Shrinking government payrolls and slower private-sector employment growth caused total nonfarm employment to fall 108,000 jobs in July, the first monthly decline since January 1996. The Census Bureau has continued to lay off temporary workers en masse (290,000 in July and 428,000 since May). Moreover, private-sector employment posted a net gain of only 138,000 jobs in July, compared to the monthly average of 182,000 workers over the first half of the year. Despite the employment decline, the unemployment rate remained at 4.0%, which suggests that most laid-off census workers may have left the labor force and so are not considered unemployed. Declining employment has caused the employment-to-population ratio to slip from its all-time high of 64.9% in April to 64.2% in July.

Employment growth was concentrated mainly in durable-goods manufacturing and retail trade. After two years of consistent declines, durable-goods manufacturing posted slow but steady employment growth in 2000, with a healthy net gain of 37,000 in July. Total employment in services was unchanged last month; service industries averaged monthly gains of 109,000 workers over the first half of the year.

The U.S. unemployment rate has fallen steadily since 1992 and is now at a 30-year low. Is this true for other large countries? Canada and the U.K. have shared the downward trend in unemployment; however, Japan’s rate has risen steadily since 1992. In France and Germany, Europe’s two largest economies, unemployment increased significantly until 1998 and only then began to drop.