

When is a recession over (and for whom)?

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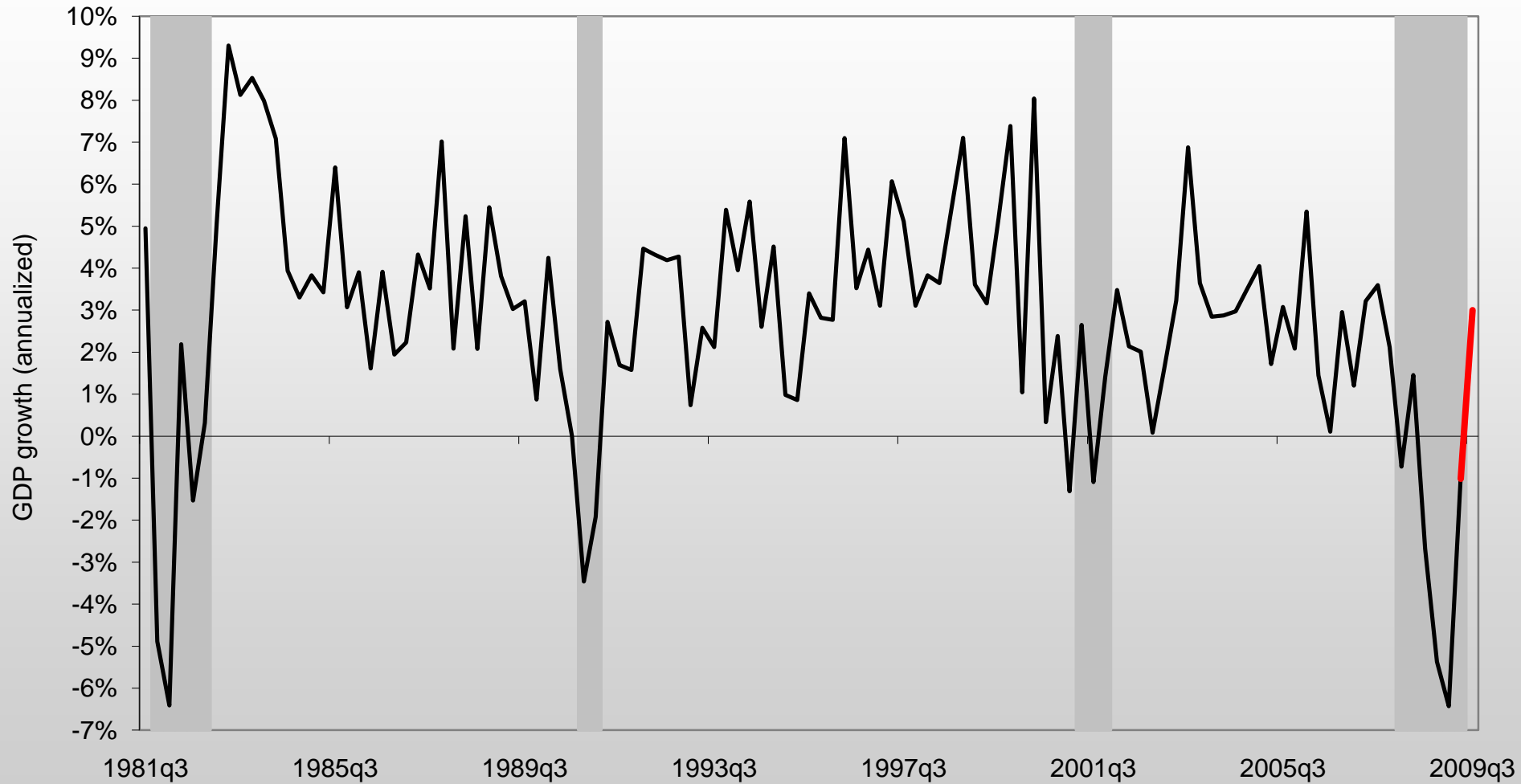
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According to NBER...

Recession: A significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales

GDP growth

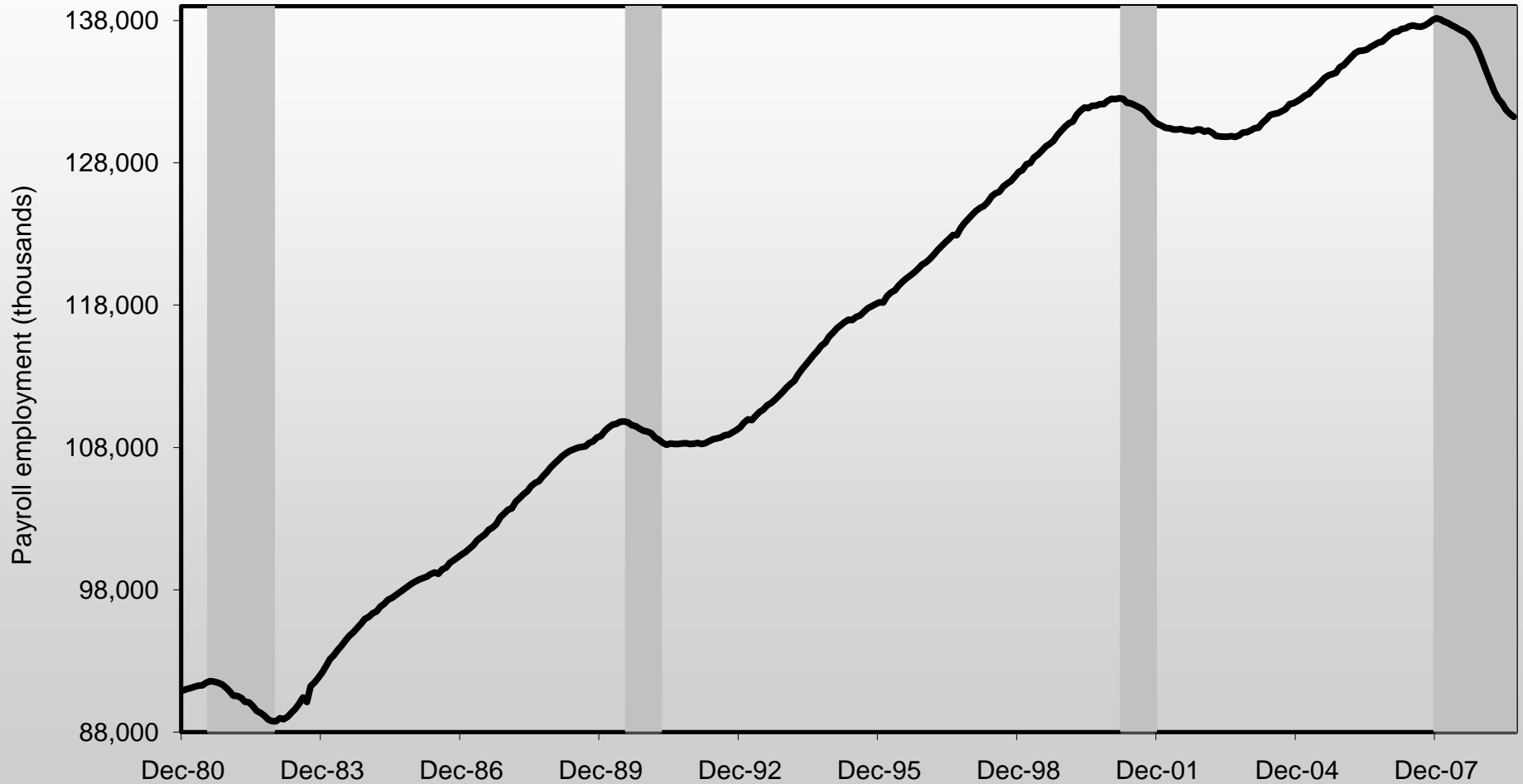


Source: Author's analysis of Bureau of Economic Analysis data.

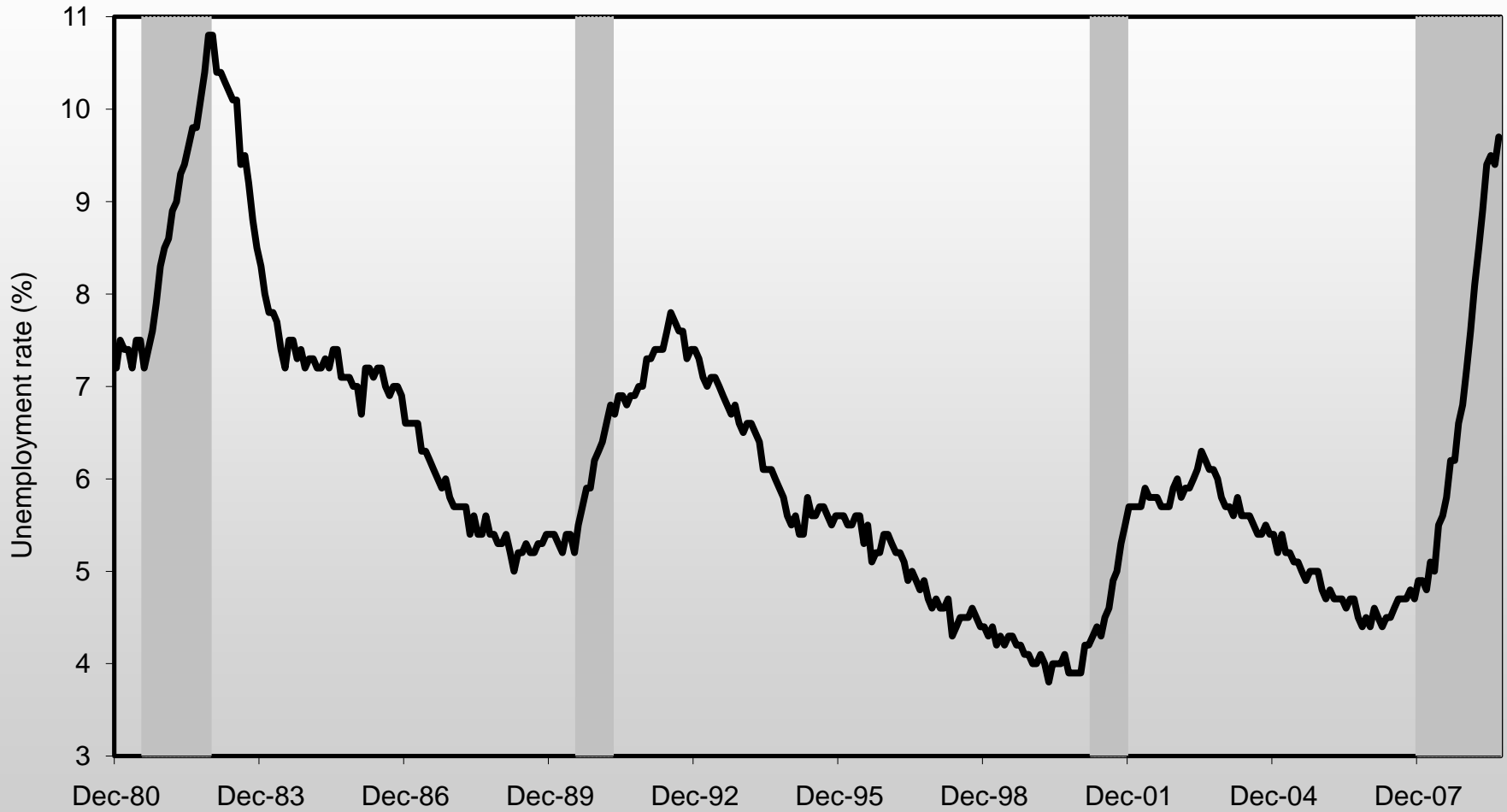
“From a technical perspective, the recession is very likely over at this point.”
- Ben Bernanke, September 15th, 2009

But over for *whom*?

Payroll employment



Unemployment rate

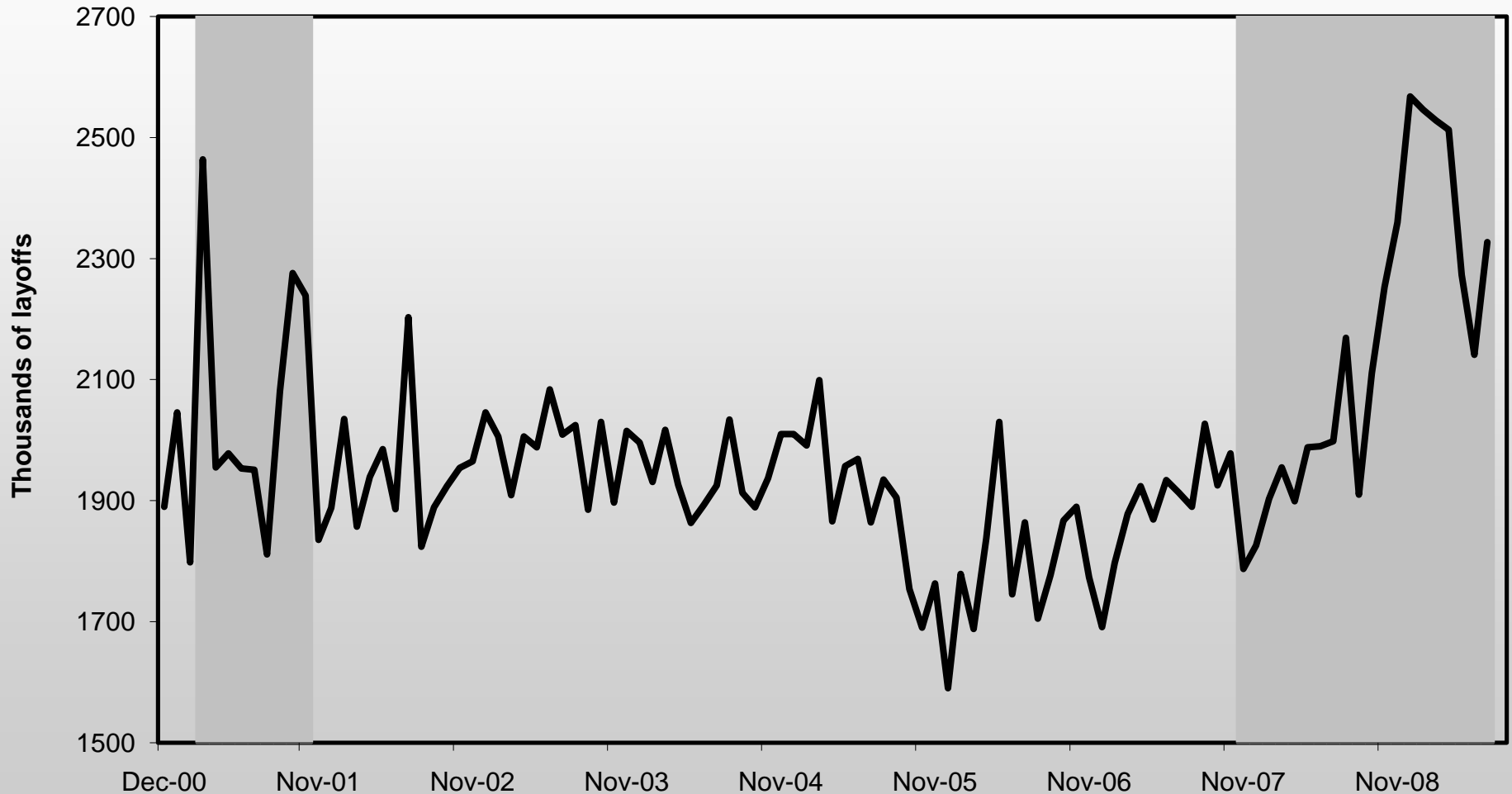


For a year and a half after the last two recessions, the economy was technically growing, but the pain was still deepening for the people *in* the economy

To state the obvious: workers won't feel like we've entered a recovery until the unemployment rate ***stops rising***.

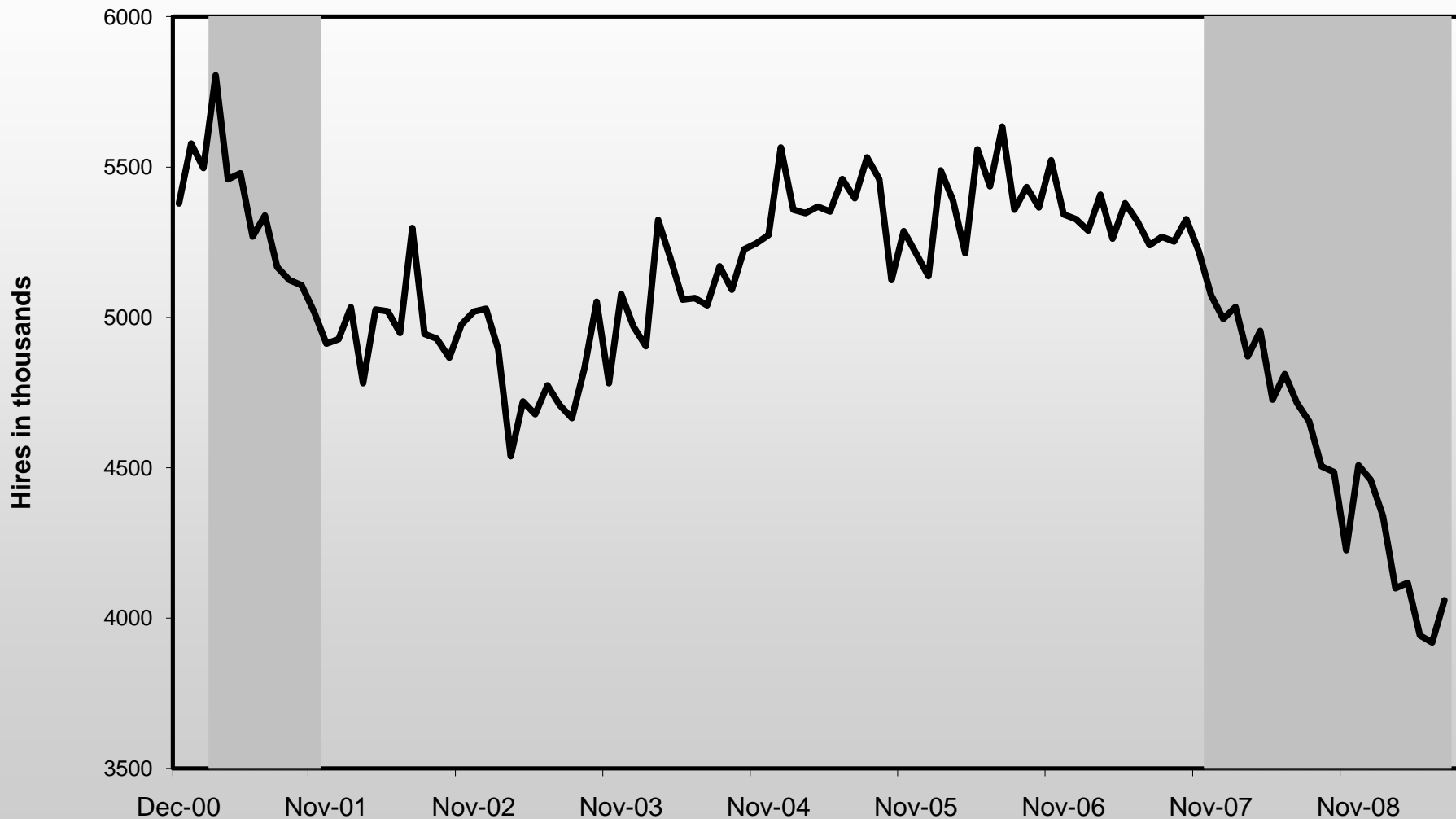
When will that happen?

Thanks to the Recovery Act, layoffs moderating, but still heavy

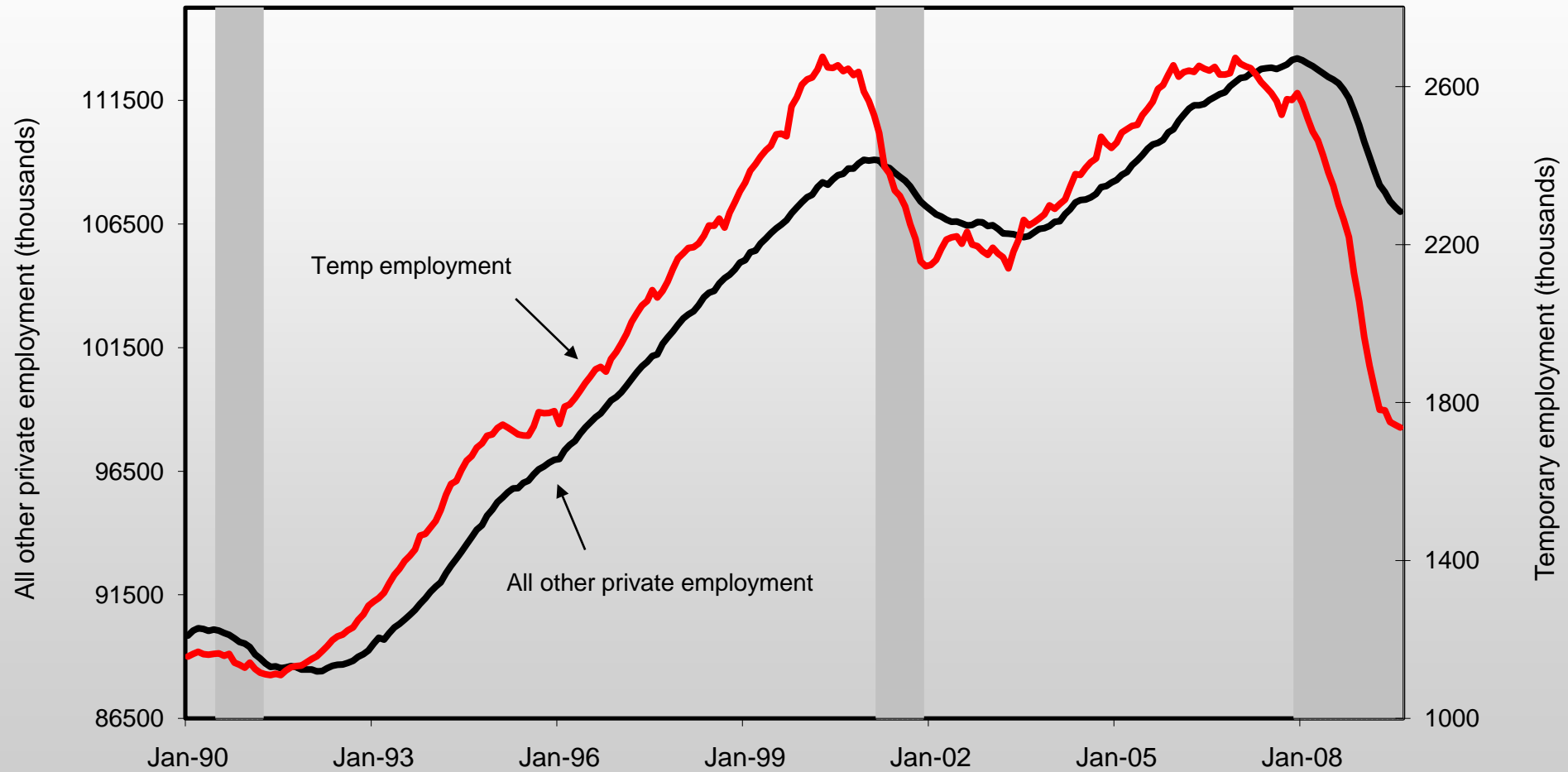


Source: Bureau of Labor Statistics.

Hiring still very low



“Leading sectors” still losing jobs

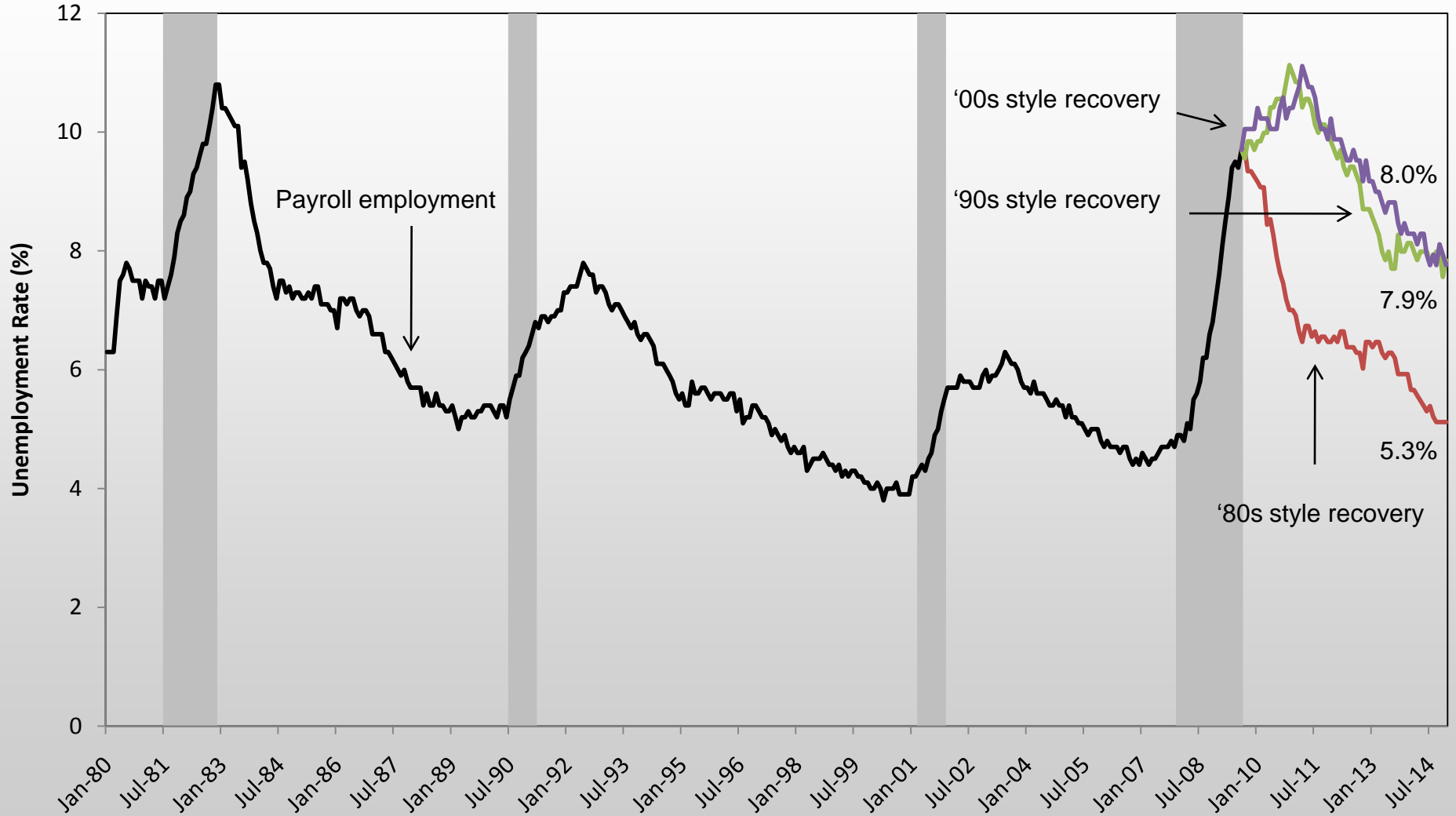


Expect unemployment to peak
around next August at around 10.4%

At that point, will have *6 percentage points* to
make up to get back down to the pre-
recession low of 4.4% in March of 2007.

How long will *that* take?

Unemployment 2014



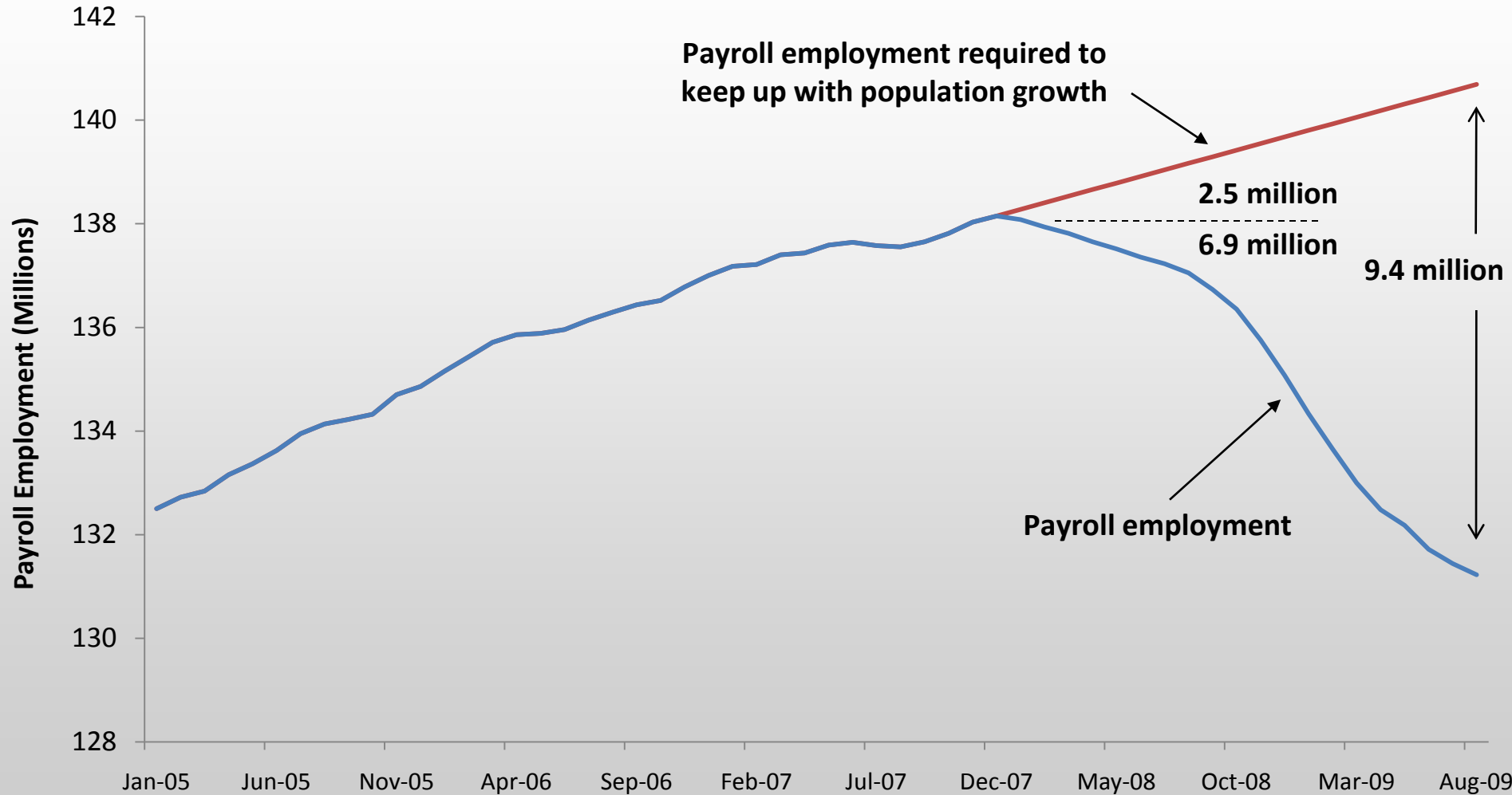
Real middle income 2014

	2007	2008	2009 Projections	2010 Projections	2014 Projections
Eighties-style recovery					
Unemployment rate	4.6%	5.8%	9.1%	8.1%	5.3%
Average income in middle 20%	\$51,888	\$50,132	\$47,816	\$48,485	\$50,386
Change from 2007		-\$1,756	-\$4,072	-\$3,403	-\$1,502
% Change from 2007		-3.4%	-7.8%	-6.6%	-2.9%
Nineties-style recovery					
Unemployment rate	4.6%	5.8%	9.2%	10.4%	7.9%
Average income in middle 20%	\$51,888	\$50,132	\$47,746	\$46,944	\$48,587
Change from 2007		-\$1,756	-\$4,142	-\$4,944	-\$3,301
% Change from 2007		-3.4%	-8.0%	-9.5%	-6.4%
2000's-style recovery					
Unemployment rate	4.6%	5.8%	9.3%	10.3%	8.0%
Average income in middle 20%	\$51,888	\$50,132	\$47,676	\$47,008	\$48,522
Change from 2007		-\$1,756	-\$4,212	-\$4,880	-\$3,366
% Change from 2007		-3.4%	-8.1%	-9.4%	-6.5%

Elasticities for changes in income given changes in unemployment are taken from Table 5.2 in Bartik, Timothy, *Jobs for the Poor: Can Labor Demand Policies Help?*, New York: Russell Sage Press, 2001.

When will *employment* recover?

Consider what we have to make up...



Source: Author's analysis of BLS data.

A final scary little exercise:

- **To fill the 9.4 million jobs-gap by Dec 2010, we would need to add 719,000 jobs *every month* between now and then.**
- To fill by Dec '11, must add 465,000 jobs per month.
- To fill by Dec '12, must add 364,000 jobs per month.
- To fill by Dec '13, must add 309,000 jobs per month.
- To fill by Dec '14, must add 275,000 jobs per month.

To sum up...

- While the recession may technically be over right now, it's not feel that way in the real economy for a very long time.
- Starting now, we can expect another five years of elevated unemployment. This will cause declining or stagnant incomes, due both to lack of jobs and to downward pressure on earnings for people who have jobs.
- **This is not something that can be casually dismissed as a “lag”.**

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