Labor Markets

In August, total nonfarm employment registered its largest monthly decline (105,000) since 1991. Although private-sector employment growth has slowed recently, declines in total nonfarm employment over the last two months may overstate the sluggishness of the labor market. Payroll decreases due to layoffs at the conclusion of the decennial census are ebbing, and private-sector payroll growth would have exceeded 100,000 last month (instead of 17,000) if not for the now-resolved Verizon strike. Another labor market measure, the unemployment rate, shows little change. It rose one-tenth of a percent to 4.1% in August; since October, it has fluctuated between 3.9% and 4.1%.

Is the labor market really slowing? A measure of labor demand would help answer this question; unfortunately, the U.S. has never consistently measured the job vacancy rate. A proxy gauge of labor demand, however, is the Help-Wanted Advertising Index, a national average of the number of job ads appearing in the newspapers of 51 markets.

In previous business cycles, the index posted steep increases, quickly followed by precipitous declines. The current expansion seemed to follow this pattern until 1994; since then, the index has remained fairly stable. Despite this expansion’s record length and extremely low unemployment rate, the index has not reached levels attained in the 1970s and 1980s. This could reveal deficiencies in the index because new technologies such as the Internet have given employers alternative ways to advertise new jobs.