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)

Color Thresholds

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-WWII 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

Change in Unemployment Rate
(Percentage Points)

- 2008-09 recession
- 1981-82 recession

Months before or after previous business cycle peak

3.4 pctg. pts.

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

+6.8 pctg. pts.
-4.0 pctg. pts.
49 months
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
Fall in Payroll Employment after the End of Two Economic Expansions

Percent Change from Business-Cycle Peak of Payroll Employment

-4 pctg. pts.

-9.7 pctg. pts.

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

House prices in 1980 = 100

U.S. Stock Market Prices, 1950-2011

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)

<table>
<thead>
<tr>
<th>Country</th>
<th>Duration of Benefits</th>
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<tbody>
<tr>
<td>USA</td>
<td>16.8</td>
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<tr>
<td>UK</td>
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<td>Italy</td>
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<td>Japan</td>
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<tr>
<td>New Zealand</td>
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<tr>
<td>Australia</td>
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Maximum U.S. total in 2008-2012 = 22.8 months

Source: OECD.
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

Disposable income

Market income
Impact of the Recession and Stimulus Package on Government Transfer Payments (per person), 1997 – 2011

2007-IV = 100

Government transfer payments

Market income

Dollars per person
(2005 $)

Change in government benefits
(per person)

Change in tax payments
(per person)

- $1,080

+ $1,070

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

Sources: Congressional Budget Office and Joint Committee on Taxation.

Billions of current dollars

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

Fiscal years
2009-2010
$129
$390
$65

2011-2019
$46
$141
$22

Stimulus Spending as % of Potential GDP

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