



JOINT ECONOMIC COMMITTEE DEMOCRATS



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ECONOMIC DATA ANALYSIS

JUNE 2003

THE PERSISTENCE AND DEPTH OF PAYROLL EMPLOYMENT JOB LOSSES

The latest data from the Bureau of Labor Statistics (BLS) show that the labor market slump that began over two years ago worsened in May. The persistence of private sector job losses has been so serious that unless the economy creates an average of 433,000 jobs per month from June through December, this will be the most protracted jobs recession since the 1930s.

Shrinking payroll employment. It is unprecedented since the 1930s for payroll employment still to be shrinking so long after the beginning of a recession, yet the number of nonfarm payroll jobs fell by 17,000 in May, and has fallen by 289,000 since January (**Chart 1**). *Private* nonfarm employment has fallen by 233,000 since January (**Chart 2**).

An unprecedented jobs slump. No recession in the post-World War II era has shown such persistent private sector job losses. Typically, such job losses begin to be reversed after about 15 months and the jobs lost in a recession are fully recovered in about two years. This time, however, it has been 26 months since the beginning of the recession in March 2001, and private payroll employment is 2.7 percent (3 million jobs) lower than it was then. Because there has been net job creation in the government sector, total nonfarm employment is down by less (1.9 percent, or 2.5 million jobs). In both cases, however, the

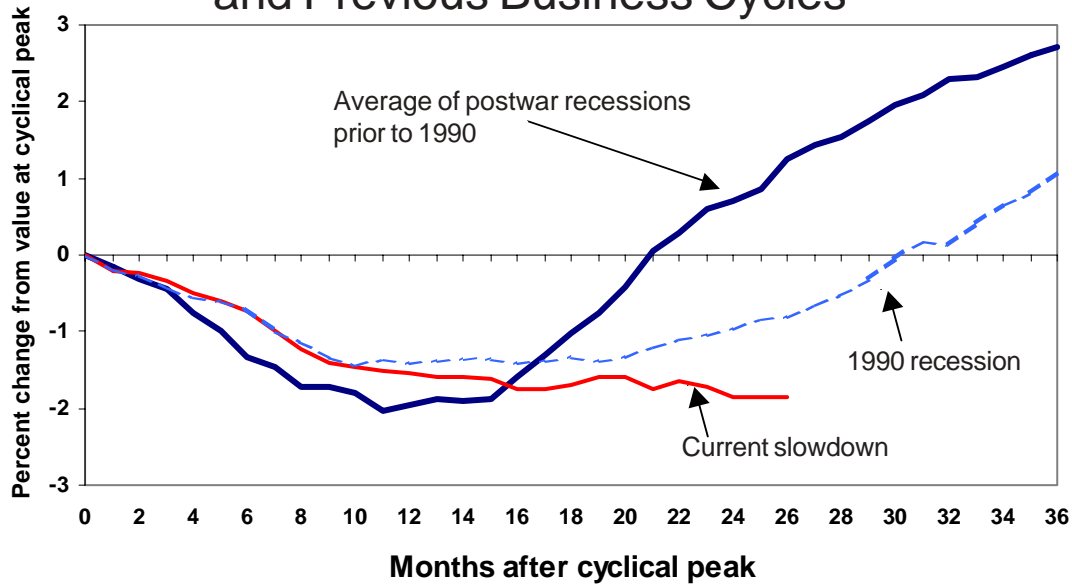
persistence of job losses is noteworthy compared with past recessions, as is the size of the job-loss gap so long after the recession began.

The prospect of the longest jobs slump since the 1930s. The previous recession most similar to this one was 1990-91, which was followed by a long “jobless recovery.” It was 33 months after the start of the 1990-91 recession before the job losses in that recession were completely erased, making it the most persistent post-recession job slump in the last half century. However, private payrolls in that earlier business cycle had already begun expanding before the 26-month mark. This time, in contrast, private payrolls are still stagnant. To avoid setting a new record for private-sector job-creation futility, the economy would have to turn on a dime and create an average of 433,000 new private sector jobs per month through the end of the year.

The story for overall nonfarm payroll employment is similar. In the previous recession, it took 31 months for nonfarm payroll employment to get back to its level in July 1990 when the recession began, making that the longest job slump since the 1930s. With a gap of 2.5 million jobs today, we would need an additional 492,000 jobs per month from June through October to avoid setting the record for job-creation futility based on overall nonfarm employment.

Chart 1

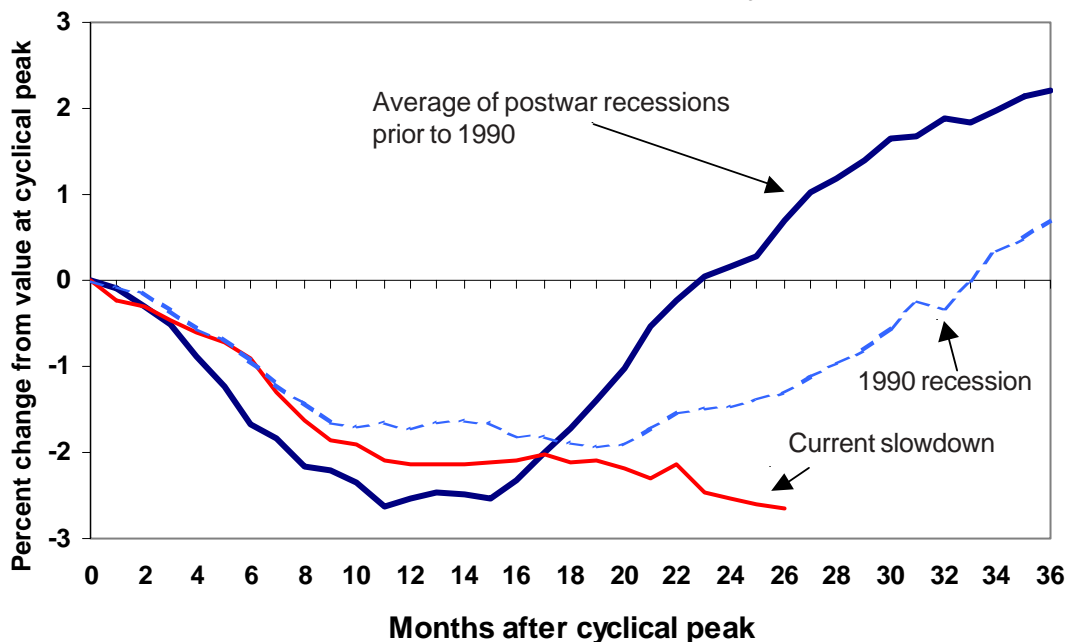
Decline in Nonfarm Payrolls in the Current and Previous Business Cycles



Sources: JEC calculations using data from the U.S. Department of Labor and the National Bureau of Economic Research.

Chart 2

Decline in Private Nonfarm Payrolls in the Current and Previous Business Cycles



Sources: JEC calculations using data from the U.S. Department of Labor and the National Bureau of Economic Research.