LABOR MARKETS AND THE GREAT RECESSION

Rick Mattoon
Senior Economist and Economic Advisor
Federal Reserve Bank of Chicago

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THIS RECESSION WAS A GAME CHANGER

- Looking for a new “normal”
- The shape of the recovery—an “L”, “V” or “W”?
- Two of the root causes of the problem—leverage and under-pricing risk
- Implications are across all areas of the economy…housing, commercial real estate, consumer behavior
- Implications for Labor adjustment are important

THE GREAT RECESSION AND LABOR

- Job losses to date are over 8.2 million
- While losses are moderating (averaging 187K per month over last three months vs 600K at height of recession) little evidence of improvement—October loss was 190,000
- Unemployment rate at 10.2% is highest in 26 years
- Entered the recession with a somewhat sluggish labor picture

LABOR ADJUSTMENT

- The path out of the 2001 recession was muted for labor. Private sector job growth in the 2001-2007 expansion averaged 1 million per year. In the two prior expansions job growth averaged 2.4 million and 2.2 million. (This wasn't because of slower labor force growth)
- This has translated into an absolute loss in private sector jobs for the first time since the Great Depression. By August of 2009 there were 1.3 million fewer jobs than had existed in 1999.
- More pressure on the way. BLS estimates that the US labor force will grow by 1.3 million per year between 2006 and 2016. We need to add 1.3 million jobs per year just to keep up with the labor force growth

IS THE JOBLESS RECOVERY THE NEW MODEL?

- First noticed in the 1990-91 recession. After the recovery began it took a full 11 months before job losses reversed
- Even worse in 2001 recession. A very mild recession—lasted 8 months. During the recession 1.9 million jobs were lost, HOWEVER, during the first 19 months of the recovery another 1.3 million jobs were lost
- Why? Business is managing its labor cost more aggressively and in some industries out-sourcing
- Structural vs cyclical unemployment

CHANGING COMPOSITION OF LOSSES (US BLS)

Recession	Total	Goods Producing #	Goods Producing %	Private Service #	Private Service %
July 1981-Nov. 1982	-2.626(m)	-2.566 (m)	97.7	-60 (thousand)	2.3
July 1990-March 1991	-1.168	-.955	82.6	-.203	17.4
March 2001-August 2003	-3.289	-2.704	82.2	-.585	17.8
Dec. 2007-August 2009	-7.047	-3.474	49.2	-3.573	50.7

AND NOW FOR SOMETHING REALLY DEPRESSING…

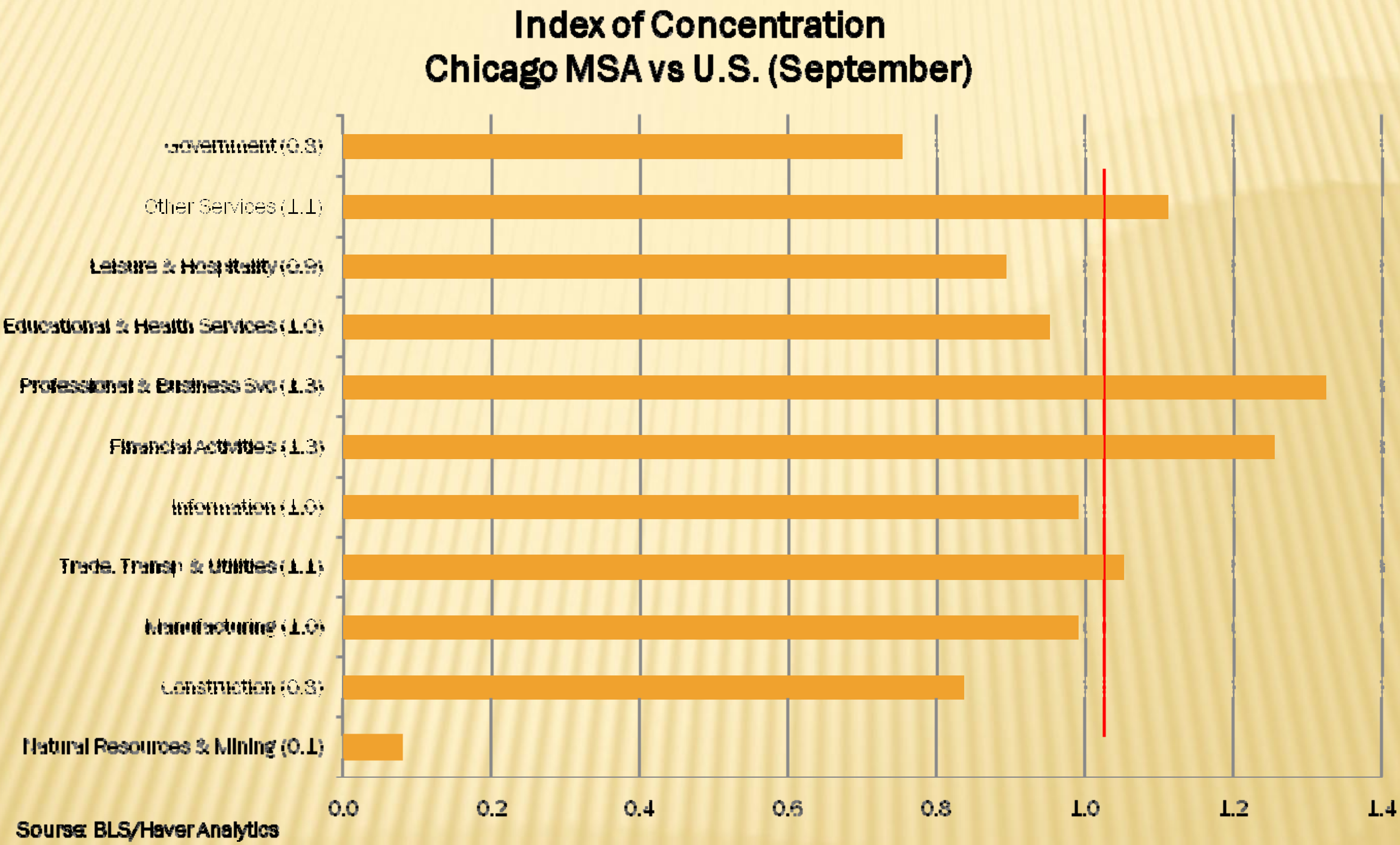
- "America's New Post-Recession Employment Arithmetic", James Hughes and Joseph Seneca, Rutgers University
- Authors calculate that the Job "deficit" by December of 2009 will be 9.39 million (Job losses plus lack of new job creation)
- If the recovery takes hold and private sector job growth hits the average for the 1991-2001 recession (2.15 million per year) when combined with natural labor force growth we will erase these employment losses in….

THE RUTGERS SCENERIO

- AUGUST 2017!

TURNING TO CHICAGO

- News isn't much better
- The Chicago Conundrum…
- Changing geography of employment in the region
- Changing skill demand


Index of Concentration
Chicago MSA vs U.S. (September)
Government (0.8)
Other Services (1.1)
Leisure & Hospitality (0.9)
Educational & Health Services (1.0)
Professional & Business Svc (1.3)
Financial Activities (1.3)
Information (1.0)
Trade, Transp & Utilities (1.1)
Manufacturing (1.0)
Construction (0.8)
Natural Resources & Mining (0.1)
0.0
0.2
0.4
0.6
0.8
1.0
1.2
1.4
Sourse: BLS/Haver Analytics

THE CHICAGO CONUNDRUM—US UNEMPLOYMENT IS 9.8%

Metro area	Sept 2009 Unemployment rate
Chicago	10.0
Indianapolis	7.7
Decatur	11.1
Peoria	11.1
Milwaukee	8.5
Detroit	17.3
Kokomo	11.6
Elkhart	15.0
Best—Bismark, ND	2.9

Unemployment Rates for Metropolitan areas, US Department of Labor, Bureau of Labor Statistics

Private Sector Employment (000s) Chicago Metropolitan Area				
Total Payroll Employment	**1981**	**1990**	**2000**	**2008**
Central area	502	532	529	520
Rest of city	698	669	627	576
City of Chicago	1,200	1,201	1,156	1,096
Suburbs	1,376	1,858	2,332	2,326
6-county area	2,576	3,059	3,488	3,422
Manufacturing employment	**1981**	**1990**	**2000**	**2008**
Central area	70	49	31	7
Rest of city	249	167	117	70
City of Chicago	319	216	147	79
Suburbs	425	437	470	335
6-county area	744	653	617	414

Note: Manufacturing category was redefined by year 2001 for manufacturing sector to exclude "management of companies" facilities.
Source: Illinois Department of Employment Security, Where *Workers* Work, (various issues).

Percentage College Graduates by Age in the City of Chicago and Suburbs, 1990–2006

1990	**Chicago**	**Suburbs**
25-34	27%	31%
35-44	24%	36%
45-54	18%	29%
55-64	12%	21%
65+	8%	12%
2000		
25-34	36%	36%
35-44	25%	36%
45-54	24%	38%
55-64	20%	30%
65+	16%	22%
2006		
25-34	39%	35%
35-44	34%	39%
45-54	25%	37%
55-64	27%	35%
65+	16%	22%

Source: United States Census Bureau, 1993, 2003, and 2006.

CONCLUDING THOUGHTS

- Labor recovery is likely to be slow
- More structural unemployment puts a premium on retraining and labor force matching
- Need to know what works—rigorous program evaluation