As always, the new year brings retrospection as well as resolutions and forecasts. The labor market’s performance last year was a mixture, with many signs of improvement and just as many signs of deterioration. Forecasts for 2003 are probably equally uncertain.

Nonfarm employment showed a fairly consistent pattern for nearly all of 2002. Service-sector employment grew, but manufacturing and construction continued to decline. Employment in retail trade was down about 39,000 workers in November, mostly because seasonal hiring was lower than before. The past 12 months showed construction employment down 1.3%, transportation and public utilities down 2.8%, and manufacturing down 3.5%. There were also gains: services employment went up 1.5%, and finance, insurance, and real estate increased almost 1%. Total nonfarm employment was nearly flat over the year, slipping just 0.16%. And the employment-to-population ratio for both men and women fell somewhat over the past couple of months.

The diffusion index is often used to gauge how widespread the change in employment is. The index shows what fraction of establishments’ employment changes have been increases. For example, 50 means that the number of establishments that increased employment equaled the number that decreased it. The diffusion index for total private employment reached 50 in May 2002 for the

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first time that year but dropped significantly, hitting 47.7 in November. For manufacturing only, the index approached 50 in July but fell close to 40 in November.

The fraction of workers holding multiple jobs changed very little in the course of the year, but the composition by gender altered significantly. Beginning in August, the share of women holding multiple jobs rose substantially; the increase for men was lower.

The overall unemployment rate ticked up to 6.0% in November from 5.6% just two months before. Initial claims for unemployment also rose somewhat in the first two weeks of December after falling during the previous two months.

The percentage of those unemployed for a short duration (less than five weeks) fell in the course of 2002; however, the share of those who experienced long-term unemployment (more than 15 weeks) increased substantially. At the beginning of the year, about 31% of the unemployed had been out of work longer than 15 weeks; by year’s end, that share had risen to nearly 36%.

The sources of unemployment did not change much during the year. The bulk of the unemployed were job losers, but in November the share of new entrants to the labor market increased. The share of job leavers among the unemployed, which typically rises during expansions and falls during recessions, was essentially flat in 2002.

NOTE: All data are seasonally adjusted, unless otherwise noted.