

Labor market optimism despite surge in unemployment rate

Sharp increase in payroll employment and slight increase in labor force

[Fadhel Kaboub](#) Apr. 05 . 2004

The latest Bureau of Labor Statistics (BLS) household survey released on Friday April 3rd showed an unemployment rate of 5.7 percent in March 2004. "Total nonfarm payroll employment rose by 308,000 in March to 130.5 million," the BLS reports.

This is "the highest monthly job growth number since the spring of 2000," said President Bush in his weekly radio address.

Most of the new jobs created in March were in the service sector (230,000), construction (71,000) and retail (47,000). Manufacturing remained stable but ended 43 months of layoffs in a row.

Many observers look at the recent BLS report with mixed feelings about the economic recovery. March payroll employment increased by 308,000 but at the same time the unemployment rate rose from 5.6 to 5.7 percent. Part of the explanation is the increase in the labor force by 200,000 reaching 146.7 million compared to 146.5 million in February.

White house economic advisor, Gregory Mankiw explained that the two conflicting statistics come from two different surveys conducted by the BLS: the household survey and the payroll survey.

"According to the payroll survey the economy has created 759,000 jobs since August. According to the household survey the economy has created 978,000 over the same period. The unemployment rate, which also comes from the household survey, has fallen from its peak of 6.3 percent in June to 5.7 percent most recently," said Mankiw in "Ask the White House" an online forum hosted at the White House website.

"The bottom line is that the economy is heading in the right direction, regardless of which survey you look at," said Mankiw.

Many economists outside the White House welcomed the good news about the labor market; however, many consider this improvement in economic conditions insufficient to call it a robust recovery.

"While this is good news, it is not unexpected. There have been some temporary boosts to demand due to tax cuts and spending on the war. Currently, the federal budget deficit is adequate to keep the economy on a "holding pattern"-with growth just sufficient to prevent job markets from worsening," said L. Randall Wray, UMKC economics professor and senior research associate at the Center for Full Employment and Price Stability (C-FEPS).

"Note that while 308,000 jobs were created, this was not sufficient to lower unemployment at all. We will need a much faster pace than this to begin to replace the two and a half million jobs lost since President Bush took office. And beyond that, we need many millions more new jobs to provide employment for all the people who have come of working age in the past three years," Wray told the *Kansas City Aurora*.

Wray estimates that the U.S. economy needs to create nearly 8 or 9 million new jobs to make up for all the ground lost since 2000.

“We need to create more than this number of jobs, EVERY MONTH for the next three or four years. We are still a very long way from recovery, and I don’t expect robust growth and job creation to begin until the federal budget deficit reaches 7 or 8 percent of GDP. I suspect that is still a couple of years into the future,” said Wray.

The state of the economy in general, and the unemployment rate in particular will certainly be very important debate items for the November 2004 presidential election. Voters will continue to closely monitor BLS figures in the next six months as they decide whether they want to see four years of Bushonomics or Kerrynomics.

The Employment Situation for April 2004 is scheduled to be released by the BLS on Friday, May 7, 2004.

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