

# Economic Perspectives

## Job losses slow in July — Unemployment 9.4% August 8, 2009

**U**.S. non-farm payrolls declined by 247,000 jobs in July causing the unemployment to fall fractionally from 9.5% to 9.4%. That is the first decline since April 2008. The job loss number was lower than expected and a significant improvement over the June revised loss of 443,000 jobs. At the same time, May and June job loss numbers were revised down (made less severe) by a combined 43,000 jobs. The average monthly job loss for the May through July time period was –331,000. That is about half of the –645,000 average decline experienced monthly between November 2008 and April 2009. In July, roughly 14.5 million persons were unemployed. While the economy is still shedding jobs, the pace of decline is slowing and appears consistent with an economy where output has hit bottom and growth is set to resume in the not too distant future.

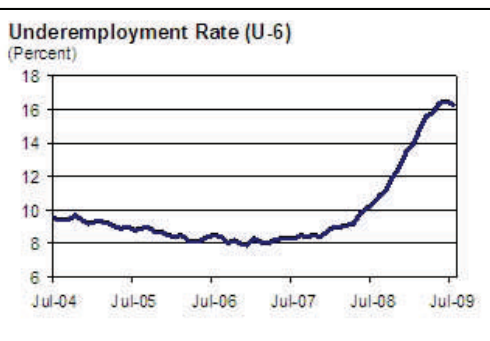
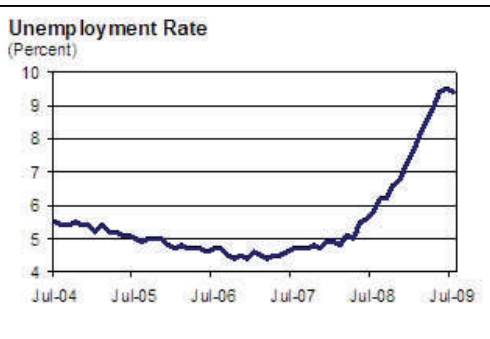
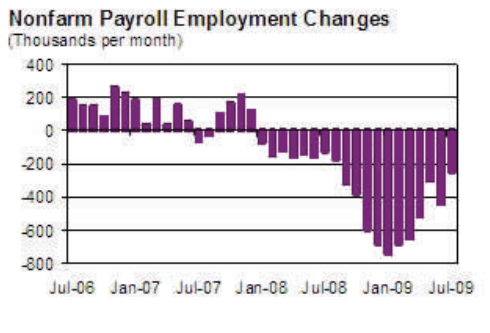
The number of long term unemployed and the number of under-employed is still worrisome. The number of long term unemployed, which is defined as those jobless for 27 weeks or more, rose by 584,000 to 5.0 million in July. The number of people working part time for economic reasons was little changed at about 8.8 million. Additionally, about 2.3 million persons were marginally attached to the labor force. These are people who want to work, are available and who had searched for work in the preceding 12 months but not within four weeks prior to the survey. The marginally attached category is about 709,000 higher than a year ago. Among the marginally attached are 796,000 discouraged workers, up 335,000 in the last 12 months. Discouraged workers are those not currently looking for work because they believe there is not a job for them.

The Bureau of Labor Statistics (BLS) also produces six alternative measures of employment under-utilization. The “U-6” measure (see chart at left) includes marginally attached workers as well as discouraged and those working part time for economic reasons. If those persons were counted as unemployed, the U.S. unemployment rate would be over 16% — nearly double the U-6 rate in July 2007. The Florida rate on the same basis would be 15.6%.

Most major employment sectors shed jobs in July. Construction declined by 76,000 jobs which is in line with monthly average decline of 73,000 for the last three months. That is still down from the monthly average loss of 117,000 jobs from November through April. Most of the jobs lost were in commercial construction and more specifically in the multi-family housing sector. The numbers are not surprising. Residential construction has probably hit bottom but commercial has a ways to fall and the job losses will show up over the next two quarters.

Manufacturing cut 52,000 jobs in July as compared with 131,000 in June. The big change was in motor vehicles where employment rose by 28,000 jobs. Even if motor vehicles and parts are excluded, manufacturing job losses still slowed to 80,000 from 109,000 the prior month. Moreover, the work week jumped from 39.4 to 39.8 hours, led by motor vehicles at 40.5 hours. This is all welcome news.

While the unemployment rate declined slightly, we do not interpret the prior month as a peak. The rate declined, not because employment grew, but because the size of the labor force declined. The data showed employment down 155,000 jobs and the labor force down 422,000. Unemployment therefore fell by 267,000 jobs. Over the last 12 months, there has been no increase in the size of the labor force and that has served to cushion the unemployment rate.



SOURCE: IHS Global Insight | Bureau of Labor Statistics