Continuing this year's string of strong labor market reports, August brought 250,000 net new jobs and a drop in unemployment to a seven-year low of 5.1%. This unemployment rate reflects adjustments to the household survey methods, started in January 1994, that were expected to raise the measured unemployment rate as much as 0.5%. If these adjustments are taken into account, we have to look back to early 1973 to find an equally low (4.6%) jobless rate.

Employment growth was widespread, with most narrowly defined industries reporting increases. Strong gains in both manufacturing and local government employment were partly due to uncustomized seasonal patterns: the return of manufacturing workers from unusually long vacation downtimes, along with earlier starting dates for schools. Neither of these factors can explain away August's strong employment showing, but they may dampen jobs growth in the coming months.

Although the unemployment rate is one of the most carefully compiled labor statistics, it does not allow us to draw inferences about the effects of unemployment on workers' well-being. It turns out that many "unemployed" workers were not fired or laid off: 55% are new entrants, re-entrants, and workers who voluntarily left their jobs.

(continued on next page)
Laid-off workers are further studied in the BLS's Displaced Workers Survey, which asks about any job loss in the previous three years, focusing on the effects of joblessness and clarifying the unemployment patterns that have led to growing reports of job insecurity. About half of displaced workers were let go while their plant or site continued to function, indicating that targeted layoffs are an important source of displacement.

Over time, white-collar occupations have come to account for a significant chunk of layoffs. In the survey's early years (1979–93), recessions pushed the overall displacement rate up to 8.5%, but left managers and professional specialties relatively unscathed (4.4%), while blue-collar specialties' rates were well into double digits.

Re-employment rates are as important as displacement rates, and the 1996 survey shows a vital economy. It reports the highest re-employment rates since the survey began and should comfort laid-off workers, particularly those in the more skilled blue- and white-collar occupations. On average, re-employed workers continue to lose wages, but the latest data show that their chances of a wage increase nearly equal those of a wage reduction.