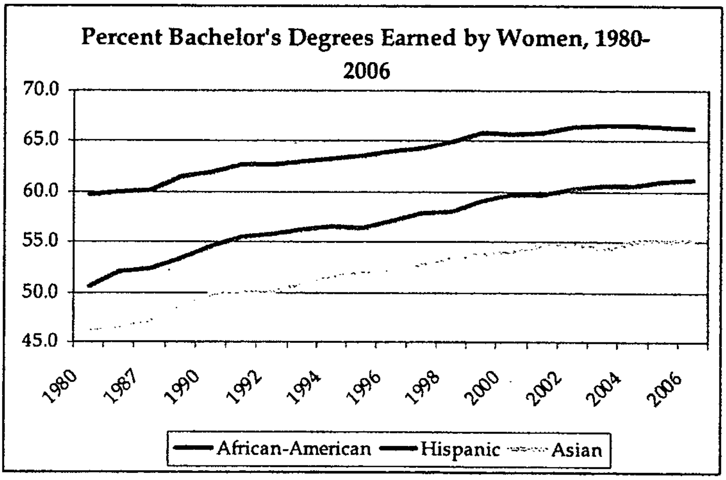
Source: National Center of Education Statistics, "Digest of Education Statistics", Postsecondary Education

Chart 7



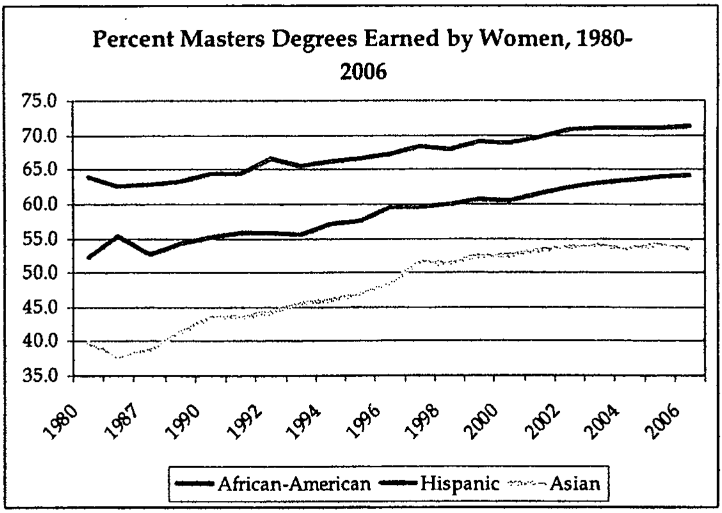
Source: National Center of Education Statistics, "Digest of Education Statistics", Postsecondary Education

Chart 8



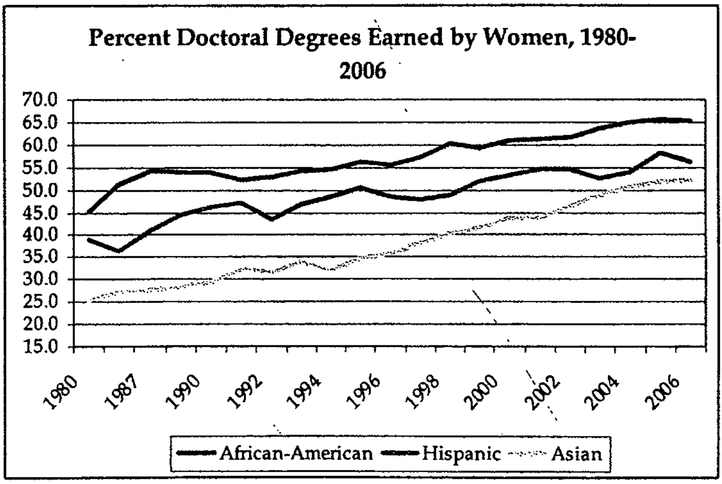
Source: National Center of Education Statistics, "Digest of Education Statistics", Postsecondary Education

Chart 9



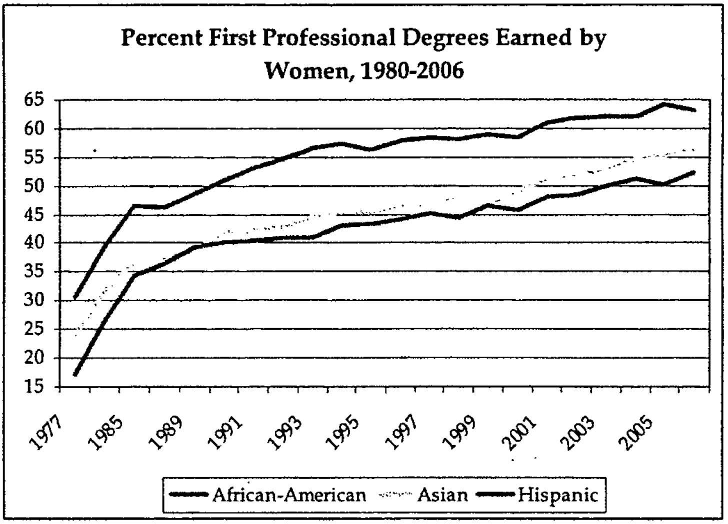
Source: National Center of Education Statistics, "Digest of Education Statistics", Postsecondary Education

Chart 10



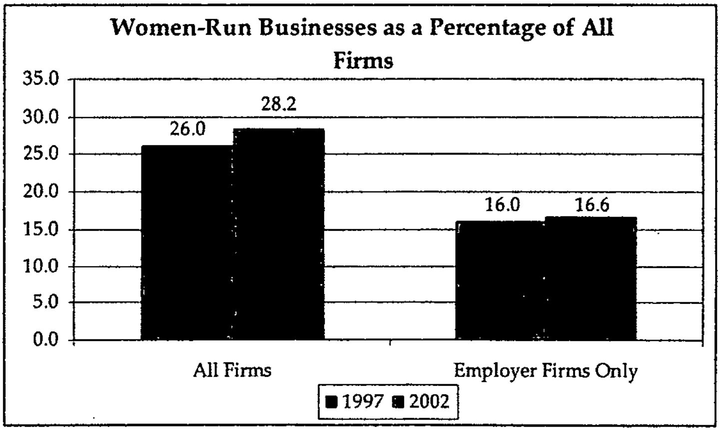
Source: National Center of Education Statistics, "Digest of Education Statistics", Postsecondary Education

Chart 11



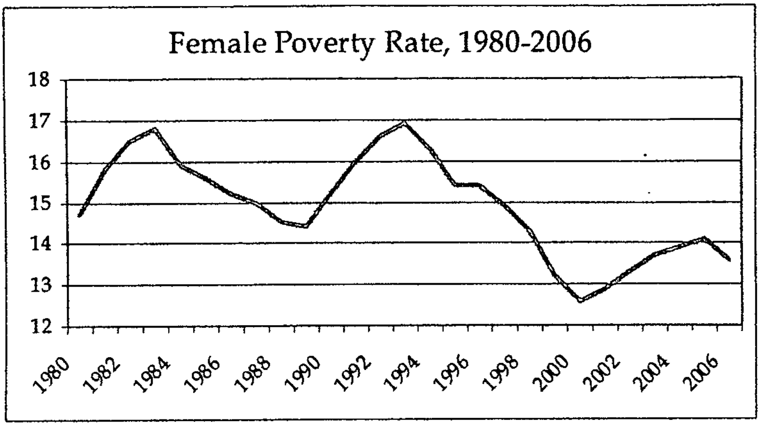
Source: National Center of Education Statistics, "Digest of Education Statistics", Postsecondary Education

Chart 12



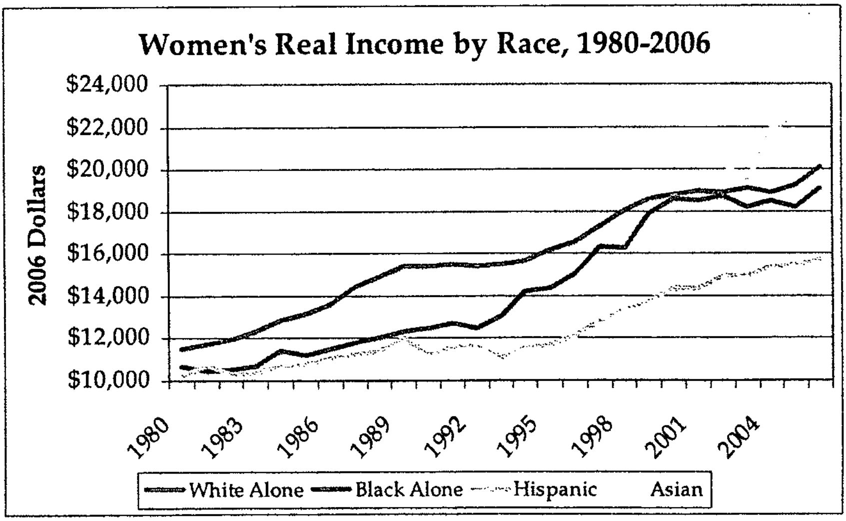
Source: Small Business Administration Office of Advocacy, "Women in Business"

Chart 13



Source: Current Population Survey 2006 Poverty Data

Chart 14



Source: Current Population Survey 2006 Income Data

The Honorable Maurice Hinchey
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Hinchey:

I appreciated the opportunity to participate in the Joint Economic Committee's June 6, 2008, hearing on the Employment Situation report. At that hearing, I mentioned that I would provide historical employment data on the goods-producing and service-providing industries and data on wage growth.

I have enclosed two tables with historical data on employment by major industry sector. Table 1 shows employment levels and Table 2 shows the share of nonfarm employment by major industry sector. The share of nonfarm employment held by the goods-producing industries versus the service-providing industries has changed over the past several decades. In 1960, goods-producing industries accounted for 35.3 percent of nonfarm employment; by 2007, this share was 16.1 percent. The share of nonfarm employment held by service-providing industries increased from 64.7 percent in 1960 to 83.9 percent in 2007.

I also have enclosed tables with historical data on real median usual weekly earnings for full-time wage and salary workers in selected deciles and quartiles (Table 3) and by educational attainment (Table 4). As I noted in the hearing, wage growth has been greater among higher-income workers and those with the highest levels of educational attainment.

In addition, we have prepared a package about the labor market in New York State and New York City. This package contains statistics on employment, unemployment, and mass layoffs for the state.

Also, in response to your opening statement, I would like to clarify who is included in the official unemployment rate and who is included in our most inclusive measure of labor underutilization, "U-6". In the statement, you indicated that the unemployment rate would be higher than the official rate if people who had exhausted their Unemployment Insurance (UI) benefits were included. Actually, receipt of UI benefits does not factor into whether individuals are included in the unemployment rate. Rather, the official rate includes *all* persons who have fulfilled the criteria for being unemployed regardless of UI status. Specifically, to be counted as unemployed, they must have 1) done no work for pay or profit during the survey reference week, 2) wanted a job and been available to take one if one had been offered, 3) actively sought work sometime during the 4 weeks prior to the survey.

The alternative measure that was 9.7 percent in May was what we refer to as U-6. That rate includes, in addition to the unemployed, marginally attached workers (individuals who wanted and were available for work and had looked for a job sometime in the prior 12 months, but were not counted as unemployed because they had not searched for work in the 4 weeks preceding the survey) and workers employed part time for economic reasons (those who would have preferred full-time jobs).

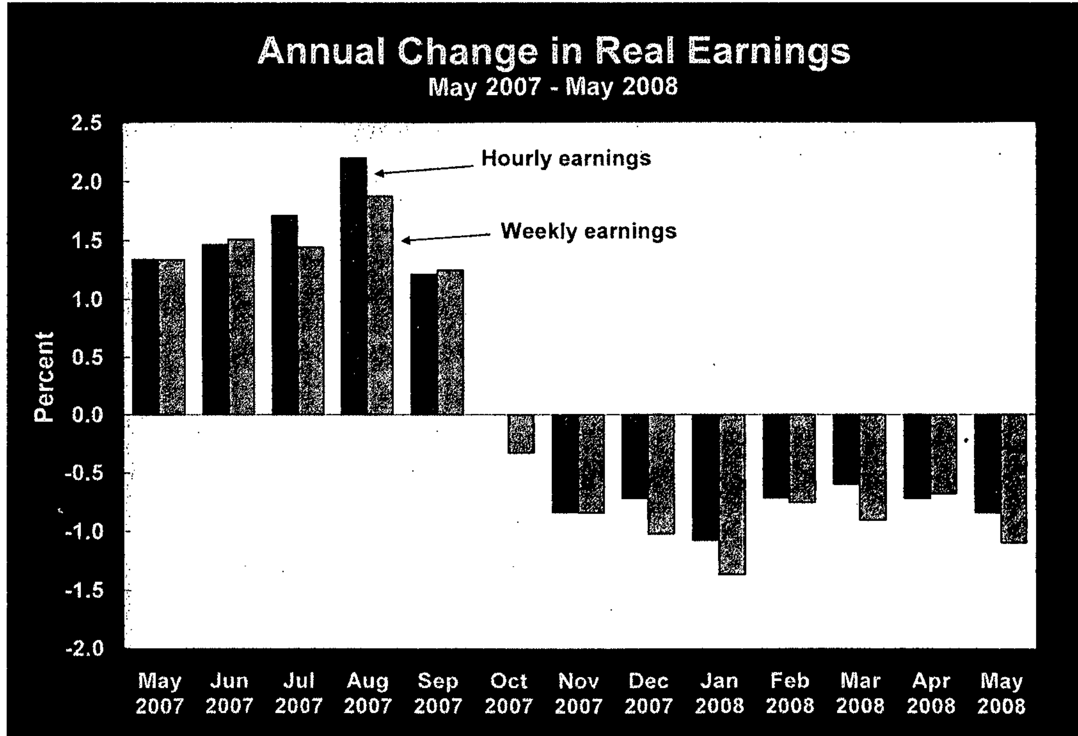
Finally, I want to thank you for providing me with an opportunity to discuss the BLS budget situation. I greatly appreciate your concern that BLS be in a position to continue to produce timely and accurate economic data, including those on employment and prices, in FY 2009 and beyond.

I hope you will find this information useful, and I look forward to continued discussions with you and the Committee about economic developments. If you have any questions, please do not hesitate to contact me at (202) 691-7802.

Sincerely yours,

PHILIP L. RONES
Deputy Commissioner

Enclosures



Source: Joint Economic Committee and Economic Policy Institute analysis of Bureau of Labor Statistics.