

# Economic Perspectives

## Employment In Historical Perspective

Until very recently, many wondered if the U.S. was destined to repeat the Great Depression of the 1930s. Despite some similarities, that risk is now very low. To put employment into historical perspective, the following are unemployment rates during the Great Depression. The 1920's were an era of prosperity while 1930—1934 were the worst years of the depression. Employment rose again when the U.S. entered World War II in 1941.

Year	Unemployment
1929	3.14
1930	8.67
1931	15.82
1932	23.53
1933	24.75
1934	21.60
1935	19.97
1936	16.80
1937	14.18
1938	18.91
1939	17.05
1940	14.45
1941	9.66

## Largest job losses in American history

Year	Job Loss
Sep 1945	-1,966,000
Oct 1949	-834,000
Jan 2009	-741,000
Dec 2008	-681,000
Mar 2009	-663,000
Feb 2009	-651,000
Jul 1956	-629,000
Dec 1974	-602,000
Nov 2008	-597,000
Feb 1946	-589,000
Feb 1958	-501,000

SOURCE: U.S. Census Bureau

Recent losses have been among the worst in the Post War era however they have moderated significantly recently.

## U.S. Job losses decelerate in May

345,000 jobs lost | Unemployment rate hits 9.4%

June 5, 2009

**N**on farm payrolls fell in March by 345,000 jobs in May That is the smallest decline since September 2008. The economy has shed an average of 643,000 jobs in each of the last six months. At the same time, March and April job loss numbers were revised to show 82,000 more lost jobs each month than previously estimated. The number of unemployed persons increased by 787,000 in May bringing the total unemployed to 14.5 million. Since the official start of the recession in December 2007, employers have shed 6.0 million jobs and the unemployment rate has risen by 4.5 percentage points. Unemployment in May was pegged at 9.4% which is the highest in 26 years.

While decelerating job losses were welcome, unemployment is still at near record high and the losses have been widespread geographically, by industry type and by population segment. Steep job losses continued in manufacturing where 156,000 jobs were shed. Losses occurred in most component industries — those which produce parts for automotive and other industries. Motor vehicles, machinery and fabricated metal products accounted for about half of the overall decline in factory employment. Motor vehicles and parts employment has fallen for most of the decade. The decline has been about 50% since its last peak in February 2000.

The rate of decline moderated slightly in construction. In May, job losses totaled 56,000 as compared to an average of 117,000 construction jobs lost each of the previous six months. The rate of decline also slowed in retail trade as well as in business and professional services.

The number of persons working part time for economic reasons (involuntary part time workers) was essentially flat in May at about 9.1 million workers. The number of workers in this sector has grown by 4.4 million since the recession officially began. About 2.2 million persons were also “marginally attached” to the workforce. That is 794,000 more than a year earlier. This group of workers had searched for employment sometime in the last 12 months but not in the four weeks prior to the most recent survey. Included in the marginally attached category are 792,000 discouraged workers. That is up 392,000 from a year earlier. This category includes people who are no longer searching for work because they don't believe a job is available for them.

Involuntary part time and marginally attached are perhaps the most concerning indicators as their rate of growth is exceeding unemployment as a whole. The implication is that unemployment could grow for a longer period of time than currently expected and workers may stay under-employed for a longer period of time.

**Initial Claims.** In a separate report, the Labor Department reported that there were 496,822 new claims (not seasonally adjusted) for unemployment insurance the week ending May 30th. That is down 41,577 from the prior week. At the same time, Continuing Claims are up suggesting that fewer people are applying for benefits while the unemployed are staying unemployed longer.

**Outlook.** Employment always lags the business cycle. As a result, we expect employment to decline throughout 2009 and unemployment to rise into at least the second quarter of 2010 even with improvement in the broader economy.

Questions, comments, observations, suggestions or additional information?

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