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The Jobs News Gets Worse

By [FLOYD NORRIS](#)

When the United States economy fell into [recession](#) at the beginning of 2008, many economists, including those at the Federal Reserve, refused to believe it was happening. They pointed to the employment numbers, which showed only mild job losses for the first half of that year.

Recessions, they said, do not come with such mild job losses.

They were right. Unfortunately, it was the job numbers that were wrong.

On Friday, the [Bureau of Labor Statistics](#) delivered its latest revelation that the jobs picture was far worse than it had previously reported. Using newly available data, the bureau now estimates that during the 12 months ended last March, the economy lost 5.6 million jobs, 824,000 more than the 4.8 million previously reported.

It was just the latest change, although the largest. When that estimate is reflected in the published job figures early next year, it will show that there were 130.1 million civilian jobs in the economy last month. That is eight million jobs — 5.8 percent — below the peak reached as the recession began in December 2007.

It now appears that during the first half of 2008, when the recession was getting under way, job losses averaged 146,000 per month. That is nearly three times the average of 49,000 jobs shown in the initial estimates.

How did the government get it so wrong?

The official job numbers are based on a monthly survey of employers, augmented by something called the “birth-death model,” which factors in jobs assumed to have been created by employers who are too new to have been included in the survey, and subtracts jobs from employers assumed to have failed and therefore not responded to the latest survey.

Victoria Battista, an economist at the Bureau of Labor Statistics, said the bureau was looking at whether that model needed to be changed, as well as at other possible issues, such as changing response rates to the questionnaire sent out to employers each month.

The newest revision is called a “benchmark revision.” Such revisions are disclosed each October, and led to reductions in job totals in both 2007 and 2008. But the changes those years were tiny when compared with the changes this year.

For the 12 months through last March, the birth-death model added 717,000 jobs to what the bureau would have reported had it relied solely on its survey.

While the government uses the survey of employers to estimate the number of jobs, the benchmark revisions are based on reports from states on the number of employees for whom unemployment insurance premiums are paid. Those numbers take longer to be available, but are considered to be more reliable.

So how bad is this recession turning out to be, in terms of job losses?

The government's data since 1939 shows only one time when there was a larger percentage decline in civilian jobs. That fall, of 10.1 percent, came at the end of World War II when defense contractors laid off workers no longer needed for the war effort — a total of 4.3 million lost jobs. In no downturn since World War II did that many jobs vanish, until the current recession.

The only other downturn in which as many as 5 percent of jobs disappeared was in 1949; that too was a special case. That October, national employment fell 2 percent in one month, largely because a steel strike forced many other companies to halt production and lay off workers.

It is not clear if the economy now has hit bottom in terms of employment, even though other economic statistics make it appear that the recession has probably ended. The pace of job losses has slowed, but it is still substantial.

In most recessions since World War II, it took about a year after employment bottomed for the economy to add enough jobs to fully reverse the decline. But that period has grown after recent downturns, perhaps because fewer people are losing jobs in manufacturing, where layoffs are likely to be reversed as consumption picks up.

The sharpness of the decline in employment this time could indicate that employers will have to step up hiring more rapidly when the economy does rebound in order to meet rising demands from customers. Otherwise, it could be years before the United States has as many jobs as it did at the end of 2007.

In any case, because the birth-death model is based on trends of the recent past, it is likely to err on the cautious side when things do improve, according to Robert Barbera, the chief economist of ITG, an investment advisory firm. "In 2011," he said, "we may see a benchmark revision that adds hundreds of thousands of jobs."

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