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Iowa Jobs Rise, But Jobless Rate Spikes Mixed Signals Before Flooding; May Jobless Rate 3.9 Percent

IOWA CITY, Iowa (June 24, 2008) — Iowa's economy produced jobs well ahead of its recent pace in May, but not enough to keep the unemployment rate from a sharp spike to 3.9 percent.

“More Iowans were looking for work in May, possibly due in part to graduations and summer vacations from school. But whatever the cause, there were not enough jobs to meet the demand,” said Peter Fisher, research director of the nonpartisan Iowa Policy Project, which tracks job trends in Iowa.

The increase of four-tenths of a percentage point in the unemployment rate, from 3.5 percent in April to 3.9 percent in May, a 26-month high, overshadowed a 4,100-job gain in payroll employment. Iowa's jobless rate stood at 3.8 percent in May 2007.

Although the figures are seasonally adjusted, they do not fully account for graduation effects at the end of spring and winter semesters, Iowa Workforce Development spokesperson Ann Wagner said.

Iowa's average job growth through the first four months of 2008 was 300 per month, with job losses from February through April. The May figures boosted Iowa nonfarm employment to an all-time high of 1,526,300 (seasonally adjusted).

“Unfortunately, the flooding in June has harmed businesses throughout eastern and central Iowa and it is unclear how it will affect the Iowa job picture over the long term,” Fisher said. “June and July numbers will give us an indication of the initial impacts.”

Fisher noted the job numbers have shown contradictory trends before — job increases with jobless rate increases, or declines in both measures.

He said it may be explained for May by the increase in the labor force (people working or looking for work), which rose 4,400 during the month to 1,679,800. The estimates based on the number of people reporting they were unemployed increased by 6,700, which far exceeded even the boost in people in the labor market.

The payroll survey of employers showed gains during May of 1,100 in construction, 1,100 in trade, transportation and utilities, 800 in leisure and hospitality, 500 in education and health services, 300 in government, 100 in manufacturing, 100 in financial activities. A loss of 100 was reported in professional and business services.

Compared with the May 2007 nonfarm job numbers, Iowa is up 10,200 overall (an average net increase of about 900 per month).

By industry sector, all but three main categories showed gains, led by government at 3,600 and education and health services at 3,000. Manufacturing was up 1,600, financial activities up 1,000 and professional and business services also up 1,000 over the year, with smaller gains in leisure and hospitality (500), trade, transportation and utilities (300), and other services (300).

Information jobs were down by 700 over the year, with declines of 300 in construction and 100 in mining.

The Iowa Policy Project is a nonpartisan, nonprofit research and policy analysis organization based in Mount Vernon, with its principal office in Iowa City. IPP reports on job and income trends, budget and tax issues, and energy and environmental policy are available at <http://www.iowapolicyproject.org>.

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