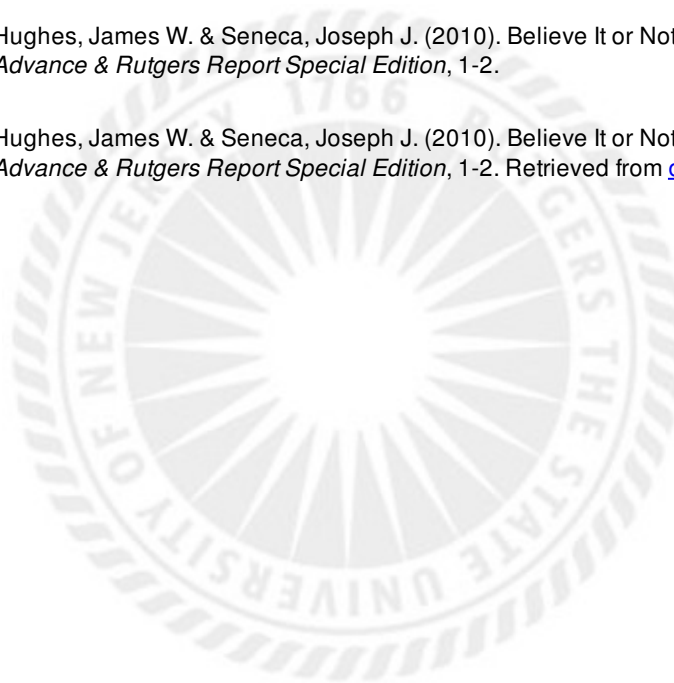


Believe It or Not: Far Worse than We Thought

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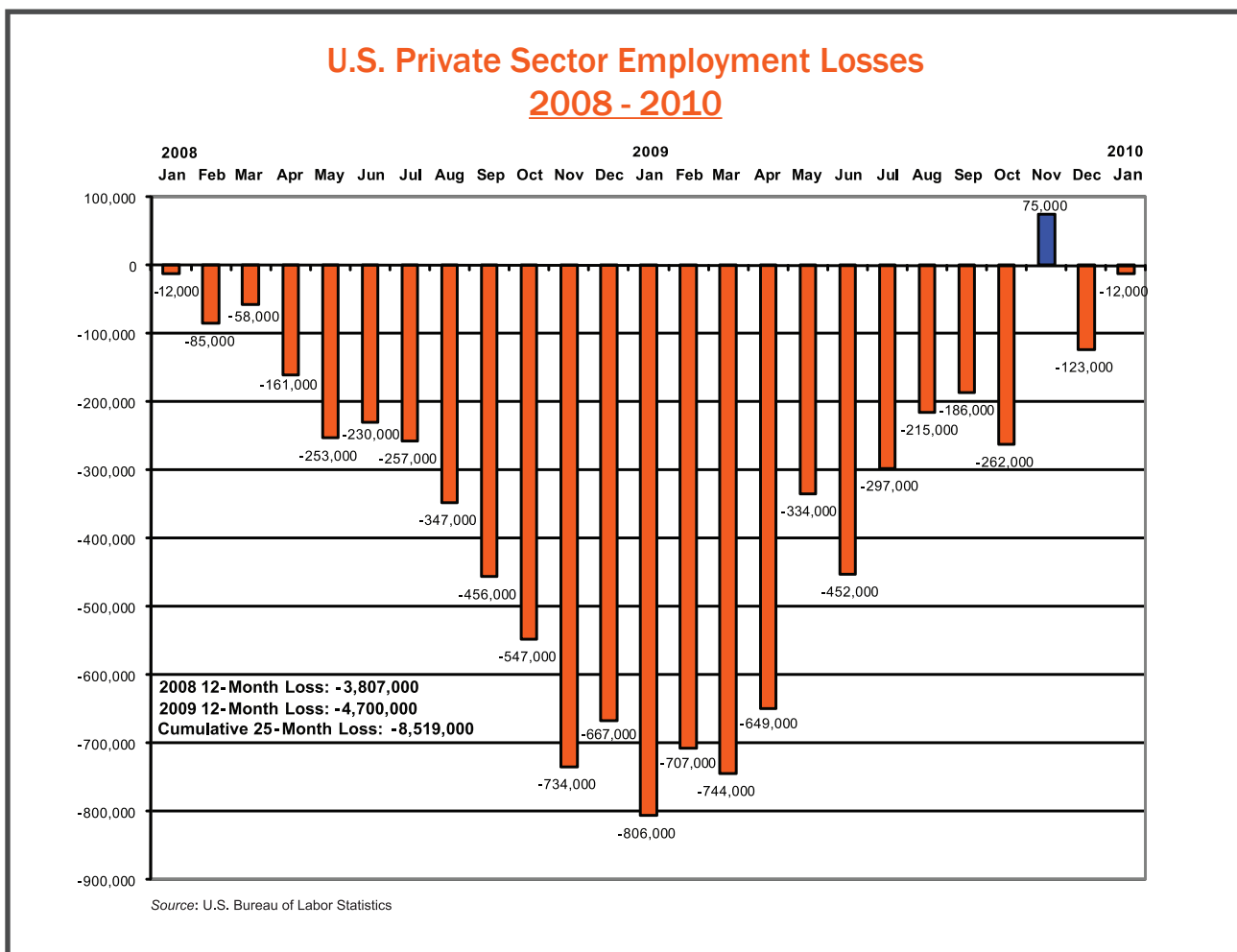
An Analysis of Economic, Business & Demographic Trends

Believe It or Not: Far Worse than We Thought

by James W. Hughes and Joseph J. Seneca

Labor market bean counters in Washington have been working furiously to complete their annual revision of the nation's monthly employment counts.¹ These revisions adjust all of the monthly job tabulations of the last two years, providing a more accurate picture of the nation's economy. Today, the U.S. Bureau of Labor Statistics released the results, and they are not pretty. It turns out that jobs were being lost faster than they could be counted. *Before the revision, the United States was thought to have lost 7.3 million private-sector jobs in the*

two years between December 2007, the start of the Great Recession, and December 2009. With the benchmark revisions indicating an additional decline of 1.2 million jobs, the total private-sector employment loss is now 8.5 million jobs, or about 16 percent higher than initially estimated. The absolute scale of America's great labor market contraction is simply unprecedented in our lifetimes. The results are depicted in the chart below, and the latest picture of the Great Recession becomes clearer—and uglier.



The first eight months of the downturn, January 2008–August 2008, experienced job losses characteristic of a typical harsh recession—sliding down the employment mountain. Then, Lehman Brothers went under in September, and the nation went from sliding down the mountain to falling off the employment cliff. The final four months of 2008 and first four months of 2009 were nothing less than a full metal jacket national employment meltdown, with a total loss of 5.3 million private-sector jobs. America was staring into the economic abyss.

But economic Armageddon was avoided and job losses started to moderate beginning in May 2009. The nation went from falling off the cliff to sliding down the employment mountain again. By August 2009, we had returned to typical harsh recession job-loss territory, similar to the first eight months of 2008. And losses abated further during the final quarter of the year, and the first month of 2010.

Nonetheless, the bottom line is that the Great Recession, the worst downturn since the Great Depression, had negative employment consequences considerably more severe than originally calculated. America now is in an even deeper employment hole. It will take more than 8.5 million private-sector jobs just to return to the level of employment that existed in December 2007.

¹ Employment figures released each month by the Bureau of Labor Statistics are estimates from a sample-based establishment survey based on employer records, and are subject to annual revisions. Each year, survey employment estimates are benchmarked to comprehensive counts of employment for the month of March. These counts are derived from state unemployment insurance tax records that nearly all employers are required to file. Annual revisions over the past ten years have averaged plus or minus 0.2 percent of total nonfarm employment. The 2009 benchmark revision, however, was a downward adjustment of 0.7 percent, more than triple the ten-year average.