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NO V-SHAPED RECOVERY FOR THE UNEMPLOYED

Edward J. O'Boyle, Ph.D.

Mayo Research Institute

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Economists tell us that a recession comes to an end when there is an uptick in GDP. Given the 2.2 percent GDP increase in IIIQ 2009, it follows that the recession is over. They reconcile this view of current economic conditions with a 10 percent jobless rate by calling it a “jobless recovery.” Their argument is credible only if one sees production as more important than the well-being of those who worked productively at one time and now are jobless.

Data for December tell us indisputably that in human terms the recession is not over. Though unemployment for adult men declined from 10.4 percent in November to 10.2 percent in December, this improvement was offset by an increase in joblessness among women from 8.0 percent to 8.2 percent. Further, more blacks were out of work in December than in November: 16.2 percent vs. 15.6 percent. At the same time, among women who maintain families joblessness climbed from 11.4 percent to 13.0 percent.

The common lament by media anchors that “no one is hiring” is simply not true. The Bureau of Labor Statistics reported that 5.7 million persons -- 2.9 million men, 2.8 million women -- who were unemployed or not in the labor force (NILF) in November were employed in December. Nevertheless, 5.2 million persons who were employed or NILF in November were unemployed in December. The problem is that employers continue to shed jobs in very large numbers.

Taking into account the various ways in which workers are hired, fired, exit or enter the labor force, a total of 17.7 million Americans changed labor force status at the very end of 2009. The labor force is not only very large, it is complex and ever-changing, making it hazardous to predict what will happen in the months ahead and therefore what it will take to return to full employment.

The biggest unknown is how many persons currently NILF and therefore not counted as unemployed, especially the 929,000 discouraged workers, will enter the labor force when conditions improve? How many will exit the labor force in part due to the return of the family's primary wage-earner to full-time employment? Baby boomers born in 1946 will reach full retirement age of 66 under Social Security in 2012. Many will exit the labor force. Will their jobs be eliminated, outsourced, consolidated, left unfilled?

Unpublished BLS data made available to Mayo Research Institute indicate that 8.7 million persons currently NILF intend to seek work in the next 12 months, 4.1 million men and 4.6 million women. How many of them will act on their intentions?

For that reason, a look at the changes in the labor force since the current recession began and immediately following the last severe recession are informative. Between December

2007 when the recession began and December 2009, the number of persons NILF increased by 4.6 million. How many of these persons will return to the labor market when economic conditions improve? In June 1983, unemployment stood at 10.1 percent. In the following month, the seasonally-adjusted labor force grew by 1.1 million persons. In July it shrank by 123,000 and in August it grew again by 475,000, confirming the truly dynamic nature of the American labor market.

What we know with certainty is this: the number of full-time workers has declined by 11.2 million since December 2007 when the economic slump set in, indicative of a V-shaped decline. Assume that *none* of the 4.6 million persons who exited the labor force over the last 24 months decide to return to work. Assume further that 250,000 jobs are added each month. It would take 45 months or until late 2013 to return to pre-recession conditions. If, on the other hand, *all* of the 4.6 million who exited the labor force since December 2007 entered the labor force looking for work and 250,000 jobs are added every month, it would take 63 months -- spring 2015 -- to push joblessness to the pre-recession rate of 5.0 percent.

Millions of Americans who are unemployed, working part-time for economic reasons, or discouraged, not to mention the untold numbers who have taken a lower-paying job after experiencing a jobless spell, have been forced to adjust their spending to lower household incomes. Their spending cutbacks represent a powerful drag on the economy because personal consumption expenditures represent about 70 percent of GDP. Clearly, there will be no V-shaped recovery.

The road to full recovery will be long and difficult. It is not straight and smooth. It twists and turns, making it hard to see beyond the next bend in the road. We will know more about how far along that road we've traveled at the time of the next presidential election. So too will the major party candidates, particularly anyone who hides behind the GDP numbers to keep from dealing with the human hardship.

*Edward J. O'Boyle is Senior Research Associate with Mayo Research Institute.
He completed his doctorate in economics at Saint Louis University in 1972.*

*Mayo Research Institute
Offices in New Orleans, Lake Charles, and West Monroe
www.mayoresearch.org 318-381-4002 edoboyle@earthlink.net*