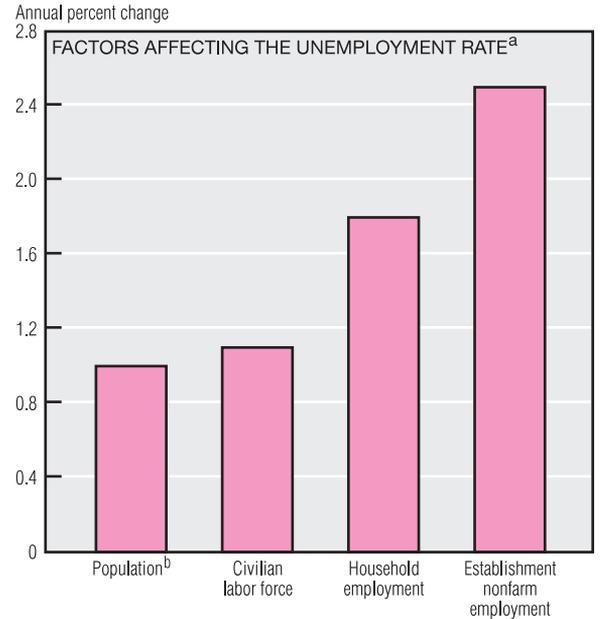
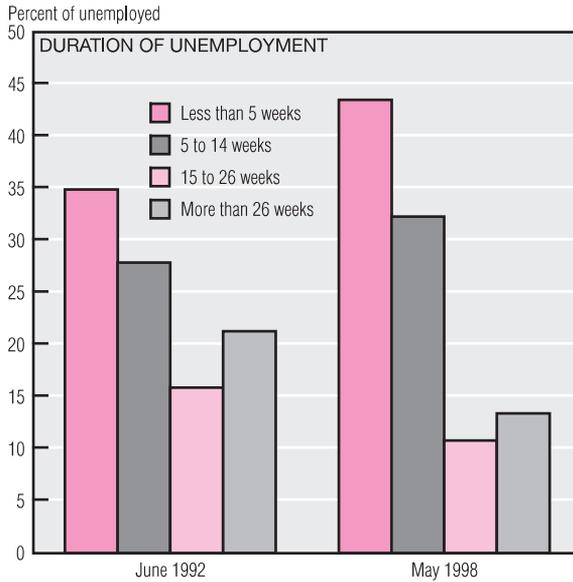
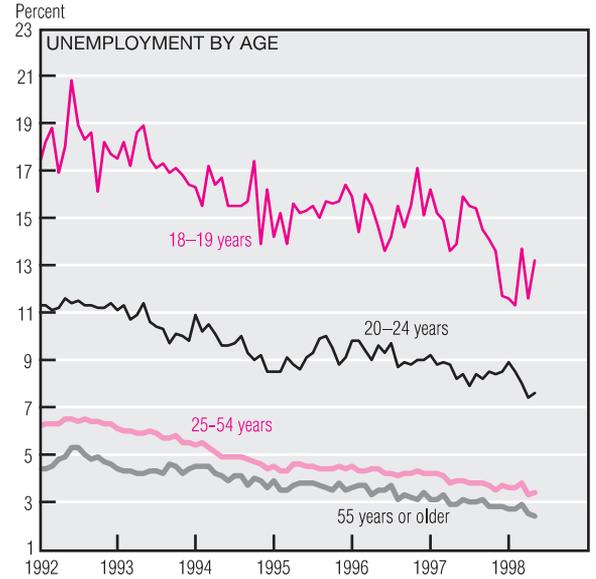
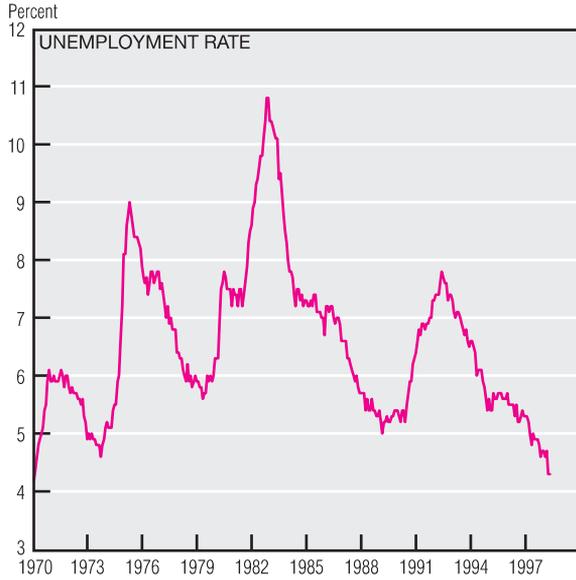


Labor Market Strength



a. Change from June 1992 to May 1998.
 b. Not seasonally adjusted.
 NOTE: Data are seasonally adjusted unless otherwise specified.
 SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

The strong current recovery has been exceptional in many ways, perhaps most remarkably in producing the lowest unemployment rate since early 1970. The historical comparison is probably even better: Survey procedure changes in 1994 raised measured unemployment by approximately 0.5%, suggesting that today's rate is comparable to a pre-1994 rate of 3.8%.

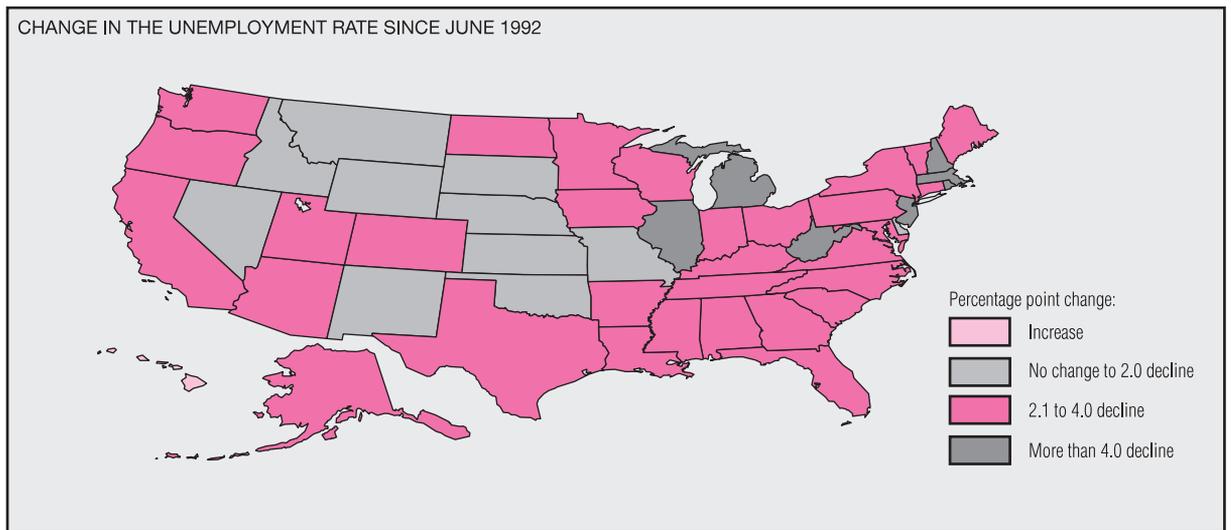
All age groups have experienced the unemployment decline, al-

though more than 10% of early career workers (18-19 years old) are unemployed. In addition, jobless people are spending less time on the unemployment rolls, with a median spell of less than six weeks this May, compared to nearly nine weeks in June 1992.

How did the unemployment rate get so low? The rate depends on the availability of jobs and on the size of the potential workforce. The latter rises largely with the growth of the

adult U.S. population (1.0% per year during this recovery), but that is not the only factor. Rising participation rates have also expanded the civilian labor force. Since June 1992, when the unemployment rate reached its recent peak of 7.9%, the participation rate has risen from 66.7% to 67.0%. Without higher participation, the unemployment rate would have fallen even farther, to 3.8%. According to either the household or the
(continued on next page)

Labor Market Strength (cont.)



a. Nonfarm employment.
 b. Transportation and public utilities.
 c. Finance, insurance, and real estate.
 NOTE: Data are seasonally adjusted.
 SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

establishment survey of employment, jobs growth has outstripped labor force growth, leading directly to a lower unemployment rate. The growth rate in the establishment measure of jobs exceeds the household count of workers, a sign that moonlighting (a worker holding more than one job) has increased.

Employment gains have occurred in every sector of the economy except mining. Of course, sectors have not expanded evenly. Over eight million workers were added by serv-

ice firms, making the largest major industry also the fastest-growing. Construction work has boomed too, undoubtedly stimulated by some of the lowest long-term interest rates in decades.

The picture is similarly bright for most states. Those that struggled during the last recession, notably several eastern states, have enjoyed the largest declines in their unemployment rates. The midwestern states with the smallest unemployment rate declines were those that did not experience very high unem-

ployment rates in the 1990-91 recession. The exception to all this positive news is Hawaii, tightly linked to Japan through tourism and construction funding, which has been hurt by the slowing of the Japanese economy.

Can the heartening trend to lower unemployment rates persist? Jobs growth has continued unabated into 1998, but further unemployment rate reductions at the post-1992 pace would push joblessness to unprecedented lows.