

Economic Analysis

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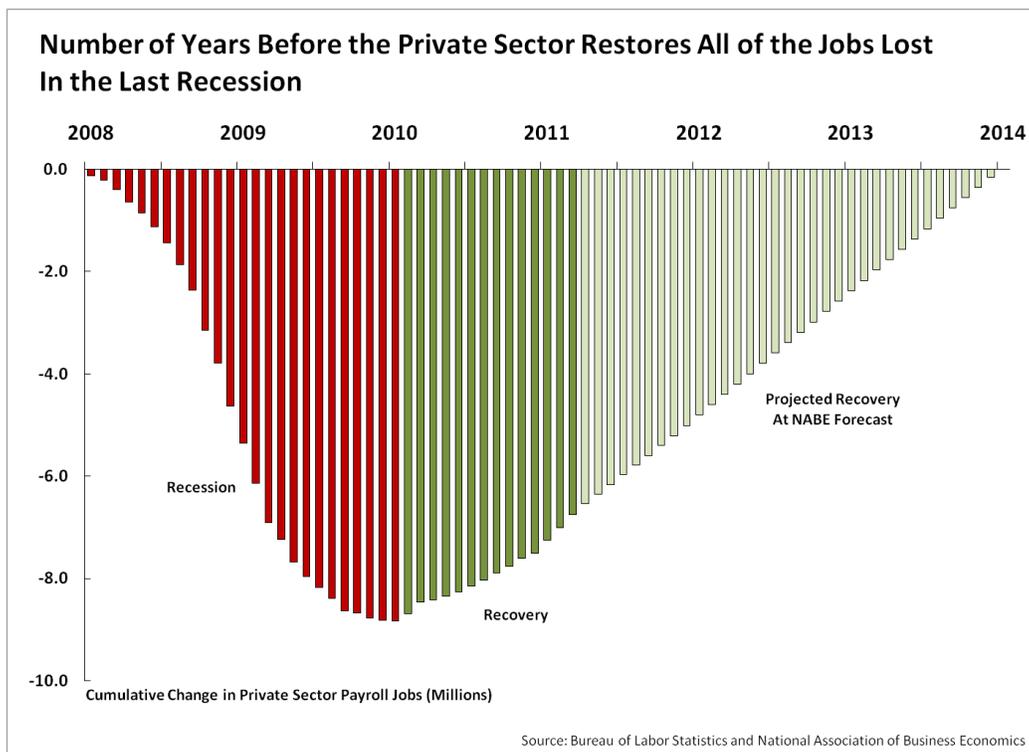
How Long Will It Take the Private Sector To Restore All of the Jobs Lost During the Last Recession?

Private sector employment peaked at 115.6 million in January 2008 as the recession began, and by the official end of the recession in June 2009, businesses had shed 7.7 million jobs. But it would be another 8 months, February 2010, before the labor market would hit bottom. When it was finished the private sector had cut over 8.8 million jobs; the deepest job loss since the Great Depression.

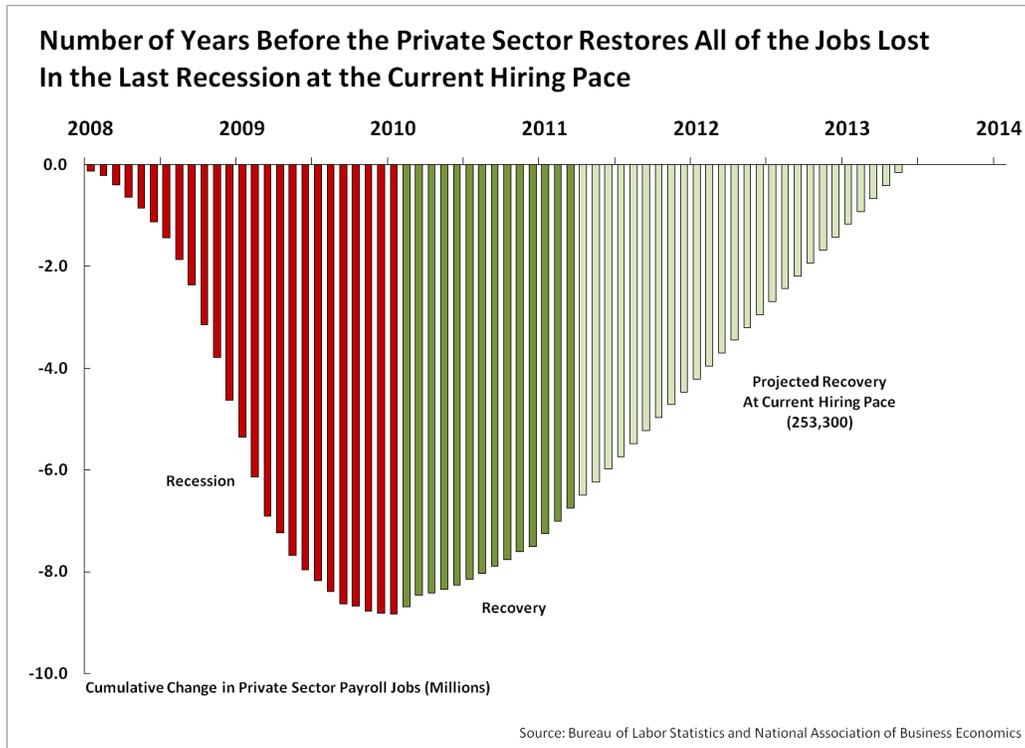
Over the past year, private sector employers have added almost 2.1 million jobs. After a burst of hiring in March and April 2010, an average 186,000 jobs per month, the pace of job growth slowed to average gain of just 106,000 per month from May 2010 to January 2011. However, from February to April 2011, private-sector job creation jumped to an average 253,000 jobs per month, the best 3 months of job growth since early 2006.

Although monthly job gains of 250,000 to 350,000 are possible in the future, private sector job growth is more likely to return to its long-run average of around 190,000 per month until the next recession begins. The latest forecast for job growth from the National Association for Business Economics (NABE) calls for average monthly job gains of 190,300 for the rest of 2011, and 202,500 per month in 2012.

If the NABE forecast is correct, it will take the private sector another 2 and a-half years to replace all of the jobs lost (beginning of 2014), 6 years after the recession began.



Should the current hiring pace continue, 253,000 jobs per month, it will still take the private sector another 2 years to replace all of the jobs lost (mid-2013), 5 years after the recession began. However, the current pace of job growth is unlikely to continue. Even during the robust economic expansion from 1996 to 1999, job growth averaged just 239,000 per month.



Moreover, the pace of job growth by industry is likely to be very uneven over the next five years. For example, the construction industry lost 2.2 million jobs, or 29.1 percent, from April 2006 to January 2011, and has seen very little growth since then. Nor is it likely to see much job growth for the next 3 or 4 years as the industry continues to struggle with a historically large inventory of unsold homes. On the other hand, the health care industry added an average 24,000 jobs per month during the recession, and has continued to add an average 23,000 jobs per month since the recession ended in June 2009. At the current hiring pace (past 3 months):

- It will take the manufacturing industry another 6 years (2017) to replace all of the jobs lost during the last recession, 9 years after the recession began. In April 2011, there were 1.4 million unemployed manufacturing workers.
- It will take the retail industry 4 and a-half more years (2016) to replace all of the jobs lost.
- The construction industry may take 10 or more years to recover. In April 2011, there were 1.5 million unemployed construction workers.
- On the other hand, the leisure and hospitality industry is likely to replace all of the jobs lost by the end of this year, or early next year.
- The professional and business services industry (includes temporary help services) is likely to replace all of the jobs lost by the middle of next year (2012).