Where Are the Jobs?

Employment Stagnation after the Great Recession

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March 6, 2012
Answer: North Dakota

Employment growth, June 2010 to June 2011 = +5.1%

12 month percent change in employment, Total, all industries, Total Covered Jun 2010-Jun 2011 (p)

Answer: North Dakota

Unemployment rate, December 2011 = 3.3%

Unemployment rates by state, seasonally adjusted, December 2011

(U.S. rate = 8.5 percent)

SOURCE: Bureau of Labor Statistics
Local Area Unemployment Statistics
Scope of the crisis: Impact and aftermath

- The Great Recession ranks as worst since World War II
  - But it was not the Great Depression
- The jump in unemployment was biggest in post-war era
- The persistence of high unemployment was uncommonly severe
- The consequences for job losers and new job entrants have been uncommonly harsh
Economic crisis:  
Government responses

- Most special government actions were familiar:
  - Temporary tax reductions
  - Extensions of unemployment benefits
  - Increased government investment in buildings, roads, technology

- Unusual federal actions:
  - Generous health insurance subsidies for laid-off workers
  - Massive grants to state governments
  - Emphasis on protecting education & training
Economic crisis: 
Political reaction to government response

- The average voter: “Why aren’t things better already?”

- The average opposition politician: “The other guys’ program made things worse. And look what’s happened to the deficit!”

- The average political supporter of the stimulus: {Embarrassed silence.}
Scale of the employment challenge
Rise in Unemployment Rate after the End of Two Economic Expansions

<table>
<thead>
<tr>
<th>Months before or after previous business cycle peak</th>
<th>Change in Unemployment Rate (Percentage Points)</th>
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<tbody>
<tr>
<td>2008-09 recession</td>
<td>3.4 pctg. pts.</td>
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<tr>
<td>1981-82 recession</td>
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49 months
Fall in Payroll Employment after the End of Two Economic Expansions

Percent Change from Business-Cycle Peak of Payroll Employment

- 1981-82 recession
- 2008-09 recession

-4.0 pctg. pts.
-6
-4
-2
0
2
4
6
8

Months before or after previous business cycle peak

-12 0 12 24 36 48

49 months

+6.8 pctg. pts.

-4.0 pctg. pts.
Rise in Unemployment Rate in 2008-2009 Recession & Recovery

Change in Unemployment Rate in 2008-09 Recession and Recovery
(Percentage Points)

- Las Vegas: 4.2 pctg. pts.
- U.S. total: 3.3 pctg. pts.

Months before or after previous business cycle peak

48 months
Percent Change from Business-Cycle Peak of Payroll Employment

Fall in Payroll Employment after the End of Two Economic Expansions

-4 pctg. pts.

U.S. total

-9.7 pctg. pts.

Las Vegas

48 months
Loss of household wealth
Index of Real U.S. House Prices, 1975-2011

House prices in 1980 = 100

Index of Real U.S. House Prices, 1975-2011

U.S. Stock Market Prices, 1950-2011

S&P stock index (deflated using 2005 prices)

Source: Standard and Poors composite stock index.
Ratio of Net Household Wealth to Household Disposable Income, 1952-2011

Source: Board of Governors of the Federal Reserve System, Flow of Funds Accounts.
Automatic social protection

With cross-national comparisons
Net Income Replacement in the Initial Period after Job Loss in 21 OECD Countries, 2005

Net benefit / Net earnings in employment (%)
Maximum Duration of Unemployment Insurance Benefits in 21 Countries, 2007

Duration of unemployment benefits (in months)

USA: 6 months
UK: 6 months
Italy: 7 months
Canada: 9 months
Austria: 9 months
Japan: 10 months
Germany: 12 months
Greece: 12 months
Sweden: 14 months
Ireland: 15 months
Netherlands: 18 months
Switzerland: 18 months
France: 23 months
Finland: 23 months
Norway: 24 months
Portugal: 24 months
Spain: 24 months
Denmark: 48 months
Belgium: **
New Zealand: **
Australia: **

Source: OECD.

Maximum U.S. total in 2008-2012 = 22.8 months
Stimulus programs
Special programs for the hard hit

- Unemployment benefit extensions of up to 73 weeks - giving a total of 99 weeks protection
  - Length of extension tied to state unemployment rate
- Increases in monthly food stamp allotments
- Aid to the states for social assistance to children
- Doubling of budget for training the unemployed and hard-to-employ
- Increases in EITC and Child Tax Credit
Special programs for the not-so-afflicted

- Federal income tax cuts, phased out for folks with high income
- Payroll tax cut: 2-percentage-point reduction in Social Security tax
- Special grants to Social Security recipients & VA recipients who do not pay income taxes
Impact of the Recession on Disposable and Before-Tax Market Income (per person), 1997 – 2011

2007-IV = 100
Impact of the Recession and Stimulus Package on Government Transfer Payments (per person), 1997 – 2011

2007-IV = 100

Dollars per person (2005 $)

- Change in government benefits (per person)
- Change in tax payments (per person)

+ $1,070
- $1,080

Las Vegas construction employment
(Employment in 2000 = 100)
U.S. Assembly of Motor Vehicles, 2008-2011

Percent of average vehicle assemblies in 1994-2007

-69%
-21%
Impact of the Recession on Disposable and Before-Tax Market Income (per person), 1997 – 2011

2007-IV = 100
Composition & timing of the stimulus

Billions of current dollars

- Fiscal relief for state governments
- Direct income assistance & services
- Infrastructure / technology investment

Fiscal years

Sources: Congressional Budget Office and Joint Committee on Taxation.

Sources: Congressional Budget Office and Joint Committee on Taxation.

Stimulus Spending as % of Potential GDP

- Fiscal relief for state governments
- Direct income assistance & services
- Infrastructure / technology investment

Fiscal year

Sources: Congressional Budget Office and Joint Committee on Taxation.
Economic Crisis & Social Protection
Impact and remedies

What is old:
- Automatic stabilization
- Standard gov’t reactions –
  - Tax cuts / UI benefit extensions / Gov’t capital projects

What is new:
- Massive federal aid for state governments
- Unusual focus on protecting education & training

What Congress avoided:
- Huge investment in public works
  - Congress worried the spending would be too slow