

Economic Perspectives

U.S. job losses accelerate again in September

Unemployment rate rises to 9.8%

October 2, 2009

The U.S. economy shed another 263,000 jobs in September. The reading was worse than widely expected and worse than the August revised loss of 201,000 jobs. Nevertheless, the rate of decline in private employment is slowing. The rate of state and local government job losses, however, accelerated as severe budget constraints grip nearly every level of government including public education. That sector took a big job hit in September at the beginning of the new school year.

Since the official start of the recession in December 2007, 7.6 million jobs have been lost bringing the ranks of the currently unemployed to 15.1 million. In a side note, the Bureau of Labor Statistics announced its intent to revise March 2009 payroll employment down by 824,000 jobs based on a full employment count of unemployment insurance records. This implies that total job losses since the beginning of the recession may be over 8.0 million.

Among the unemployed are 603,000 persons who became newly unemployed or who completed temporary jobs. The number of long term unemployed (defined as those unemployed for 27 weeks or more) rose by 450,000 to 5.4 million persons. A full 35.6% of unemployed workers have now been unemployed for 27 weeks or more. It has become painfully clear that once a person becomes unemployed, they are likely to remain unemployed for an extended period of time. Moreover, the statistics suggest too that the longer a person is unemployed, the longer it takes to find a job.

In September, the number of persons working part time for economic reasons (involuntary part time workers) was nearly the same as August at 9.2 million. Those marginally attached to the workforce total about 2.2 million; some 615,000 more than a year earlier. Among the marginally attached were 706,000 discouraged workers. Persons in that group are no longer searching for work as they don't believe there is a job available for them. That group has increased by 239,000 persons over the last year.

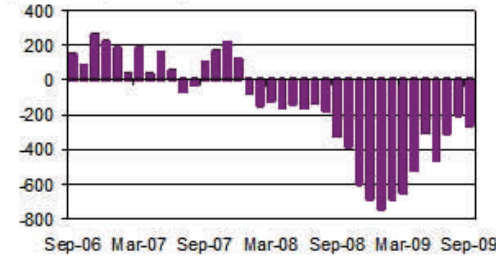
Private employment fell by 210,000 jobs in September, much worse than the 182,000 decline in August. In the private services sector, the number of job losses widened to 94,000 from 50,000 in August. Retail was down 39,000 as compared to 9,000 a month earlier. Private education service jobs declined by 17,000 as compared to just 4,000 in August. Auto dealers lost 5,000 jobs after adding 4,000 jobs a month earlier. The change is not surprising since the sales surge from cash for clunkers disappeared. Construction payrolls declined by 64,000 jobs after a 60,000 loss in August. Manufacturing jobs declined less sharply in September (51,000) as compared to August (66,000).

The government sector continues to deteriorate. State and local governments have now lost 160,000 jobs over the last four months. In September, the sector lost 47,000 jobs of which 29,000 came from education. The education sector as a whole (public and private) lost 46,000 jobs in September.

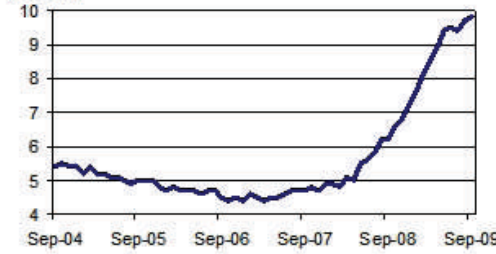
The unemployment rate is now 9.8%, up from 9.7% a month earlier and nearly double the rate a year ago. There was nothing in the employment situation report that would suggest the economy would add jobs anytime soon. Instead we see a re-affirmation of our view that unemployment will hit 10% in the fourth quarter and peak slightly higher than 10% in early to mid 2010.

The most comprehensive measure of unemployment known as the "U-6" rose from 16.8% to 17% in September. This alternative measure includes involuntary part time and marginally attached workers referred to previously. An equivalent measure is not tracked on the Treasure Coast but if it were, equivalent unemployment would be about 25%.

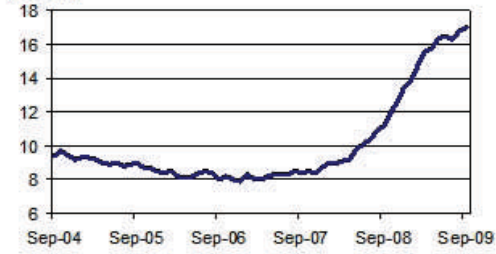
Nonfarm Payroll Employment Changes
(Thousands per month)



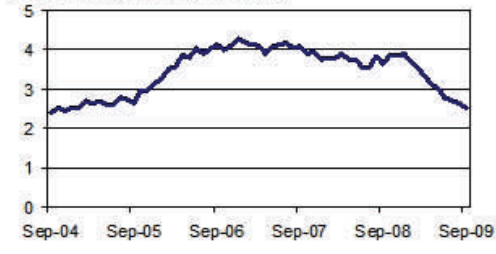
Unemployment Rate
(Percent)



Underemployment Rate (U-6)
(Percent)



Average Hourly Earnings
(Percent change from a year earlier)



SOURCE: IHS Global Insight | Bureau of Labor Statistics