Payroll employment in 2009: job losses continue

Employment declined by 4.7 million in 2009, the largest calendar-year job loss in the history of the series (since 1939); although payrolls declined sharply at the beginning of the year, job losses moderated thereafter

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Ten months into the recession that began in December 2007, job losses accelerated, breaking from the trends of the previous two recessions, in early 1990 and early 2000.[1] With the worsening crisis in the financial sector in late 2008, employees in most industries felt the impact. Payroll employment losses accelerated, and the largest 1-month job loss (779,000) of the recession occurred in January 2009. Employment declines moderated throughout the rest of the year. (See chart 1.) In 2009, nonfarm payroll employment, as measured by the Current Employment Statistics (CES) survey,[2] declined by 4.7 million, to 130 million. Construction and manufacturing shed the most jobs during the year, while health services continued to add employees to payrolls.

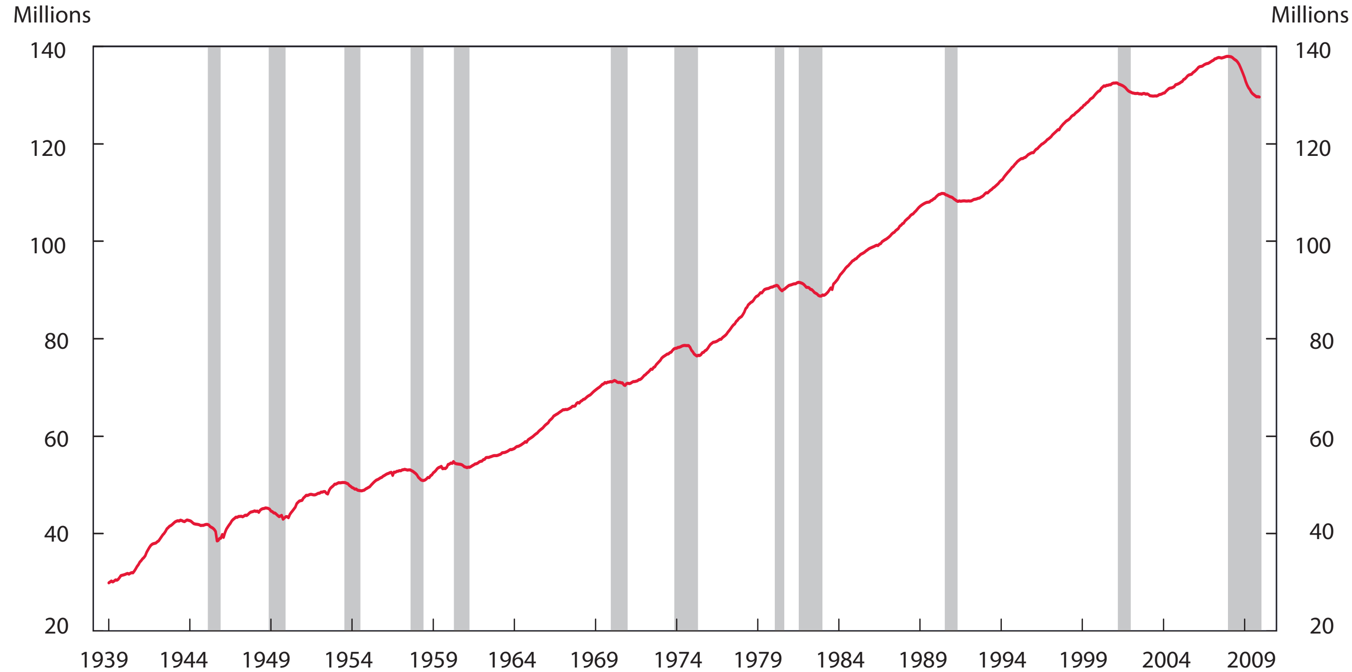
As total nonfarm employment losses moderated in the second half of the year, other economic indicators also suggested an improvement in the general health of the U.S. economy. (See tables 1–3.) The gross domestic product (GDP) posted growth in the third and fourth quarters, after the previous four quarters saw losses. Corporate profits also grew in the third and fourth quarters, and the composite index of economic indicators gradually improved throughout the year. In the labor market, temporary help services not only saw job losses moderate, but also began to add jobs in the last few months of the year. Firms often purchase such services before hiring permanent labor. Some firms also may increase the worktime of their employees before adding new hires. Thus, in manufacturing, average weekly hours of production and nonsupervisory employees improved by 1.1 hours per week between March and December of 2009.

Nonfarm jobs

The U.S. economy lost 4.7 million nonfarm jobs in 2009. (See chart 2.) In absolute terms, no other calendar year in the history of the CES survey has seen as many jobs lost. In relative terms, 3.5 percent of payroll jobs were lost over the year, the greatest rate of decline since 1945, when nonfarm businesses cut 6.6 percent of payroll jobs.

The largest monthly losses occurred at the beginning of the year, marking the start of a divergence from the job loss trend set by the previous two recessions. (See chart 3.) Employment declined by 753,000, on average, during each of the first 3 months of the year. Between April and June, however, average job losses slowed to 478,000 per month. The last 6 months of 2009 showed more signs of

Chart 1. Total nonfarm employment, seasonally adjusted 1939–2009



NOTE: Shaded areas represent recessions as identified by the National Bureau of Economic Research (NBER), which has not yet determined an end point for the recession that began in December 2007.

moderation in job losses. The third quarter saw an average decline of 260,000 jobs per month and was followed by an average monthly decline of 90,000 in the fourth quarter.

Early in the year, the losses were widespread. The diffusion index over a 1-month span for total private employment reached 16.5 in March 2009, indicating that only about 16.5 percent of industries were adding payroll jobs, while about 83.5 percent were cutting jobs. The index had risen to 39.6 in December.

Total private average weekly hours for all employees fell 0.4 hour over the year, to 33.8 hours. Declines occurred during the first half of the year, and then weekly hours varied by only 0.1 hour from the average of 33.8 hours. Average weekly hours remained 0.9 hour lower in 2009 than when the recession began. The index of total private aggregate weekly hours[3] declined by 5.3 percent over the year and has fallen by 9.7 percent since reaching a peak in December 2007.

In 2009, total private average hourly earnings of all employees increased by 42 cents, to $22.38. Over the year, average hourly earnings rose by 1.9 percent while the index of total private aggregate weekly payrolls declined by 3.5 percent.[4] Aggregate weekly payrolls had fallen by 6.0 percent between a high in March 2008 and a low in October 2009; since then, the index has increased by 0.4 percent.

Loss leaders

Manufacturing and construction together accounted for 48.0 percent of all jobs lost in 2009. U.S. manufacturing employment fell by 1.3 million, to 11.5 million, reflecting the largest calendar-year job loss since 2001 and the lowest employment level since 1941. (See chart 4.) The greatest monthly job loss occurred in January, when 279,000 jobs were lost. Job losses averaged 173,000 during the first 6 months of the year and then moderated in the second half, to an average monthly decline of 41,000.

Job losses in manufacturing were widespread during the year. The diffusion index over a 1-month span was just 4.9 in January, indicating that nearly all manufacturing industries were cutting jobs. The index rose to 41.5 almost a year later, in December, indicating that hiring had started to occur in about 42 percent of all manufacturing industries. Fabricated metal products, transportation equipment, and machinery registered the largest annual

Table 1. Economic indicators, 2007–09

Indicator	2007				2008				2009			
	Quarter I	Quarter II	Quarter III	Quarter IV	Quarter I	Quarter II	Quarter III	Quarter IV	Quarter I	Quarter II	Quarter III	Quarter IV
Total nonfarm employment (average monthly change, by quarter, thousands)........................	179.00	98.70	–13.00	94.70	–31.00	–191.00	–334.00	–651.70	–752.70	–477.70	–260.00	–89.67
Indexes of aggregate weekly payrolls, all employees.....................	98.23	100.07	100.47	101.20	101.73	102.30	102.07	101.00	99.03	97.20	96.70	96.80
Indexes of aggregate weekly hours, all employees..............................	99.60	100.37	100.00	100.17	100.03	99.70	98.47	96.67	94.20	92.07	91.10	90.77
Average weekly hours in manufacturing.	40.0	40.1	40.0	39.9	40.2	40.1	39.6	39.4	38.9	38.7	39.0	39.4
Unemployment rate (CPS).................	4.5	4.5	4.7	4.8	5.0	5.3	6.0	6.9	8.2	9.3	9.7	10.0
Producer Price Index for Finished Goods (1982 = 100)...........................	162.63	166.20	166.83	170.63	174.30	178.93	182.53	173.00	170.57	171.63	173.00	175.97
Consumer Price Index for All Urban Consumers (1982-84 = 100)....	204.31	206.67	207.94	210.42	212.82	215.56	218.91	213.70	212.49	213.47	215.42	216.81
Gross domestic product (percent)...........................	1.2	3.2	3.6	2.1	–.7	1.5	–2.7	–5.4	–6.4	–.7	2.2	5.6
Corporate profits (billions of dollars).............................	1,535.4	1,594.9	1,537.1	1,499.4	1,459.7	1,403.7	1,454.6	1,123.6	1,182.7	1,226.5	1,358.9	1,467.6

job losses: 190,000, 185,000, and 178,000, respectively. Within transportation equipment, motor vehicles and parts lost an average of 25,000 jobs per month during the first half of 2009, but then experienced little net change during the second half. Although most industries in manufacturing still posted job losses in the second half of 2009, the overall rate of job loss slowed. The Institute for Supply Management's index of national manufacturing showed a similar moderation, rising to 55.2 in October, the highest level since April 2006.[5]

Over the year, employment in construction fell by 1 million, to 5.7 million, the largest absolute calendar-year job loss in the history of the series and the lowest employment level since 1997. (See chart 5.) The loss represented a 15-percent decline in employment, the largest calendar-year percent decline since 1950. In 2008, the majority of employment losses in the industry were in residential construction, with the rate of losses in nonresidential construction gradually increasing throughout the year. In contrast, the majority of job losses in 2009 were in nonresidential construction, with residential employment accounting for only one-third of the annual job loss in construction. Housing indicators set record lows in 2008 and continued to do so in 2009. Sales of new homes fell to a record low in January 2009, and housing starts decreased to a record low in April. However, during the fourth quarter, both indicators returned to about the levels reported in late 2008.

Table 2. Economic indicators, monthly, 2009

Indicator	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Leading index	98.6	98.2	97.9	98.9	100.2	101.0	102.1	102.5	103.7	104.2	105.8	107.1
Coincident index	102.5	101.9	101.2	100.8	100.1	99.7	99.8	99.9	99.9	99.7	99.9	99.9
Consumer confidence	37.4	25.3	26.9	40.8	54.8	49.3	47.4	54.5	53.4	48.7	50.6	52.9
Retail sales (millions of dollars)	302,263	304,018	301,057	300,117	301,595	304,728	304,450	312,879	305,865	309,821	316,424	315,927
Initial unemployment claims (thousands)	585	631	644	645	636	608	559	580	550	531	501	480
Personal income (trillions)	12.0	11.9	11.9	12.0	12.1	12.0	12.1	12.1	12.1	12.1	12.1	12.2
Industrial production (2002 = 100)	99.9	98.7	96.4	95.7	93.7	92.9	96.3	97.4	98.4	98.2	99.2	99.3
Sales of new homes (millions)	.329	.354	.332	.345	.371	.399	.419	.408	.391	.400	.362	.345
Sales of existing homes (millions)	4.49	4.71	4.55	4.66	4.72	4.89	5.24	5.09	5.54	6.09	6.54	5.44

Table 3. Housing and finance, monthly, 2009

Category	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Real estate over-the-month change, seasonally adjusted (thousands)	–11.8	–11.3	–9.7	–10.3	–8.0	–7.8	–1.5	–1.9	4.7	–3.7	1.8	–2.1
Mortgage rate, average 30-year loan	5.89	5.79	5.62	5.47	5.46	5.91	5.66	5.73	5.54	5.42	5.35	5.29
Mortgage loan application for refinancing (March 1990 = 100)	6,492	4,473	4,498	6,541	4,794	1,998	2,090	1,983	2,455	2,808	3,115	3,214
Mortgage loan application for purchase (March 1990 = 100)	303	257	257	253	254	261	262	278	273	269	204	241
Sales of existing homes (millions)	4.49	4.71	4.55	4.66	4.72	4.89	5.24	5.09	5.54	6.09	6.54	5.44

Chart 2. Total nonfarm over-the-month change in employment, seasonally adjusted, December 2007–December 2009

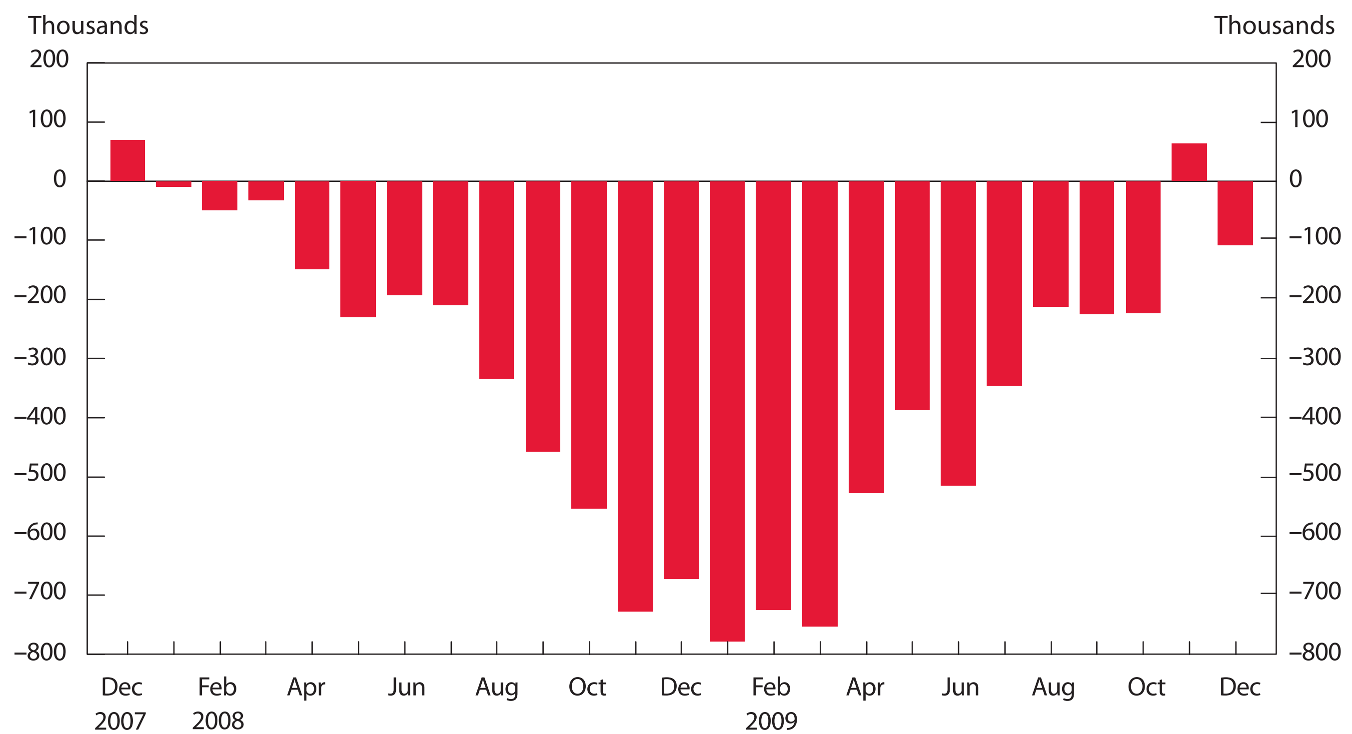


Chart 3. Total nonfarm employment, indexed to start of recession, seasonally adjusted

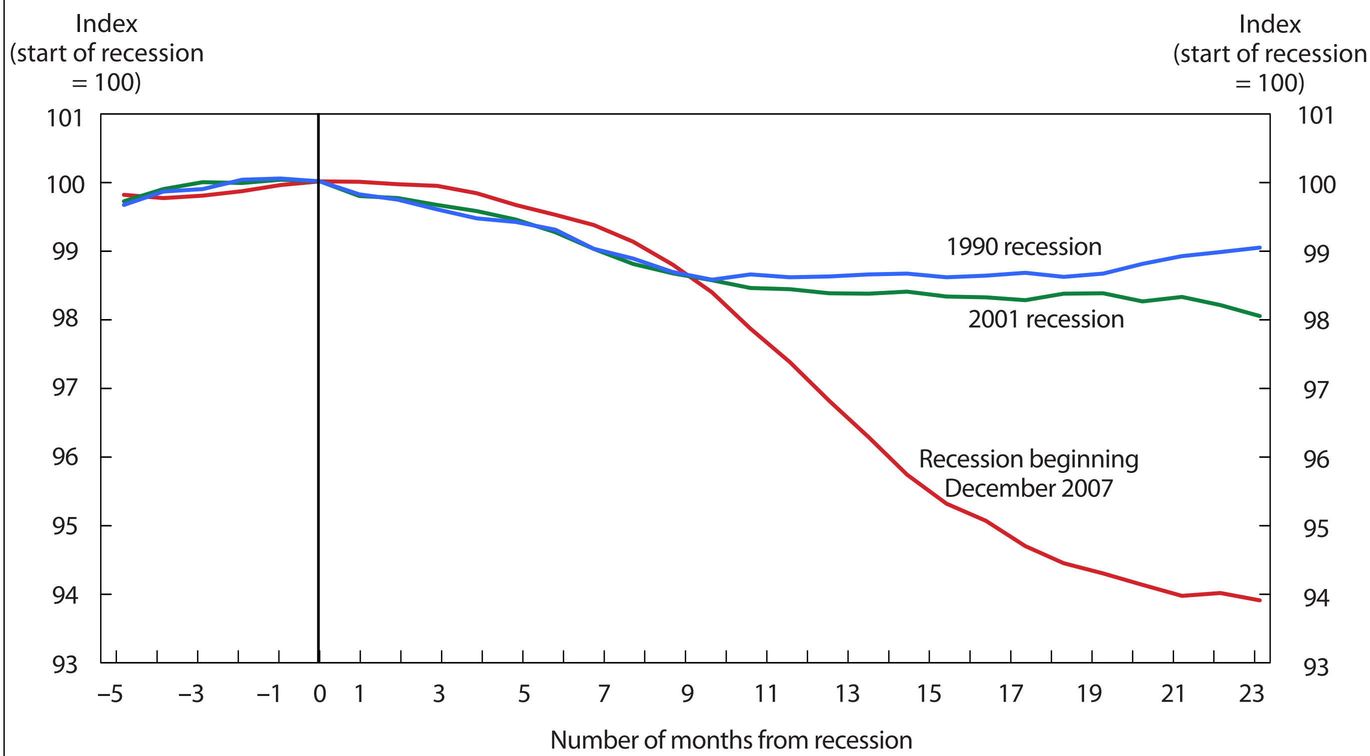


Chart 4. Manufacturing employment, seasonally adjusted, 1939–2009

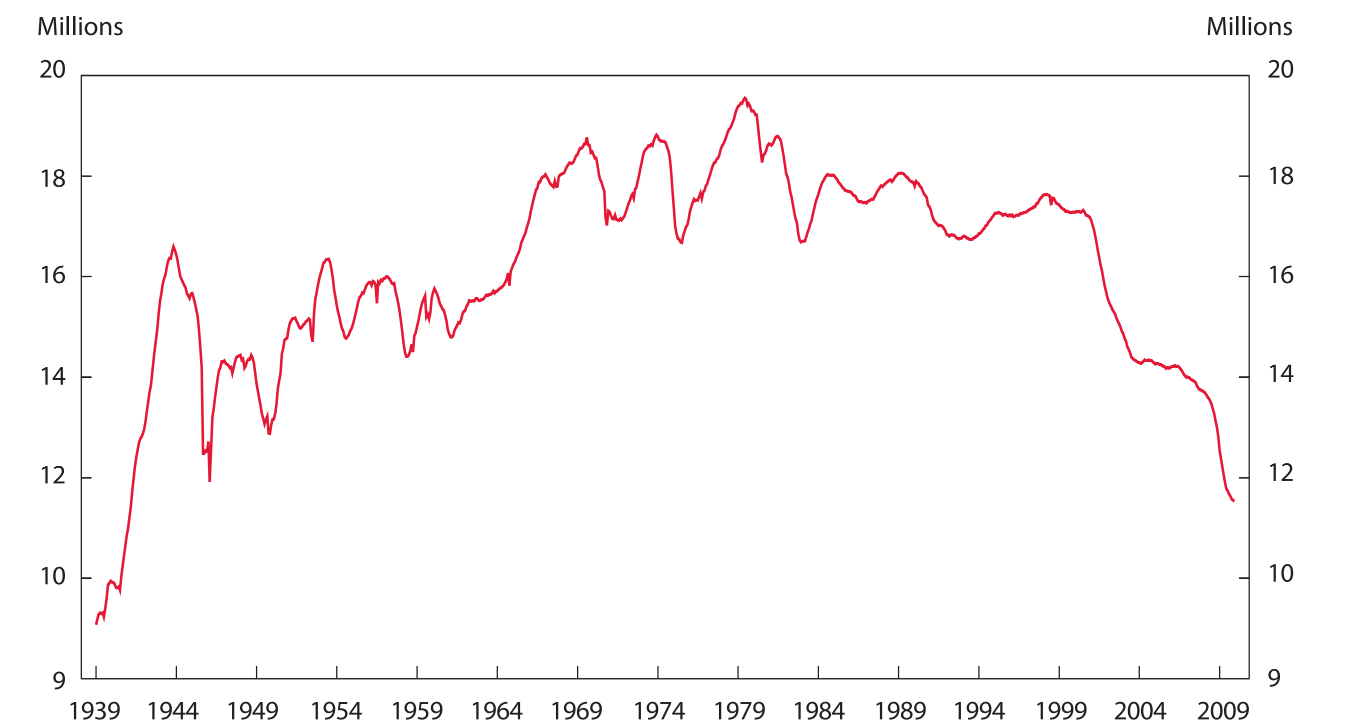
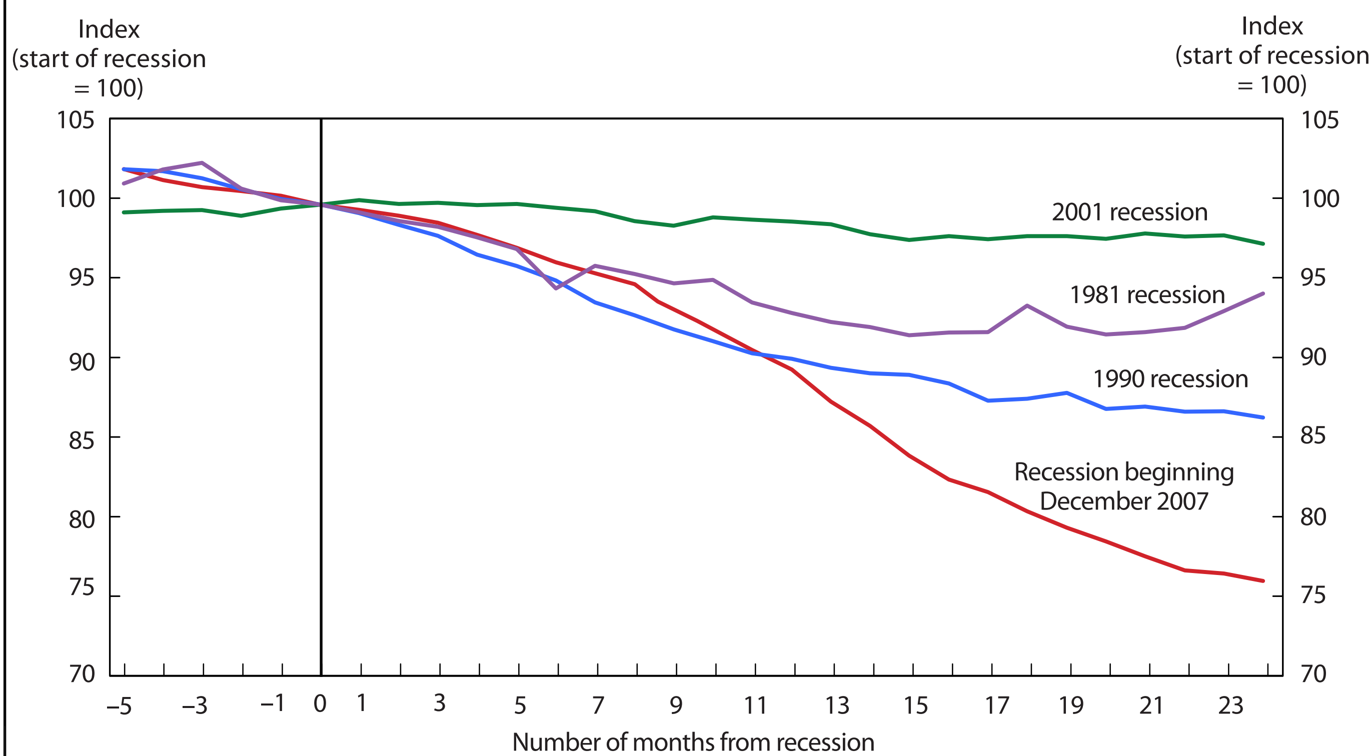


Chart 5. **Construction employment, indexed to start of recession, seasonally adjusted**



Construction employment fell by an average of 84,000 a month in 2009, compared with an average monthly job loss of 66,000 in 2008. The majority of job losses in 2009 occurred in the first 4 months of the year, during which monthly declines averaged 131,000. Job losses moderated in the next 8 months, and the average rate of monthly job loss slowed to less than half of its earlier pace.

The biggest gainers

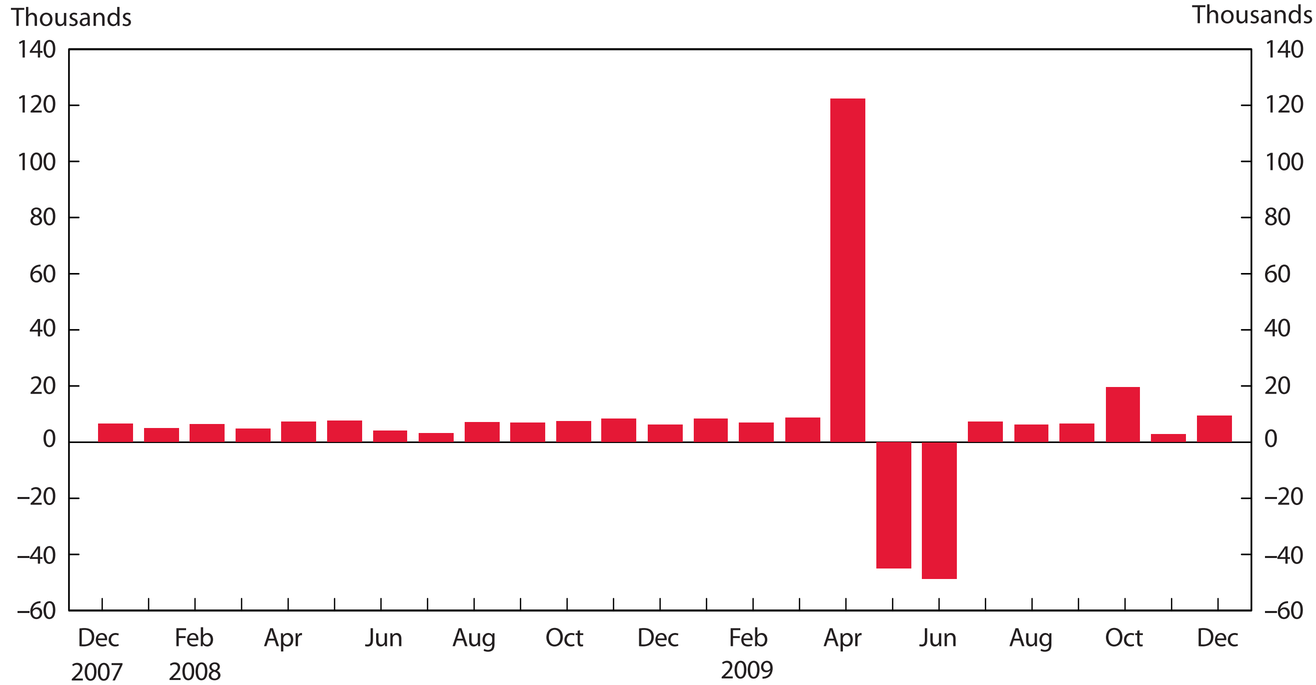
In 2009, education and health services added 317,000 jobs, a 1.7-percent increase over the previous year's figure. On average, 26,000 jobs were added every month. The industry's growth was concentrated in health care. Historically, health care has exhibited growth in employment from year to year, and 2009 was no exception: the industry added 215,000 jobs; still, this relatively large growth amounted to just 67.4 percent of jobs added the previous year. The bulk of the growth in the industry was in ambulatory health care services, which added 12,000 employees, on average, every month of 2009, a figure similar to that of 2008. Nursing and residential care facilities added 51,000 employees in 2009, representing a growth rate similar to that experienced by the industry in 2008. Hospitals showed subdued job growth, adding less than one-quarter of the jobs added in 2008.

Within government, the sector "Federal, except U.S. Postal Service" gradually added jobs in 2009, with gains totaling 108,000. (See chart 6.) This increase followed 78,000 jobs gained in 2008. In April 2009, employment increased by 125,000, a gain resulting largely from the U.S. Census Bureau's addition of temporary, intermittent workers hired for activities related to Census 2010. Over the next 2 months, 96,000 jobs were lost, chiefly from the Census Bureau's shedding most of the intermittent positions. Over the year, the Agency added a net 12,000 intermittent decennial census workers. Since the beginning of the recession, 186,000 nonpostal Federal jobs have been added.

When Wall Street meets Main Street

Employment in financial activities has declined since reaching a peak in December 2006. Job losses began to accelerate in the fourth quarter of 2008 as the financial crisis intensified.[6] (See chart 7.) In October, the Federal Government implemented the Troubled Asset Relief

Chart 6. **Federal Government, over-the-month change in employment, except U.S. Postal Service, seasonally adjusted, December 2007–December 2009**



Program to bolster the U.S. financial system and forestall commercial and investment bank failures.[7]

In the first quarter of 2009, job losses in financial activities averaged 49,000 each month. Thereafter, employment declines continued, but decelerated in each of the last three quarters. Job losses averaged 9,000 during the last 3 months of the year. The industry shed 343,000 jobs over the year.

Credit intermediation and related activities accounted for nearly 30 percent of the jobs lost in the financial sector in 2009. Within financial activities, the combined subsectors "insurance carriers and related activities" and "rental and leasing services" shed 34.6 percent of employment in the sector.

Real estate also posted losses for the year (down 62,000), but the trend changed in the second half. (See table 3.) During the first two quarters, job losses averaged 10,000 per month. After June, employment changed little. Offsetting trends in the loan and real estate markets translated into moderation in real estate employment losses. Financial institutions tightened credit criteria for borrowers, while first-time home buyers received tax incentives to purchase homes.[8] Average 30-year mortgage rates stayed consistently low throughout the year. Although the Mortgage Bankers Association's refinance index showed extensive drops, the number of mortgage applications for the purchase (as opposed to the refinancing) of a home stabilized after falling for 2 years. Sales of existing homes increased past 5 million in July and reached a high of 6.5 million in November.[9] Sales had averaged 5 million for a year and a half, after surpassing 7 million in 2005 during the housing boom.

The evolving financial sector prompted a change in consumer behavior, resulting in a historically low consumer confidence index (25.3 in February 2009) and shrinking retail sales. The change in consumer behavior, combined with tighter credit, led to retailers shedding jobs in both 2008 and 2009. Retail trade lost 503,000 jobs in 2009, accounting for 41.7 percent of the jobs lost in the industry since employment peaked in December 2007. (See chart 8.) From that peak until the end of 2009, retail trade shed 1.2 million jobs, pulling employment down to its lowest level since May 1997.

In the last quarter of 2008, motor vehicle and parts dealers lost an average of 29,000 jobs each month. (See chart 9.) Losses began to moderate in 2009, when employment declined by 18,000, on average, between January and March. Losses continued to decelerate over the next 4 months, during which the Car Allowance Rebate System, or "Cash for Clunkers" program, as it was popu-

Chart 7. **Financial activities over-the-quarter change, seasonally adjusted, Quarter I 2006–Quarter IV 2009**

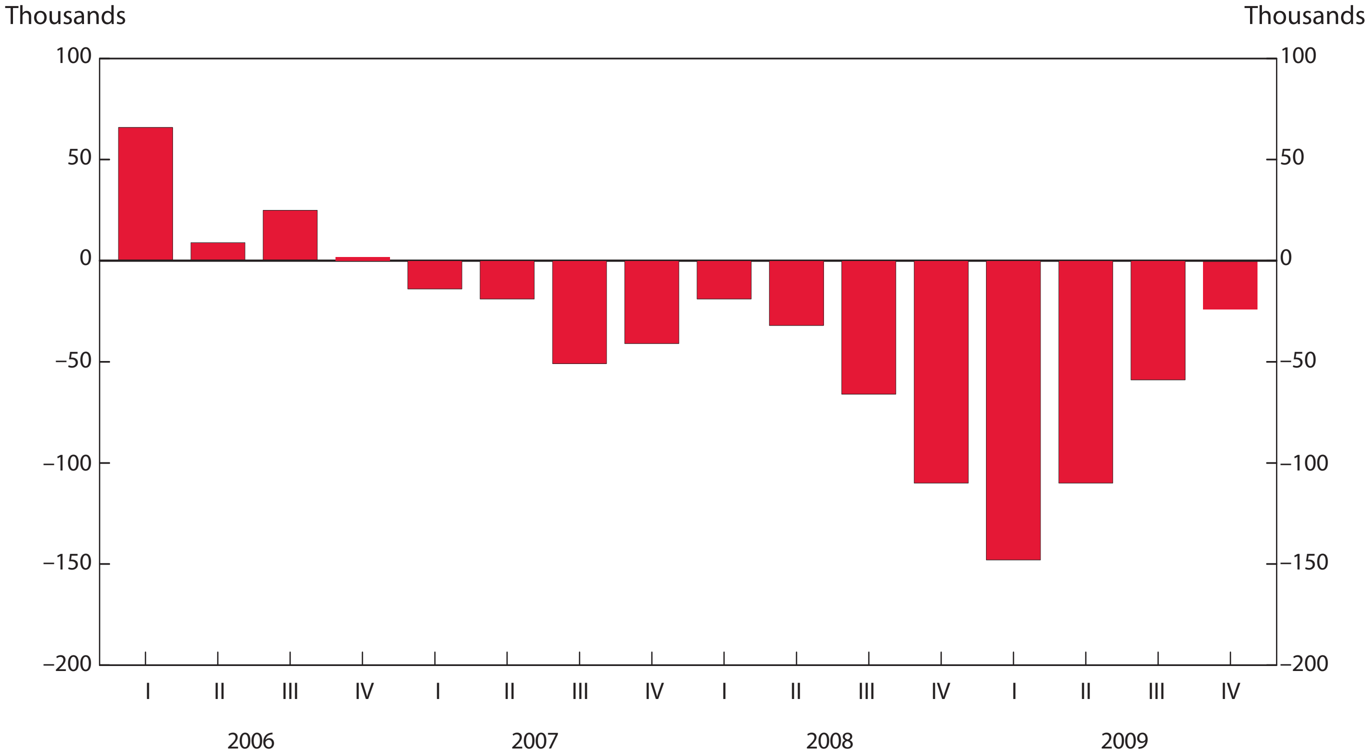
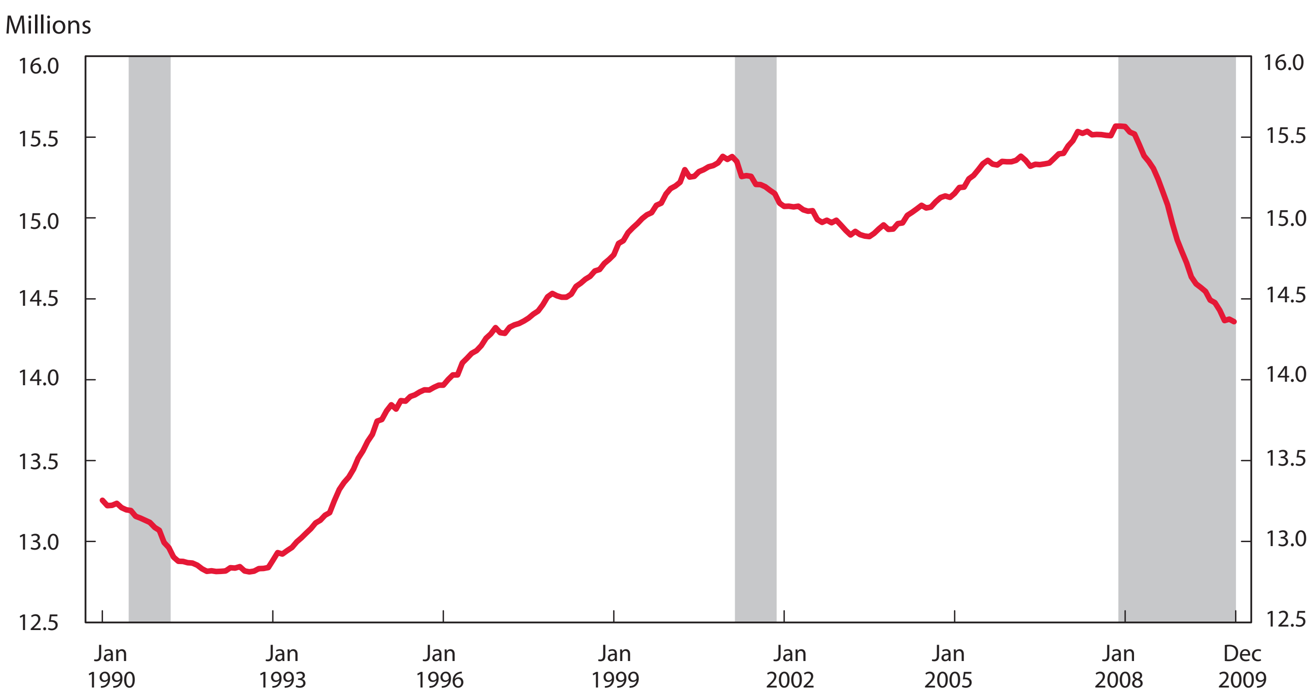


Chart 8. **Retail trade employment, seasonally adjusted, January 1990–December 2009**



NOTE: Shaded areas represent recessions as identified by the National Bureau of Economic Research (NBER), which has not yet determined an end point for the recession that began in December 2007.

Chart 9. **Motor vehicle and parts dealers over-the-month change in employment, seasonally adjusted, January 2007–December 2009**

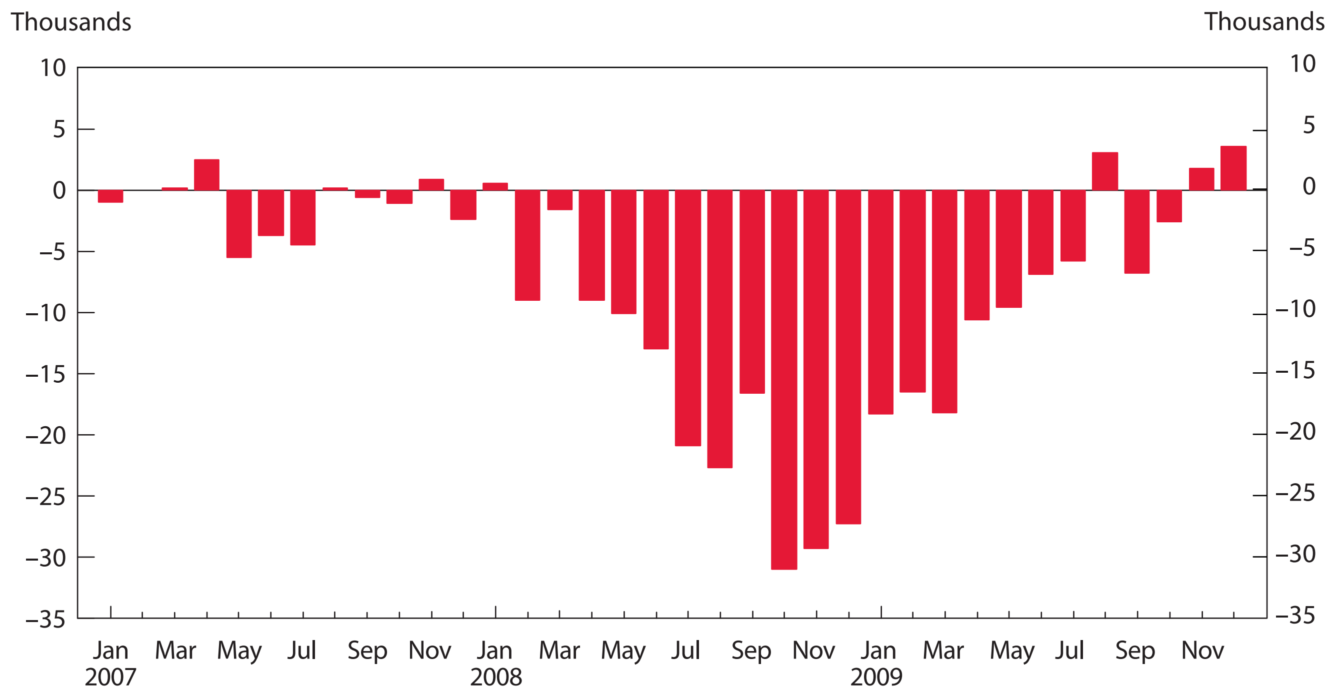


Chart 10. **General merchandise stores over-the-month change in employment, seasonally adjusted, December 2007–December 2009**

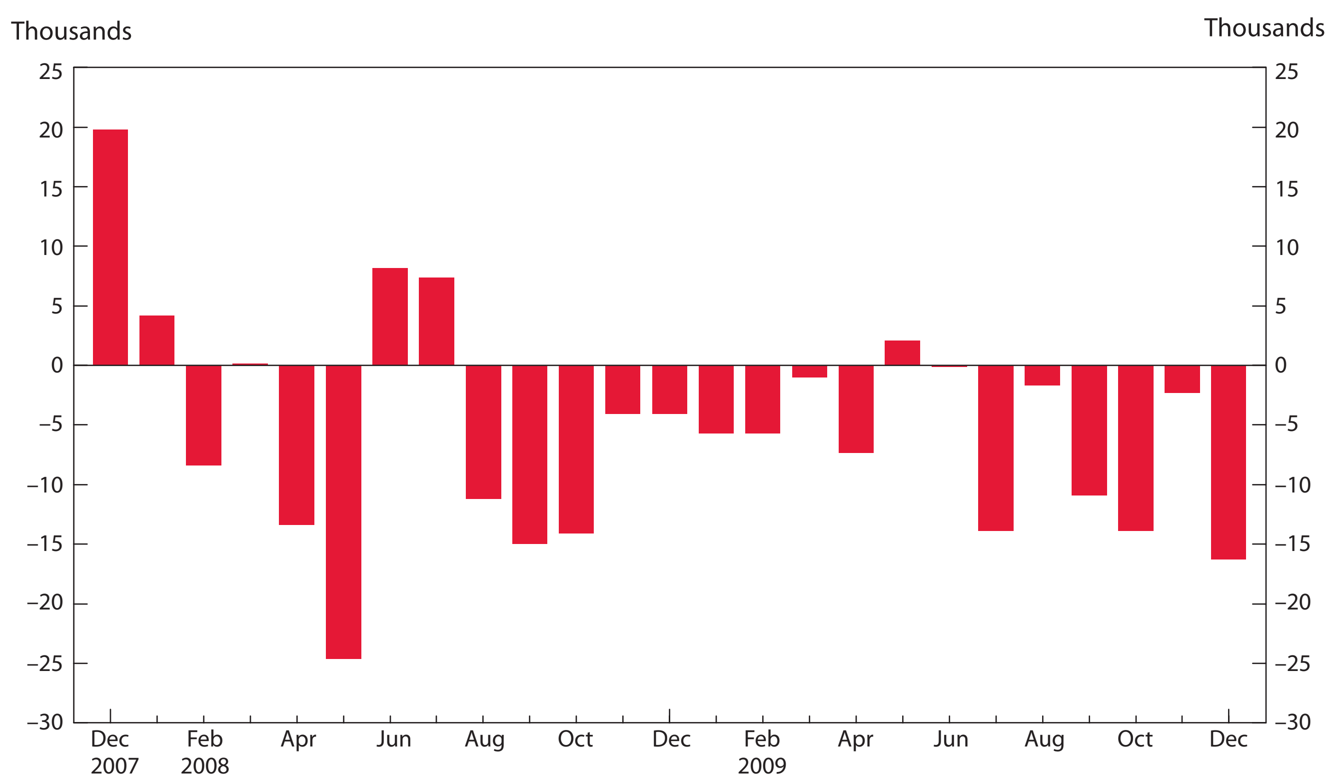
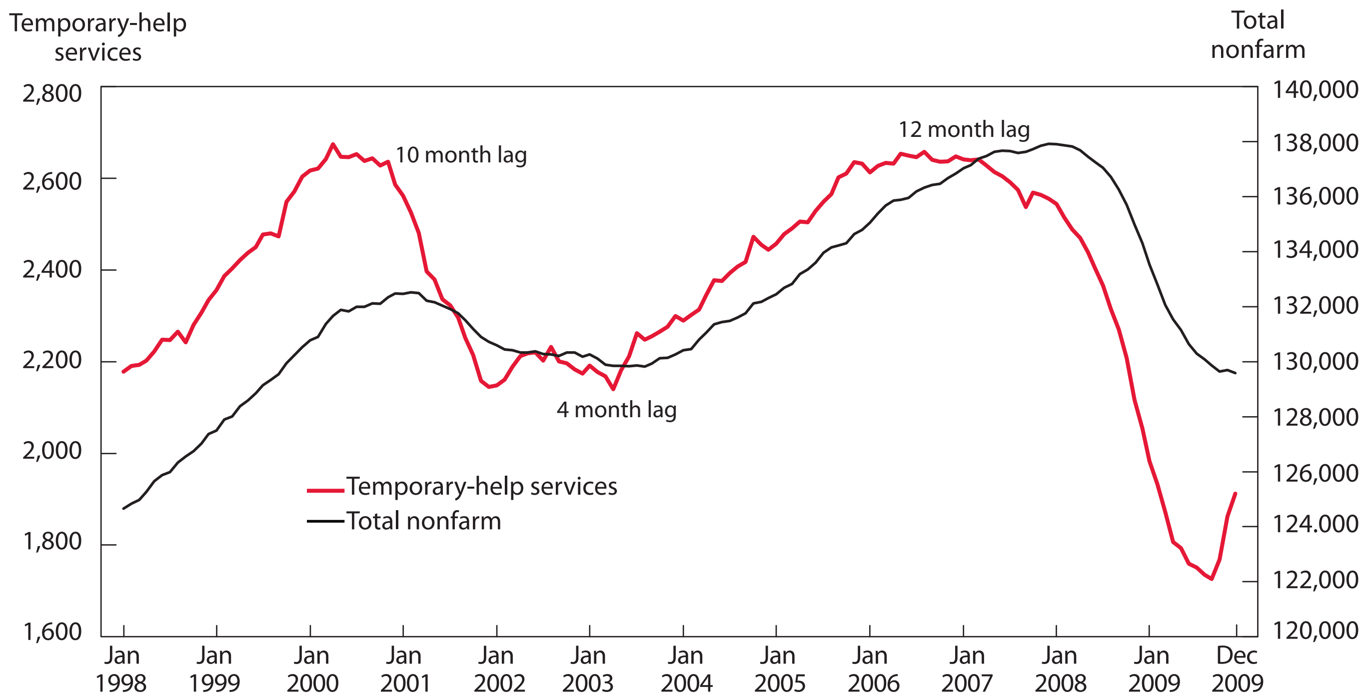


Chart 11. **Temporary-help services employment and total nonfarm employment, in thousands, seasonally adjusted, January 1998–December 2009**



larly known, got consumers into dealerships in July and August.[10] During the months that the program was operational, car dealers' sales of U.S. light vehicles topped 2.3 million units, 500,000 more than in the 2 months prior to the program's availability.[11] Motor vehicles and parts dealers' employment notched up in August, followed by a decline in September, and then remained little changed during the final months of the year.

General merchandise stores, including department and discount stores, registered losses totaling 77,000 in 2009, about the same as a year earlier. (See chart 10.) Job losses continued in housing-related industries within both wholesale and retail trade. During 2009, building material and garden supply stores and wholesalers of lumber and construction supplies lost jobs at about the same rate as in 2008. Job losses decelerated in furniture and home furnishings stores and in the wholesale trade of furniture and furnishings.

Leading signals

Employment in temporary help services tends to lead trends in total nonfarm employment. In the recession of 2001, the peak and trough in temporary help services employment preceded the corresponding peak and trough in total nonfarm employment. (See chart 11.)

Temporary help services reached its highest employment level ever in April 2000, and total nonfarm employment peaked 10 months later. Temporary help employment reached a low point in April 2003, and total nonfarm employment followed 4 months later. During the current business cycle, employment in temporary help services peaked in August 2006 and total nonfarm employment peaked 16 months later. In 2009, temporary help services employment appeared to reach a trough in September 2009. When the demand for goods or services increases, employers often hire the services of a temporary help firm before they adjust their own payrolls. Total payroll employment had not begun to grow as 2009 drew to a close.

IN 2009, EMPLOYMENT LOSSES IN MOST INDUSTRIES accelerated into the first quarter, but then moderated over the course of the year. Average weekly hours leveled off for workers in the private sector, while manufacturers raised the workweek by 1.1 hours for production workers, after hours had reached a trough in March. □

Notes

[1] Recessions are identified by the National Bureau of Economic Research (NBER), which has not yet identified an end point for the recession that began in December 2007. (See details on the Internet at **www.nber.org/cycles/cyclesmain.html** (visited Mar. 12, 2010).) According to the NBER, the previous two recessions were from March 2001 to November 2001 and from July 1990 to March 1991.

[2] The Current Employment Statistics (CES) survey is a monthly survey of about 150,000 nonfarm business and government agencies representing approximately 390,000 individual worksites. For more information on the program's concepts and methodology, see "Technical Notes to Establishment Survey Data Published in *Employment and Earnings*," in *Current Employment Statistics—CES (National)* (Bureau of Labor Statistics, Feb. 17, 2010), on the Internet at **www.bls.gov/web/cestn2.htm** (visited Mar. 23, 2010). CES data are presented in *Current Employment Statistics—CES (National)* (Bureau of Labor Statistics, no date), on the Internet at **www.bls.gov/ces** (visited Feb. 5, 2010). The CES data used in this article are seasonally adjusted unless otherwise noted.

[3] Aggregate weekly hours are the product of employment and average weekly hours. The index is calculated by dividing this aggregate by annual-average aggregate hours for 2007.

[4] Aggregate weekly payrolls are the product of aggregate weekly hours and average hourly earnings. The index is calculated by dividing by annual-average aggregate weekly payrolls for 2007.

[5] Founded in 1915, the institute is the largest supply management association in the world. Its mission is to lead the supply management profession through the association's standards of excellence, research, promotional activities, and education. An index of 50 percent means that half of manufacturing establishments are growing, half shrinking. The higher the index, the greater is the percentage of establishments that are growing. (For more information, visit the institute's Web site, on the Internet at **www.ism.ws** (visited Mar. 12, 2010).)

[6] Michael Bordo, "An Historical Perspective on the Crisis of 2007–08: Remarks prepared for the Central Bank of Chile Twelfth Annual Conference on Financial Stability, Monetary Policy and Central Banking" (Rutgers University and NBER, no date), on the Internet at **econometrics.nd.edu/directory/pries_michael/documents/An_Historical_perspective1.pdf** (visited Dec. 22, 2009).

[7] Judith Burns, "SEC Plans Close Scrutiny of Bank Reports," *The Wall Street Journal*, Oct. 21, 2008, on the Internet at **online.wsj.com/article/SB122460971674154695.html** (visited Jan. 29, 2010).

[8] See Jeff Bater, "Home-Builder Index Edge Higher; First Rise in Five Months," *The Wall Street Journal*, Feb. 17, 2009, on the Internet at **online.wsj.com/article/SB123489382498101527.html** (visited Jan. 29, 2010); and Damian Paletta and David Enrich, "Banks Told: Lend More, Save More," *The Wall Street Journal*, Dec. 26, 2008, on the Internet at **online.wsj.com/article/SB123024352610834057.html** (visited Jan. 29, 2010).

[9] Visit the National Association of Realtors' Web site, on the Internet at **www.realtor.org** (visited Mar. 12, 2010).

[10] Jeff Bater, "Consumer Spending Rises Thanks to 'Cash for Clunkers' Boost," *The Wall Street Journal,* Aug. 29, 2009, on the Internet at **online.wsj.com/article/SB125146105734166437.html** (visited Jan. 29, 2010).

[11] "Auto and Truck Seasonal Adjustment" (Bureau of Economic Analysis, Mar. 3, 2010), table 6, on the Internet at **www.bea.gov/national/xls/gap_hist.xls** (visited Mar. 17, 2010).