

Professional and business services: employment trends in the 2007–09 recession

Employment in professional and business services fell with the recent slump in the broader economy; the temporary help services industry, which regularly leads fluctuations in aggregate employment, accounted for a large portion of the cumulative job losses

Frank Conlon

During the most recent recession,¹ from December 2007 to June 2009, employment in the professional and business services industry² declined by more than 1.6 million, a figure that was second only to the approximately 2.0 million jobs lost in manufacturing. Compared with job losses in the previous 11 recessions, the 2007–09 contraction in professional and business services employment was the largest, in both percentage and absolute number, since the series began in 1939. (See chart 1.) This dramatic decrease in employment followed 5 years of steady growth: from 2003 to 2007, the industry had averaged an employment gain of roughly 3 percent per year, double the average annual growth rate of private sector employment as a whole.

Many of the same industries that flourished prior to the 2007–09 recession were the main contributors to the job losses experienced by professional and business services during the recession. This article analyzes recessionary employment trends among professional and business services industries, as well as the contemporaneous movements of related indicators.

Temporary help services

During the course of the 2007–09 recession, administrative and waste services accounted for more than 3 out of every 4 jobs lost in

professional and business services. Administrative and waste services' payrolls shrank by more than 1 million positions, a drop that, as a percentage, was roughly 3 times larger than the sector's losses in the 2001 recession and about 5 times larger than in the 1990–91 recession.

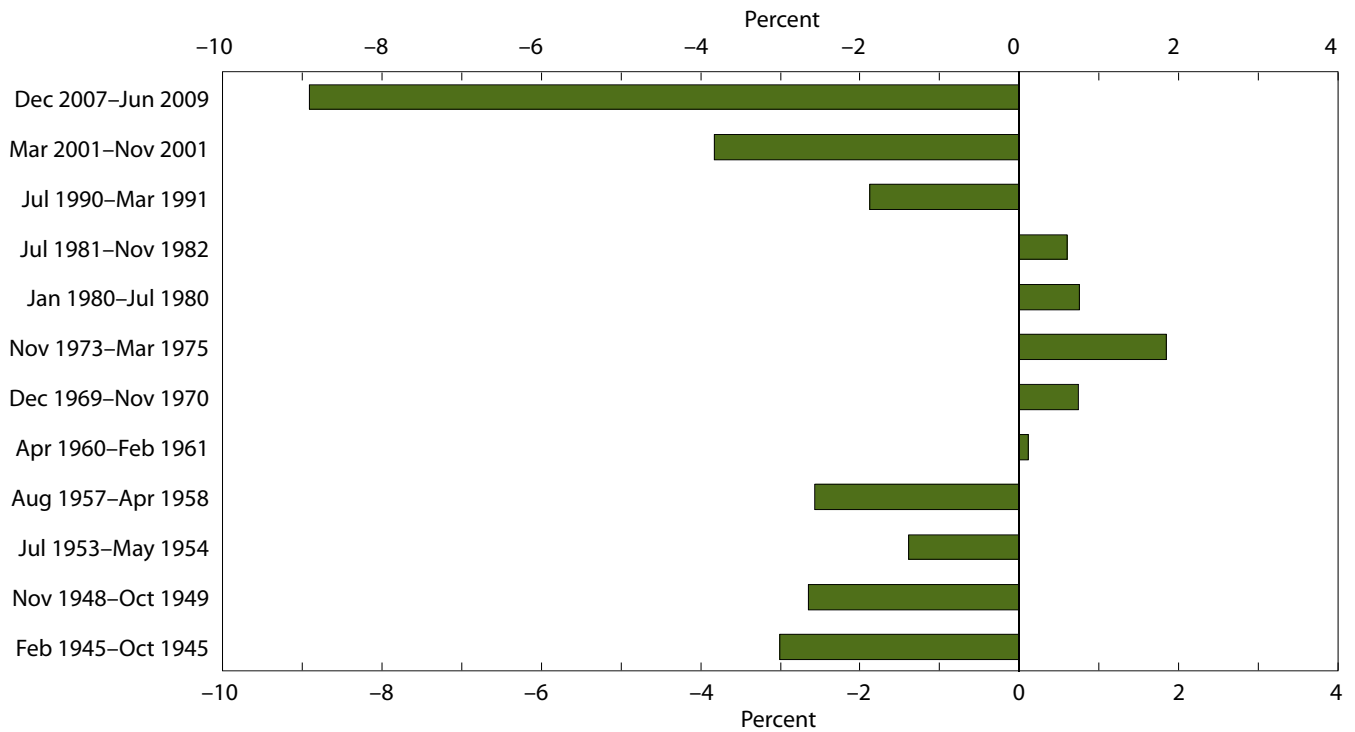
Temporary help services (NAICS 56132) accounted for the lion's share of the jobs lost in administrative and waste services, with employment in the industry falling by 800,000, or 31 percent, to levels not seen since 1996. In comparison, during the 1990–91 and 2001 recessions, temporary help services employment fell by 4 percent and 13 percent, respectively. (See chart 2.)

Employment trends in temporary help services garner special attention, because the industry is considered by many to be a leading indicator of change in aggregate employment. During the 16 months leading up to the 2007–09 recession, temporary help services lost 93,000 jobs. From its peak in August 2006 to its trough in August 2009, temporary help services employment fell by 912,000. Then, between bottoming out and the end of 2010, the industry recovered 462,000 jobs, or about half of the positions cut from peak to trough.

Since 1990, peaks and troughs in temporary help services employment generally have led those of total nonfarm employment. Temporary help services employ-

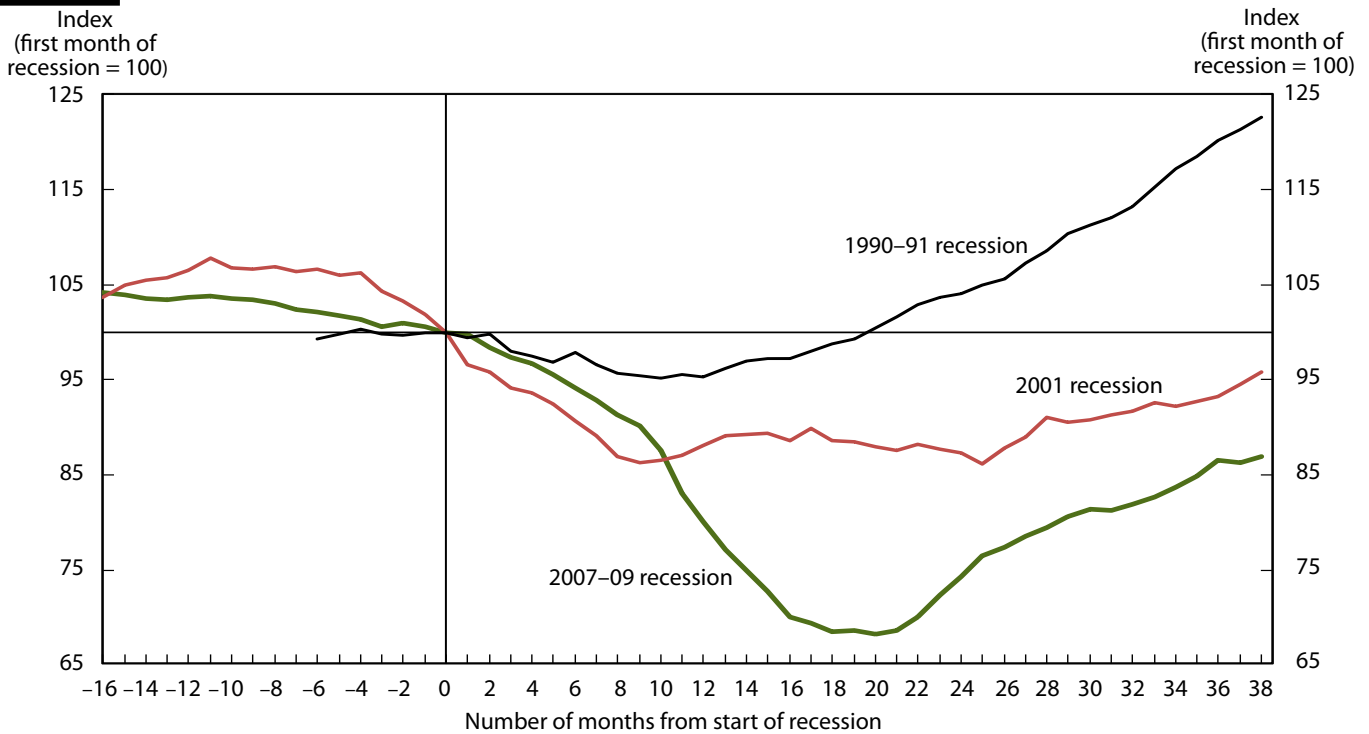
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Chart 1. Percent change in professional and business services employment during recessions, 1945–2009



SOURCE: U.S. Bureau of Labor Statistics.

Chart 2. Temporary help services indexes of employment, seasonally adjusted



NOTE: The temporary help services (NAICS 56132) employment series starts in 1990; therefore, data prior to the recession that began in July 1990 go back only 6 months.

SOURCE: U.S. Bureau of Labor Statistics.

ment reached a local high in March 1990, 3 months before nonfarm employment peaked; both series reached a trough in May 1991.³ Payroll employment in temporary help services peaked in April 2000, 10 months before total nonfarm; bottomed out in April 2003, 4 months before total nonfarm; peaked in August 2006, 17 months prior to total nonfarm; and again reached a trough in August 2009, 6 months before total nonfarm. (See chart 3.)

Between December 2007 and March 2008, temporary help services accounted for 48 percent of the employment losses in the nonfarm economy. This decline contrasts with what occurred during the first 3 months of the 1990–91 and 2001 recessions, when temporary help services contributed about 5 percent and 32 percent, respectively, of aggregate job losses. Over the course of those two recessions, job losses in temporary help services as a share of losses in total nonfarm employment narrowed, supporting the widely held notion that as payroll cuts become necessary during a downturn, most wary employers opt to purge their contract or temporary help employees before their permanent employees.⁴ During the latest recession, falling demand for labor was accompanied by a precipitous fall in temporary help employment; concomitantly, the job openings rate for professional and business serv-

ices fell 41 percent from December 2007 to June 2009. (See chart 4.)⁵

Professional jobs and the housing bust

By the end of the 2007–09 recession, professional and technical services, the other major sector of professional and business services,⁶ had shed 324,000 positions, or 4 percent of employment. The industry did not experience job cuts until two quarters after the beginning of the recession. Professional and technical services averaged a monthly job loss of approximately 6,000 during 2008 and an average job loss of about 25,000 in 2009. Three industry groups—legal services (NAICS 5411); accounting and bookkeeping services (accounting, tax preparation, bookkeeping, and payroll services, NAICS 5412); and architectural and engineering services (architectural, engineering, and related services, NAICS 5413)—accounted for about 72 percent of the job losses in professional and technical services during the most recent downturn. According to the Bureau of Economic Analysis, all three groups are dependent on the real estate sector (real estate and rental and leasing, NAICS 53), whose output accounts for about 5 percent of every dollar of final demand in legal services,

Chart 3. Total nonfarm employment and temporary help services employment, seasonally adjusted, 1990–2010

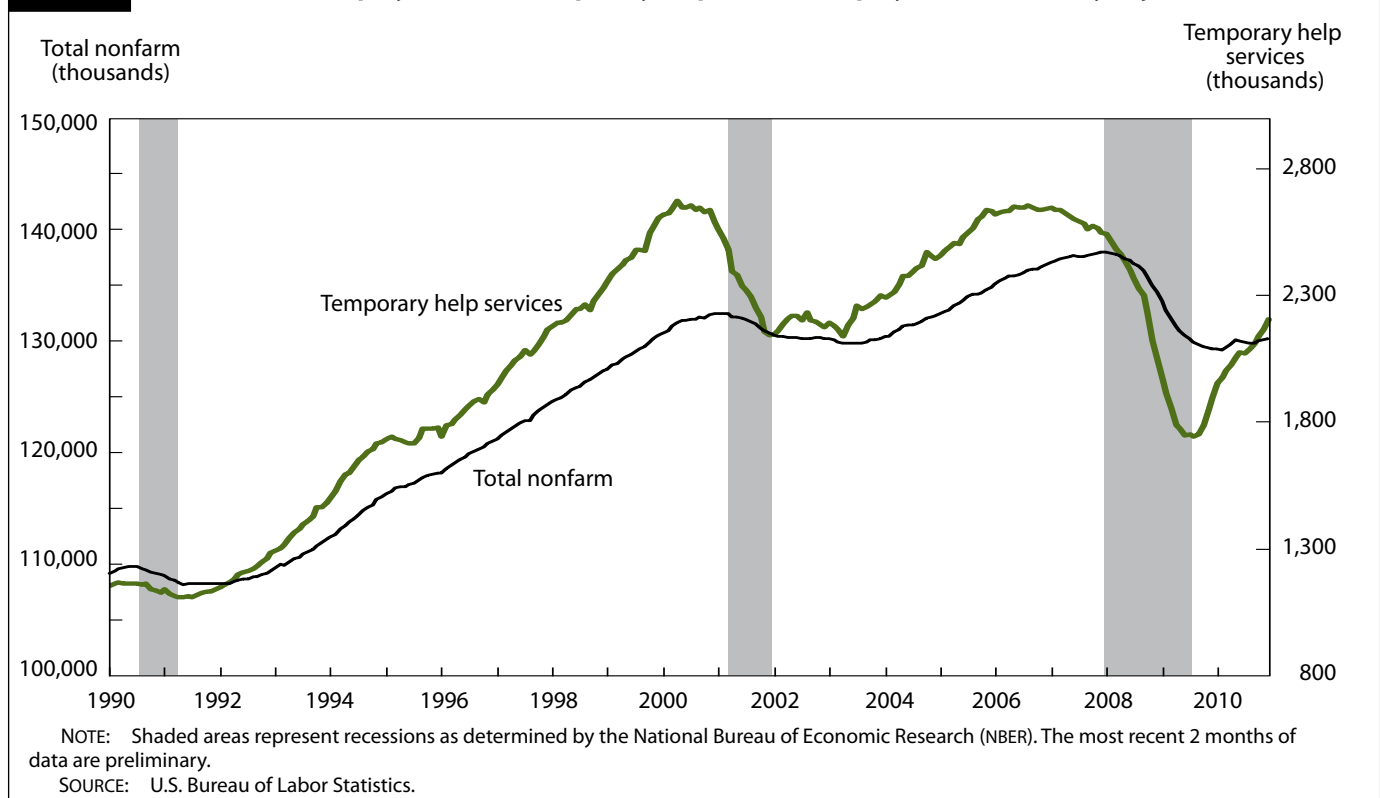
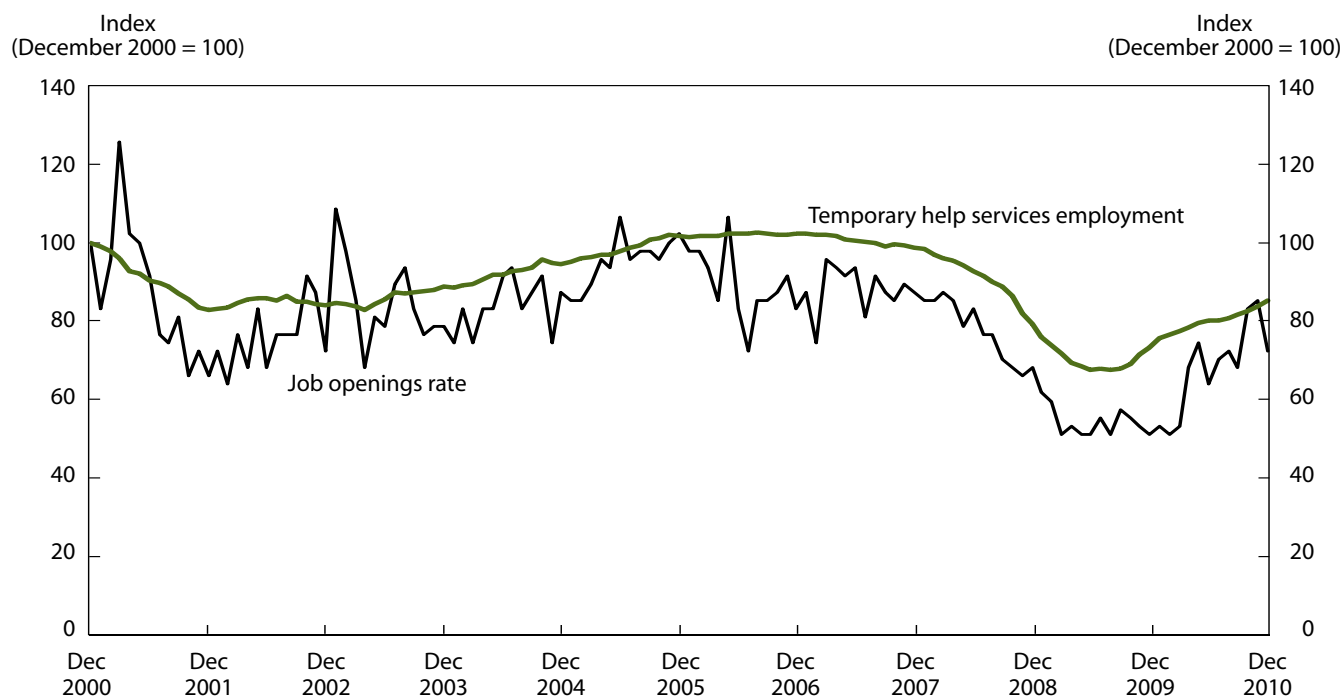


Chart 4. Indexes of job openings rate for professional and business services employment and temporary help services employment, seasonally adjusted, December 2000–December 2010



SOURCE: U.S. Bureau of Labor Statistics.

3 percent in accounting and bookkeeping services, and 2 percent in architectural and engineering services.⁷ The continued decline in both sales of existing homes and sales of new homes may have contributed to the overall employment decline in professional and technical services during the recent economic downturn.⁸

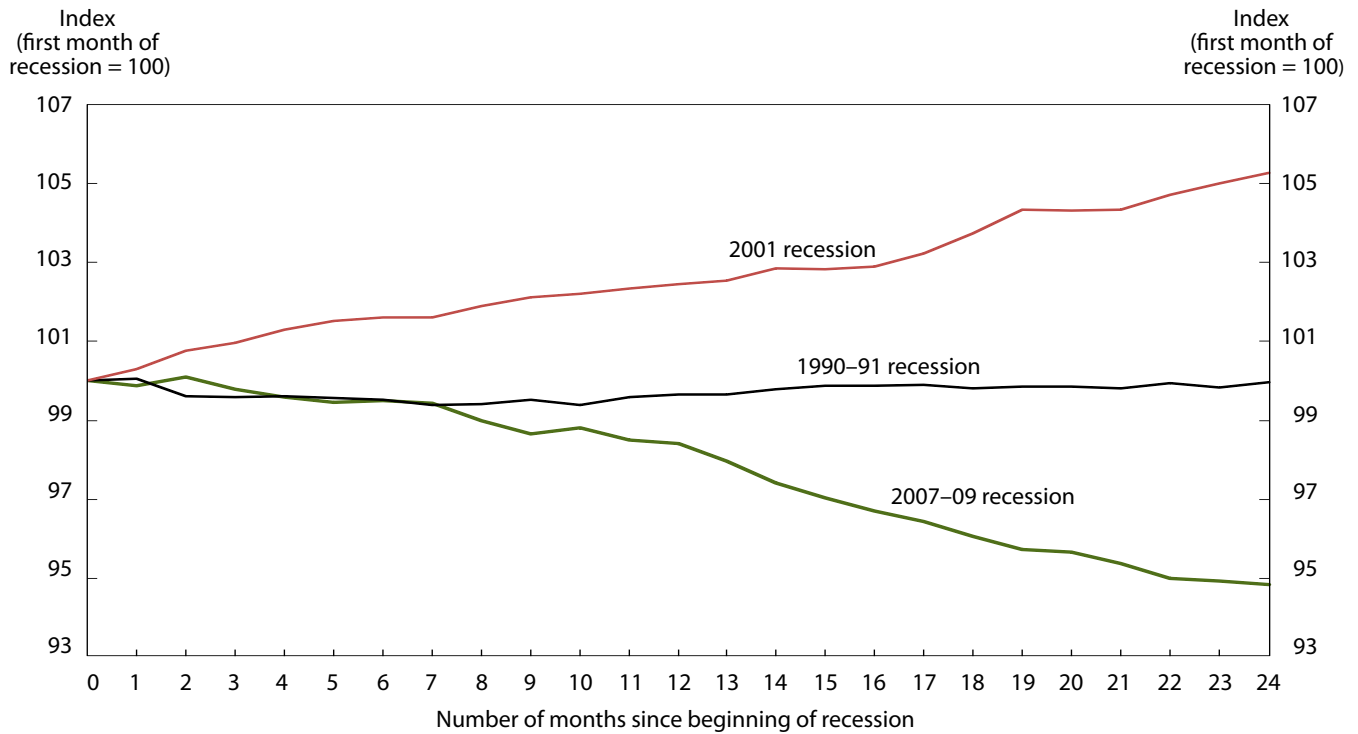
From December 2007 to June 2009, legal services employment fell by 46,000, or about 4 percent; this loss is in contrast to an employment gain of nearly 2 percent during the 2001 recession and a drop of 1 percent during the 1990–91 recession. (See chart 5.) Typically, legal services employment proves resilient relative to aggregate employment during recessions, perhaps partly because of the rise in demand for bankruptcy litigation: since 1981, bankruptcy filings have increased every year associated with a recession.⁹ The latest economic recession was no different: by the second quarter of 2009, demand for bankruptcy work was up 6 percent from a year earlier, the largest growth rate among all practice areas of the legal profession.¹⁰ Demand among real estate law practices, by contrast, declined considerably during that same period. Coincidentally, title abstract and settlement offices, which are highly involved in handling legal documents for the transfer, finance, and settlement of real estate, lost more than one-fifth of em-

ployment by the end of the 2007–09 recession.

Accounting and bookkeeping services also sustained notable payroll cuts during the most recent recession, losing 54,000 jobs from December 2007 to June 2009. This loss represented a 6-percent decline in employment, compared with the 2 percent lost during each of the 1990–91 and 2001 recessions. The greater part of the job losses were concentrated in payroll services, which contracted by 29,000, accounting for 1 out of every 2 positions lost in accounting and bookkeeping service during the 2007–09 recession.

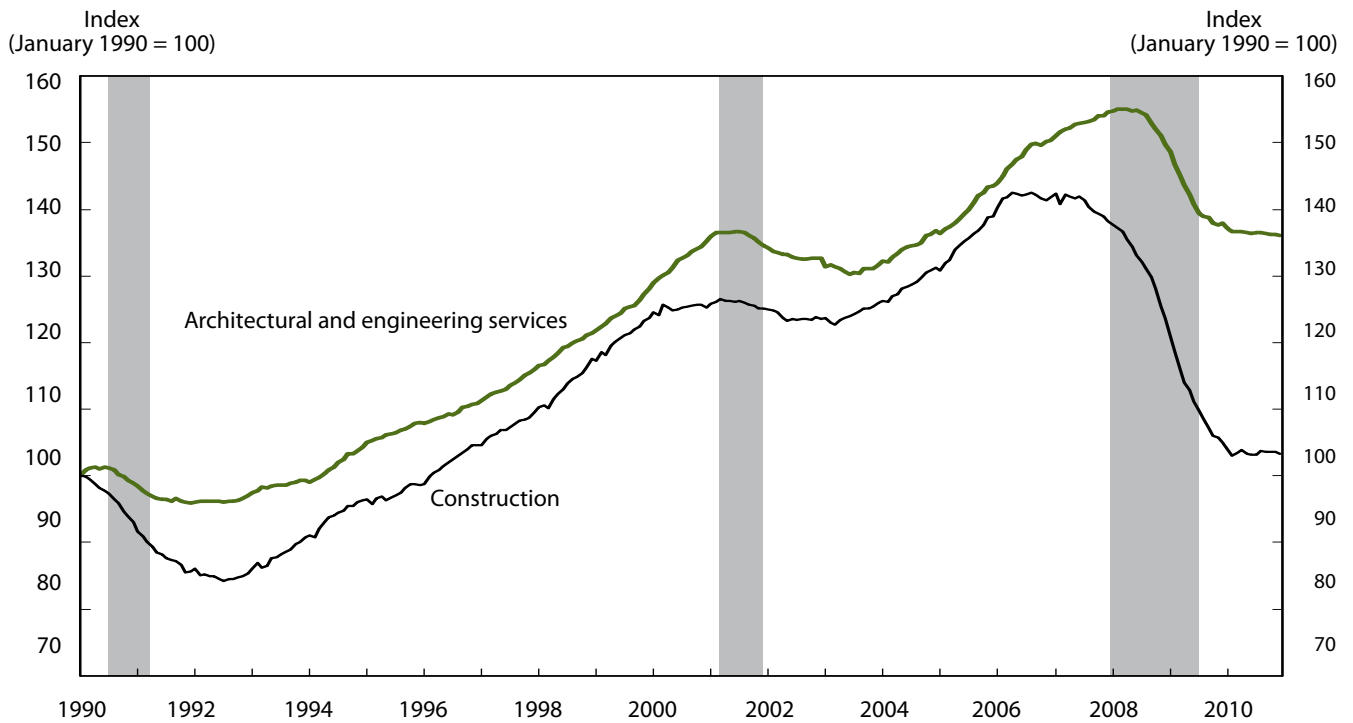
From December 2007 to June 2009, architectural and engineering services employment fell by 132,000, or 9 percent, a percentage that contrasts with losses of 1 percent and 4 percent in the 2001 and the 1990–91 recessions, respectively. During the most recent economic downturn, the construction sector, a sector that is commonly viewed as mutually dependent on the architectural and engineering services industry group, made significant payroll cuts.¹¹ Residential construction employment, which had been falling since early 2006, continued to plummet as residential construction projects petered out.¹² Employment in the two industries—construction and architectural and engineering services—has experienced similar historical trends. (See chart 6.) □

Chart 5. Legal services indexes of employment, seasonally adjusted



SOURCE: U.S. Bureau of Labor Statistics.

Chart 6. Construction index of employment and architectural and engineering services index of employment, seasonally adjusted



NOTE: Shaded areas represent recessions as determined by the National Bureau of Economic Research (NBER).

SOURCE: U.S. Bureau of Labor Statistics.

Notes

¹ Recessions are identified by the National Bureau of Economic Research (NBER), according to which the most recent recession began in December 2007 and ended in June 2009. The previous two recessions were from July 1990 to March 1991 and from March 2001 to November 2001, respectively. For a complete list of business cycle dates, see “U.S. Business Cycle Expansions and Contractions” (Cambridge, MA, National Bureau of Economic Research, Apr. 4, 2011), <http://www.nber.org/cycles/cyclesmain.html> (visited Apr. 5, 2011).

The data on employment used in this article are from the Current Employment Statistics (CES) survey, a monthly survey of about 140,000 nonfarm business and government agencies representing approximately 440,000 individual worksites. For more information on the survey’s concepts and methodology, see “Technical Notes to Establishment Survey Data Published in *Employment and Earnings*” (U.S. Bureau of Labor Statistics, Feb. 4, 2011), <http://www.bls.gov/web/cestn2.htm> (visited Apr. 21, 2011). To access CES data, see “Current Employment Statistics - CES (National)” (U.S. Bureau of Labor Statistics, no date), <http://www.bls.gov/ces> (visited Jan. 10, 2011). The CES data used in this article are seasonally adjusted unless otherwise noted.

² The professional and business services industry encompasses North American Industry Classification System (NAICS) sector codes 54 (professional, scientific, and technical services—hereafter, simply, professional and technical services), 55 (management of companies and enterprises), and 56 (administrative and support and waste management and remediation services, or, for simplicity, administrative and waste services). (See *North American Industry Classification System: United States, 1997* (U.S. Census Bureau, 1997), and *North American Industry Classification System, 2002* (U.S. Census Bureau, 2002).)

³ The temporary help services employment series starts in 1990; therefore, the high point reached in 1990 may not have been a peak had earlier data been available.

⁴ A recent expression of this notion appears in “OOChart: Temporary Measures,” *Occupational Outlook Quarterly*, fall 2010, <http://www.bls.gov/pub/ooq/2010/fall/oochart.pdf> (visited Jan. 10, 2011).

⁵ Job openings rates used in this article are from the Job Openings and Labor Turnover Survey (JOLTS), conducted by the Bureau of Labor Statistics; JOLTS is a monthly survey that addresses the need for data on job openings, hires, and separations. For more information on this survey, see “Job Openings and Labor Turnover Survey” (U.S. Bureau of Labor Statistics, Jan. 12, 2011), <http://www.bls.gov/jlt/jltover.htm#purpose>. (visited Apr. 21, 2011).

⁶ The third sector, management of companies and enterprises, is considered a minor sector relative to the other two.

⁷ Data are from input-output tables published by the Bureau of Economic Analysis—specifically, the industry-by-industry total re-

quirements table after redefinition for 2002. (See “Interactive Access to Input-Output Accounts Data,” in *Industry Economic Accounts* (Bureau of Economic Analysis, Dec. 14, 2010), http://www.bea.gov/industry/iotables/options_list.cfm?aggregations_id=0&get_results=show&goto=&anon=760683&CFID=2157277&CFTOKEN=16910fa36c94132a-6F4D30E6-D4EF-5919-1250FF52D5214327&jsessionid=9230a8d613dace131e78711f6072716b4444 (visited Jan. 10, 2011).) The table shows the amount of output required, directly and indirectly, by each industry to deliver a dollar of final demand to final users.

⁸ Data on sales of new homes appear courtesy of the Census Bureau, in “Houses Sold by Region” (U.S. Census Bureau, no date), <http://www.census.gov/const/soldreg.pdf> (visited Apr. 21, 2011). Data on sales of existing homes appear courtesy of the National Association of Realtors, in “Existing-Home Sales” (Chicago, National Association of Realtors, Mar. 21, 2011), <http://www.realtor.org/research/research/ehsdata> (visited Apr. 21, 2011).

⁹ Bankruptcy data presented in this article are taken from the quarterly business filings by year in “Bankruptcy Filing Statistics—Business Filings” (Alexandria, VA, American Bankruptcy Institute, 2010), http://www.abiworld.org/AM/Template.cfm?Section=Business_Bankruptcy_Filings1&Template=/TaggedPage/TaggedPageDisplay.cfm&TPLID=59&ContentID=36301 (visited Jan. 10, 2011).

¹⁰ Law firm performance was gauged by the Hildebrandt peer monitor index (PMI), a composite index that yields a score representing the quarter-over-quarter change in drivers of law firm profitability, including rates, demand, productivity, and expenses. (For more details on this index, see “PMI Rises in Fourth Quarter, Flat for 2010—Law Firm Market Demand and Productivity Rise” (Washington, DC, Thomson Reuters, Jan. 28, 2011), <https://peermonitor.thomsonreuters.com/ThomsonPeer> (visited Apr. 21, 2011).)

¹¹ According to NAICS, the architectural and engineering services industry group is composed of establishments engaged primarily in planning and designing residential, institutional, leisure, commercial, and industrial buildings and structures by applying knowledge of design, construction procedures, zoning regulations, building codes, and building materials. Furthermore, architectural and engineering services and the construction industry exhibit a positive correlation in employment, which means that their employment levels tend to move together over time.

¹² See “New Residential Construction (Building Permits, Housing Starts, and Housing Completions),” in *Manufacturing, Mining, and Construction Statistics* (U.S. Census Bureau, December 2010), <http://www.census.gov/const/www/newresconstindex.html> (visited Jan. 10, 2011). For an overview of construction employment trends during the December 2007–June 2009 recession, see Adam Hadi, “Construction employment peaks before the recession and falls sharply throughout it,” this issue, pp. 24–27.