Despite signs of weakening in the overall economy, labor markets held steady, albeit with slower job growth than earlier in 2000. In December, nonfarm payrolls rose 105,000, which exceeds the downwardly revised figures for October (66,000) and November (59,000), but is much lower than the average monthly gain for the first nine months of the year (187,000). Other labor market measures remained strong: The unemployment rate was unchanged at 4.0%, and the employment-to-population ratio increased 0.1% to 64.5%.

The aggregate labor market’s apparent stability masked wide variations in payroll growth across industries. The private sector’s weak employment growth in December resulted in a net gain of only 49,000 jobs. Moreover, there were significant net losses in goods-producing industries such as construction (−13,000) and manufacturing (−62,000), as well as in temporary help services (−58,000). On the other hand, many service industries, notably computer and data processing and health services, registered strong gains. Also, a large gain in government employment (56,000) reversed a similar-sized loss in November.

Why has the unemployment rate remained low when other economic indicators have deteriorated rapidly? The unemployment rate is generally considered to be a lagging indicator, which means that it takes awhile for slowing economic activity to affect it adversely. However, declining employment in temporary help over the last 15 years seems to have led—not lagged—weakening in overall economic activity. Indeed, the data show that temporary help employment has declined precipitously since April 2000 and is now at its lowest level since the 1991 recession.