Payroll employment continued to surge in January, recording a net increase of 387,000 jobs. The proportion of the population with jobs increased 0.4%, reaching a record 64.8%. The unemployment rate fell 0.1% to hit 4.0%, its lowest level since January 1970. Average hourly earnings rose 6 cents to $13.50, a 3.5% increase since January 1999.

Buoyed by strong gains in construction, employment in the goods-producing sector, which had average monthly losses of 7,000 in 1999, increased 31,000 last month. Because of unseasonably warm weather during the survey reference period, construction employment increased 116,000 in January. Employment growth in the goods-producing sector was not limited to construction, however; the manufacturing sector gained 13,000 jobs last month.

Rapid employment growth continued in the service-producing sector. Despite a significant drop in department store employment, there was a net increase of 43,000 jobs in retail trade. Following four months of stagnant growth, business services also posted strong gains, adding 63,000 jobs in January.

Many analysts express increased concern about impending labor shortages. The tight labor market is reflected in the unemployment rate and in the pool of available workers, which has shrunk from about 16 million in 1992 to fewer than 10 million today. This count includes individuals aged 16 to 64 who are either unemployed or not in the labor force, but who report that they want jobs.
The unemployment rate is at a 30-year low, but it varies with demographic factors like age, race, sex, and education. Young workers, who have less experience, predictably have much higher unemployment rates than older cohorts. Just as predictably, those with more education have significantly lower unemployment rates. In 1998, people who had not finished high school had quadruple the unemployment rate of those with four years of college or more. Females have slightly lower unemployment rates than males, while whites have significantly lower rates than African Americans.

The unemployment rate is the number of unemployed as a percent of the civilian labor force. The unemployed are those who were available for—and made specific efforts to find—work in the four weeks prior to the monthly survey. Persons not in the labor force include those 16 years and older who are in school, retired, unable to work (due to conditions like disability or illness), homemakers, and workers marginally attached to the labor force. People in the last category, who totaled 1.2 million in January, are available for work and have sought it in the prior 12 months. Marginally attached workers are not counted in the labor force, so they do not affect the unemployment rate.

Unemployment fell during the 1990s, primarily because the number of people who lost jobs decreased steadily from 1992 onward.