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Job Losses Slow, Signaling Momentum for a Recovery

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The most heartening employment report since last summer suggested on Friday that a recovery was under way — and perhaps gathering steam — despite the reluctance of the nation's businesses to resume hiring or even stop shedding jobs.

Employers eliminated 247,000 jobs in July, a huge number by the standards of an ordinary [recession](#), but the smallest monthly loss since last August, the [Bureau of Labor Statistics reported](#). And the unemployment rate, rising for months, actually ticked down, to 9.4 percent from 9.5 percent in June, mainly because so many people dropped out of the hunt for work, ceasing to list themselves as unemployed.

"Employers are no longer in a panic," said Ian C. Shepherdson, chief domestic economist for High Frequency Economics. "The pressure they felt to get rid of workers in a hurry is diminishing. What we don't see yet is enough momentum in the economy to convince companies to hire again."

Obama administration officials credited the [stimulus package](#), enacted in February, for the continuing improvement, from a peak of 741,000 jobs lost in January. Some said the July loss would have been closer to 500,000 without the American Recovery and Reinvestment Act. The president, appearing briefly in the White House Rose Garden, said his administration had "rescued our economy from catastrophe."

Responding to a report that was better than expected, stock investors drove up the Dow Jones industrial average by 114 points, or 1.2 percent.

Just a week earlier, the government announced another significant improvement — the overall economy contracted at an annual rate of only 1 percent in the spring quarter, vastly better than the fall and winter months. The two reports have convinced many forecasters that when the history of the Great Recession is

written, these summer months will be the big turning point, when the economy started to grow again.

“The labor market, like the overall economy, is beginning to stabilize, with the expectation that job losses will approach zero by the end of the year,” said Chris Varvares, president of Macroeconomic Advisers, who expects the unemployment rate to peak at less than 10 percent.

After months of painful job losses, the Obama administration was clearly relieved at the brightening picture. The president, his advisers and administration economists pointed to their actions to stimulate the economy. Only \$100 billion of the \$787 billion package has filtered into the economy so far, with much of the remainder to be spent next year.

“The fingerprints of the Recovery Act are all over this data,” said [Jared Bernstein](#), the chief economist for Vice President [Joseph R. Biden Jr.](#) “Were it not for the economic activity generated by the act, we would have lost hundreds of thousands more jobs last month.”

The Republicans offered a rebuttal shortly after the president spoke in the early afternoon. “No one would argue that the stimulus has done nothing, but it certainly does not look like we are getting our money’s worth,” [Douglas Holtz-Eakin](#), an economic adviser to [John McCain](#) during his presidential campaign, said in a conference call.

The employment report released Friday included some unsettling information. True, the job loss in July was just over half of the 443,000 jobs lost in June. And the number of hours worked in a week rose by one-tenth to 33.1 hours, halting a lengthy decline.

But never in the 61 years of recordkeeping has one-third of the unemployed, currently 14.5 million people, been out of work for 27 weeks or more.

Karen Triplett in Atlanta keeps trying to escape the fate of the long-term unemployed. Ms. Triplett, who is 61, lost her job selling advertising in February and has been hitting “wall after wall ever since,” as she puts it. The only job offer, she said, turned out to be a scam, and her income has fallen from \$60,000 a year to \$1,100 a month in unemployment benefits. “I’m struggling just to pay my house note,” she said.

Thousands of others are giving up. More than 400,000 who had been looking for work dropped out of the labor force in July, not even bothering to tell government pollsters that they would accept a job, part time or full time, if one came their way.

“If there had been no drop in this labor force participation, if all those people had continued to look for work, then the unemployment rate last month would have ticked up, to 9.7 percent,” said Nigel Gault, chief domestic economist at IHS Global Insight.

Mr. Gault, sharing a view held by most economists, says the unemployment rate won't really begin to fall until employers are adding workers, at least 100,000 a month to keep pace with population growth, something not likely to happen until February or March, if then.

A broader measure of the nation's unemployment, which includes people too discouraged to look for work or forced to work only part time, slipped to 16.3 percent from its peak of 16.5 percent in June.

Through July, 6.7 million jobs have disappeared since the recession began in December 2007, with manufacturers accounting for nearly one-third of the loss. But manufacturing losses in July eased to 52,000, largely because of a fluke in the auto industry.

Car factories usually shut in July for vacations or retooling, and the [Bureau of Labor Statistics](#) takes this into account in its seasonal formulas. But this year, with [General Motors](#) and [Chrysler](#) in turmoil, the layoffs came mostly in May and June. The auto industry, as a result, was credited with a rise of 28,000 jobs in July, seasonally adjusted. In fact, automakers cut 8,600 jobs.

Although the number of lost jobs has dwindled nearly every month this year, the losses continue to cut across nearly every business sector, with manufacturing and construction the hardest hit.

The health services sector stands apart from this trend, once again adding workers, about the only sector to have done so through the recession. Local governments, along with the federal government, added 7,000 workers, with the help of stimulus money.

The stimulus is crucial, Mr. Shepherdson said. “If it were to stop, the economy would grind to a halt. There is

no momentum from consumer spending or business investment."

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