U.S. employment back to zero but a long way from normal

The U.S. economy passed a milestone in May. For the first time, payroll employment was higher than in December 2007, when the Great Recession began. Back then there were 138.4 million jobs in the economy. We finally edged past that, with 138.5 million.

The initial decline was swift. In the first two years of the downturn, the economy shed more than 6 percent of its jobs, or roughly 8.7 million. It took twice as long to regain those jobs as to lose them. Altogether it took 77 months, or nearly six and a half years, to get back to where we started.

Not since the Great Depression has it taken so long for the economy to return to the pre-recession level of employment. But among economic downturns triggered by financial crises, 77 months is actually pretty good. For example, after Spain’s 1977 banking crisis, 13 years passed before Spanish employment returned to the 1977 level.

In North Carolina, we’re still waiting to get back to zero. We hit our previous peak shortly after the recession began, and as of May we were still 52,200 jobs (about 1.3 percent) short. At our recent pace of job growth, it’ll be early 2015 before the state gets back to its pre-recession level.

Getting back to zero doesn’t mean happy days are here again. The U.S. population is growing, so more and more people want jobs. If, after 2007, employment had grown at the same pace as during recovery, manufacturing employment would already be trending downward at the start of the last recession, and it’s still 12 percent below that level. In North Carolina, it’s 17 percent below.

Construction often leads the economy out of a recession, but not this time. Construction employment is 20 percent below the pre-recession level nationally, and 29 percent below in North Carolina.

Some sectors are doing well. Professional and technical services is 7 percent above its pre-recession level, and health care is 12 percent higher.

The government sector isn’t doing so well. Total government employment (local, state, and federal) is important because it’s a policy lever. Whether governments hire or fire during lean economic times can help lift the economy or drag it down.

Although many people believe that government hiring exploded under President Obama, it’s actually more than 2 percent lower than before the recession (similarly in North Carolina).

It’s also surprising to compare this recovery to the last three. After the same number of months, government employment in the recoveries presided over by Ronald Reagan, Bill Clinton and George W. Bush were about 6 percent higher than when those recessions started.

That means government hiring in the current recovery is more than 8 percent behind the pace of recent recoveries.

Nationally, those 8 percentage points represent 1.8 million government workers who could have been spending money and buoying the economy. In North Carolina, it’s about 60,000 additional workers, enough to have already gotten us past the pre-recession employment level.

Americans could have authorized our governments to hire more people, as in recent recoveries. But we chose not to, and that decision has contributed to the slowness of this recovery. As a result, we have even longer to go before getting beyond zero and back to normal.

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