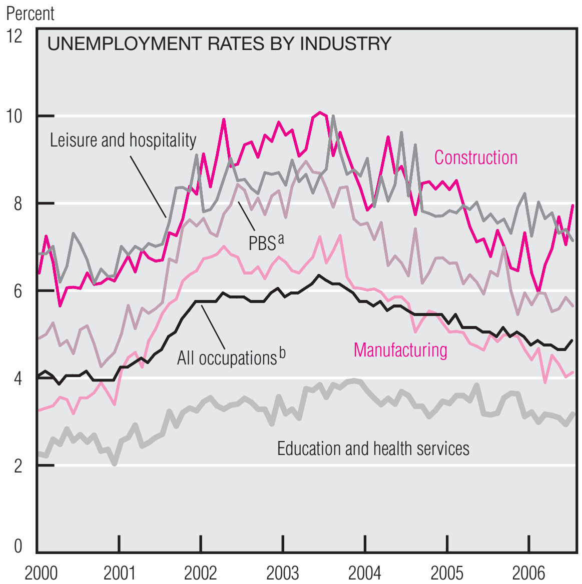
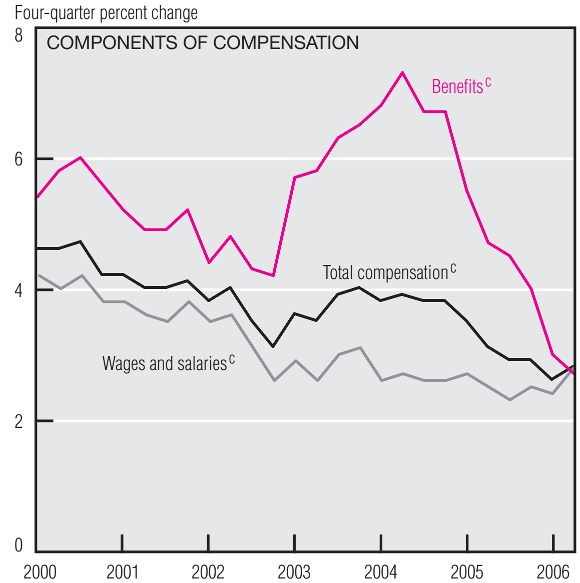
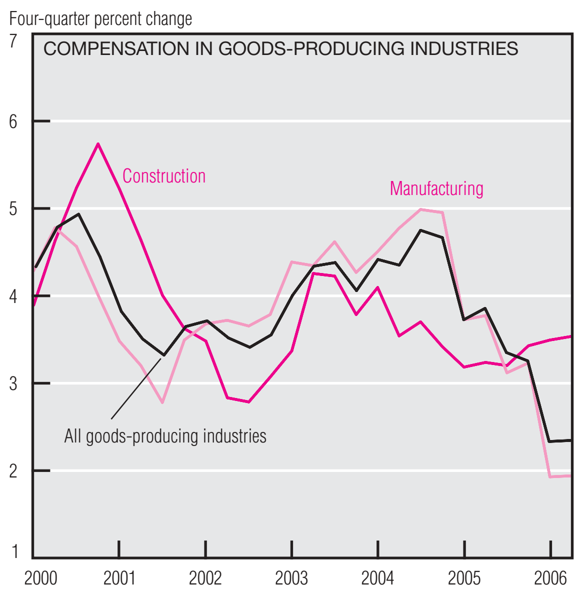
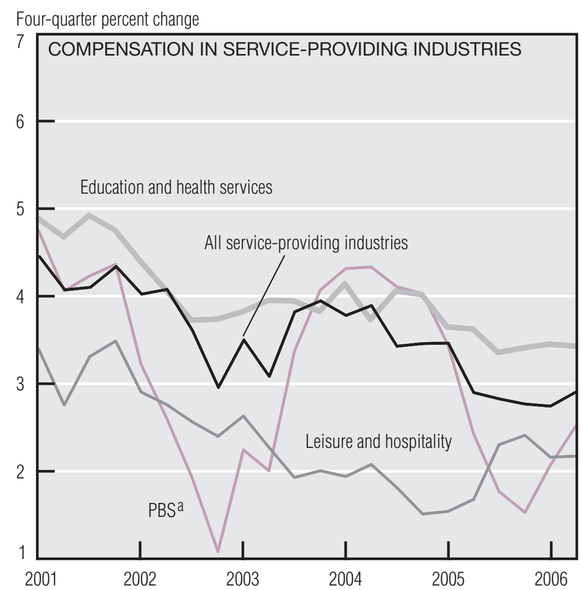
# Labor Utilization




NOTE: All data are seasonally adjusted.
a. Professional and business services.
b. All civilian workers.
c. Private industry workers in constant dollars
SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

At its August 8 meeting, the Federal Open Market Committee (FOMC) expressed concern that "high levels of resource utilization" could potentially sustain inflation. Growing labor utilization is reflected in falling unemployment rates. Although the most recent monthly data show a slight increase in the unemployment rate (from 4.6% in June to 4.8% in July), this measure has been trending downward for several years, as more and more workers are re-absorbed into the labor force.

Nevertheless, unemployment rates can vary considerably across industries. For several years, rates in construction, leisure and hospitality, and professional and business services have all been above the all-industry average. By contrast, the manufacturing sector's unemployment rate has been about average, while the rate in education and health services was below average.

Despite the general increase in labor utilization, workers' compensation gains, as measured by the Employment Cost Index, have been trending down in recent years because of dramatic declines in benefit gains. As of 2006:IIQ, the index was up 2.8% from a year earlier; this compares to annual increases on the order of $4^{1}/_{2}$% in 2000. Goods producers have generally seen sharper reductions in compensation gains than their service-providing counterparts. The exception was professional and business services, where compensation gains began to tumble in 2004, though this trend has reversed in recent quarters.