

## **The Jobless Recovery IS Coming! Just A Question of When.**

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Wednesday, July 22, 2009 - The recent uptick in unemployment was seen by many as evidence that the economy is still far from entering recovery.

However, one employment authority contends that we may be months, if not years, into a recovery before job creation really begins to accelerate and the unemployment rate begins to decline.

In each of the last two recessions, the job market was the last area to recover. There is no reason to think that we won't see another jobless recovery in the wake of this prolonged recession.

In fact, this recession in particular, combined with fundamental changes over the last 20 years in the way companies operate, virtually guarantee that job creation will lag behind all other aspects of economic recovery.

- Following the eight-month recession that ended in November 2001, the unemployment rate continued to climb for 19 months, finally reaching a peak of 6.3 percent in June 2003, according to historical data from the Bureau of Labor Statistics (BLS).
- Similarly, the recession that lasted from July 1990 through March 1991 experienced a jobless recovery that lasted 15 months, as unemployment continued to rise from a recession-ending level of 6.8 percent to a peak of 7.8 percent in June 1992.
- Historical data Bureau of Labor Statistics show that prior to the 1990-1991 recession the economy really did not have these periods of jobless recovery. In the wake of the recession ended with an unemployment rate of 10.8 percent in November 1982, the rate remained unchanged in December and began to fall in January 1983. The decline in unemployment occurred just as quickly following recessions that ended in 1980, 1975, 1970 and 1958.

A lot has changed since these earlier recessions:

- For one, companies are less likely to use temporary layoffs today
- They are also more likely to use part-time employees whose status can move to full-time as the economy improves. Unfortunately, the movement from part-time to full-time does not impact the unemployment rate.

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Indeed, a review of BLS data shows a major shift in the utilization of temporary layoffs:

- According to the latest data from June 2009, 12 percent of unemployed workers are on temporary layoffs
- During the 2001 recession, the percentage of temporarily laid off workers ranged between 15 percent and 17 percent
- During the early 1990s recession, those on temporary layoffs accounted for 14 percent to 17.5 percent of unemployed.
- In contrast, as the 1982 recession neared its end, the percentage of unemployed on temporary layoffs peaked at 22.2 percent
- By the end of the recession that ended in March 1975, nearly one in four unemployed Americans was on a temporary layoff.

These earlier recessions occurred at a time when our economy was dominated by manufacturing. It was common practice for plants to temporarily shutter operations, only to call back workers when business conditions improved.

Today, while manufacturing jobs are still being hammered by the downturn, this sector now represents a very small percentage of the overall economy. The service sector, where today's employment is concentrated, is less likely to make temporary cuts.

This is not to say that companies are not attempting to avoid layoffs. We have seen a lot of anecdotal evidence that indicate employers increasingly utilize alternatives to job cuts, such as pay cuts and furloughs, which differ from temporary layoffs in that companies will cease operations for a week or two, but employees technically are not discharged, so they do not appear in the unemployment figures.

Companies are also turning increasingly to part-time workers during these slowdowns:

- There are about nine million people currently working part-time for economic reasons
- This is the largest number of economy related part-timers in government records going back to 1955
- As the economy improves employers are likely to move these workers to full-time status. However, the unemployment rate will not reflect the improving conditions since these part-timers are currently counted as employed.

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### **Many Americans simply have given up on the job search.**

- Even though they want a job, they are not counted as unemployed if they did not actively look for a job during the month
- Currently, there are over six million people not in the labor force who want a job
- When they begin to actively seek employment during the recovery, they will once again be counted among the unemployed, thus sending the unemployment rate higher.

Another factor that almost ensures a jobless recovery is the length and depth of this particular recession:

- This is the worst economic downturn in decades and it has resulted in especially long periods of unemployment
- The longer people are unemployed, the longer it takes to get back into a position
- Prolonged joblessness greatly increases the number of emotional and financial roadblocks to reemployment, not to mention the fact that many employers have doubts about the viability of candidates who have been out of work for so long.

Nearly 4.4 million, or 29 percent of all unemployed Americans, have been jobless for 27 weeks or longer. That is the highest level of long-term unemployment since the Bureau of Labor Statistics began this tracking in 1948.

Making it even more difficult for these long-time job seekers and anyone else hoping to find employment once the recovery begins, is the fact that employers are typically slow to hire in the wake of a recession. Productivity-enhancing technology allows employers to be more cautious and selective when it comes to hiring.

Now more than ever, companies seem more concerned with finding the best fit for the position. Regardless of the industry, today's jobs require more technical know-how and skills to succeed.

The era of hiring any warm body is officially over!

**(End)**