



National Economic Trends



The Return of Job Growth

The recovery from the 1990-91 recession came to be known as “the jobless recovery” during its first two years. How have we fared since then? Very well. From February 1992, when employment started to recover, until November 1994, nonfarm payroll employment grew steadily, rising 6.6 million (6.1 percent). The chart shows the cumulative growth of nonfarm payroll employment following the peak in employment associated with five recessions. The 1980 recession is excluded because only a brief recovery followed. The peak in employment is sometimes a few months earlier or later than the “official” peak in economic activity declared by the National Bureau of Economic Research. In 1990, the employment peak was in June, one month before the NBER peak.

Though the chart indicates that employment loss during the 1990-91 recession was relatively mild compared with other recessions, the wide, flat employment trough lasted for almost a year after the NBER trough in March 1991. It took almost three years for employment to regain the level it reached at the previous peak.

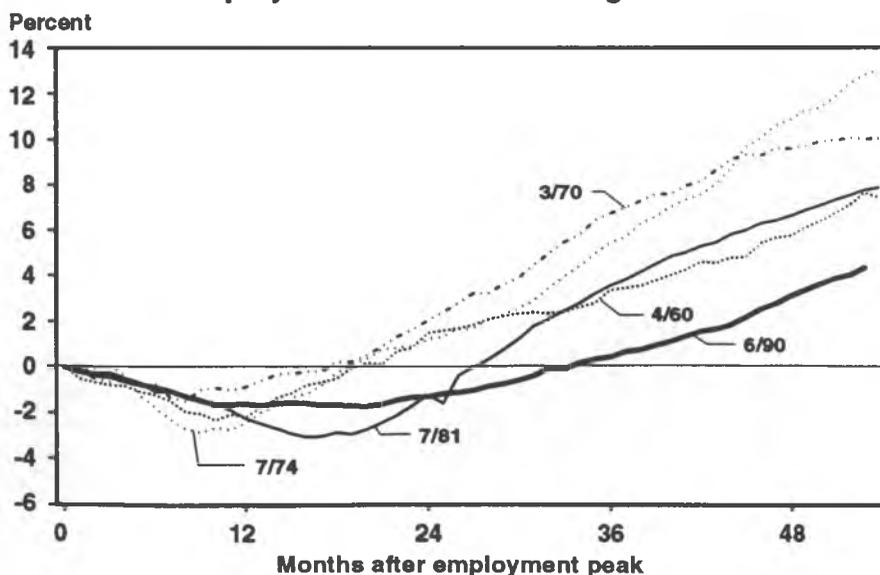
Even if we date expansions from when employment growth resumed, the current expansion appears a bit lackluster at first glance. The line for the current expansion is clearly flatter than most of the others, particularly during the early stages of the expansion. This is misleading, however, because labor force growth has slowed substantially since the last recovery. First, the last of the baby boomers moved into their working years.

Second, women’s labor force participation rates, which had been on a strong upward trend for many years, started to level out in the 1980s. Thus, while the labor force grew by 5.8 percent between the 1990 employment peak and November 1994, it grew by 11.6 percent, 12.6 percent and 7.2 percent over periods of comparable length following the 1970, 1974 and 1981 employment peaks. Following the 1960 peak, labor force growth was only 5.3 percent because baby boomers had not yet started to work. That recovery of employment proceeded at a pace comparable to the current experience.

The rapid growth of employment relative to labor force growth means that the U.S. economy has been putting people to work rapidly relative to the growth in the pool of those who want to work. One consequence has been the unexpectedly rapid decline in the unemployment rate during 1993 and 1994.

— Joseph A. Ritter

Cumulative Employment Growth Following Peaks



Views expressed do not necessarily reflect official positions of the Federal Reserve System.

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