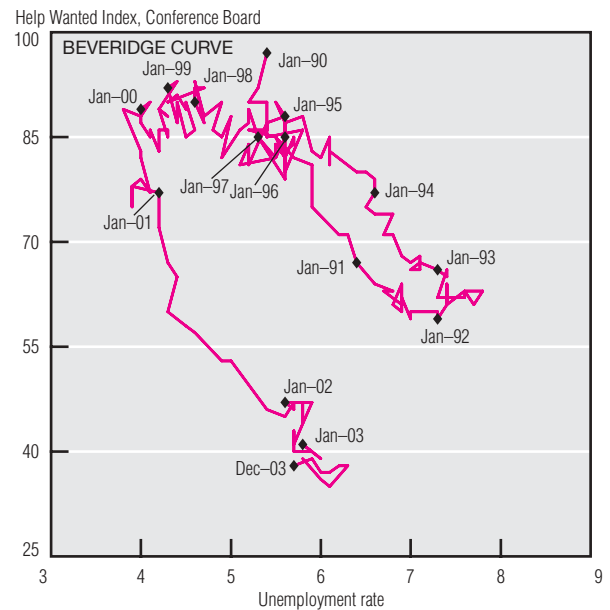
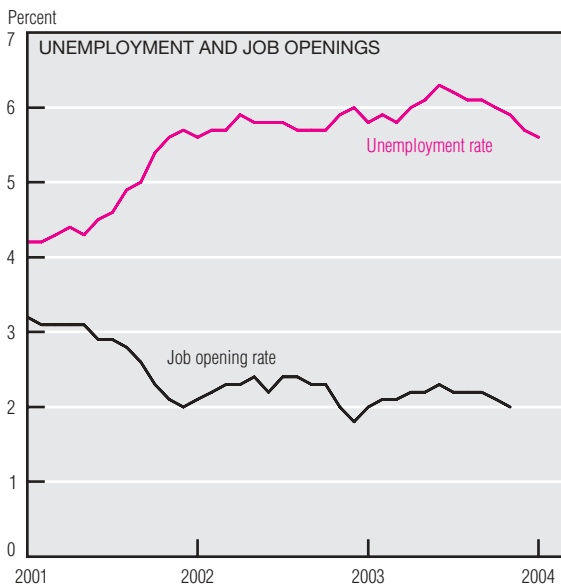
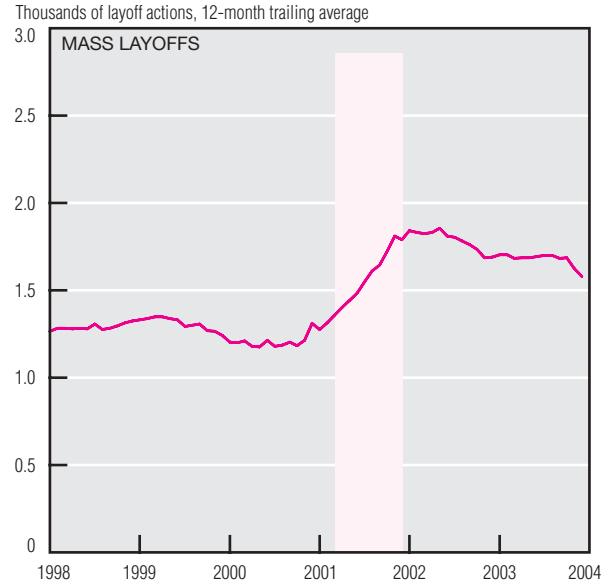
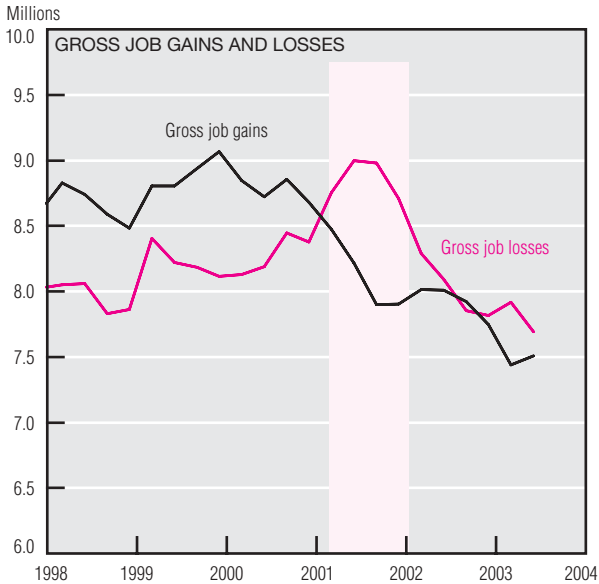


Employment Changes



SOURCES: U.S. Department of Labor, Bureau of Labor Services; and the Conference Board.

The change in aggregate employment is the difference between gross job creations and gross job destructions. Job gains occur in new establishments and those that are expanding, whereas job losses take place in establishments that are closing or contracting. About 7% of all private sector jobs are created or destroyed each quarter. In 2003:IIQ, there were sizeable flows of both job gains (7.5 million) and job losses (7.7 million). Job losses are highly counter-cyclical, as illustrated by their peak during the 2001 recession period (the shaded area in the upper two

charts). Although job destructions have fallen almost continuously since peaking in 2001 (2003:IQ excepted), they have still outpaced job gains, leading to continued reductions in aggregate employment. Nevertheless, there is encouraging evidence—a 69,000 increase in job gains from 2003:IQ to 2003:IIQ, the first such increase since 2002:IQ.

The reduction in job losses is also reflected by a drop in mass layoffs (those involving at least 50 workers from a single establishment). Approximately 19,000 mass layoffs occurred in

2003, roughly 1,300 fewer than in 2002 and 2,500 fewer than in 2001.

The Beveridge curve shows the inverse relationship between job vacancies (as approximated by the Help Wanted Index) and unemployment. The index was low in December 2003 but should rise as the expansion translates into more job creation. One can also see a recent downward shift of the Beveridge curve, suggesting that the economy achieves a lower unemployment rate for a given level of vacancies.