Economic Analysis

# The Labor Market: Now and Then

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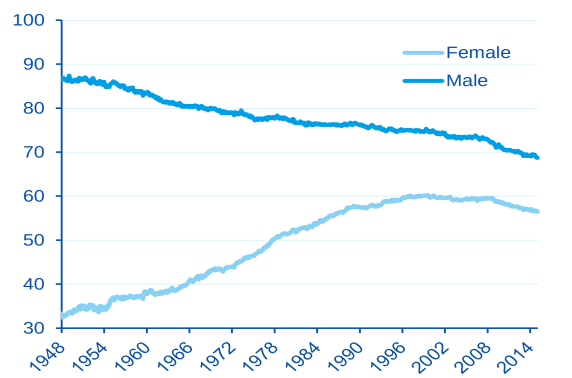
- **On average, employment recovery dynamics of different cohorts is similar as in the past**
- **Unlike previous expansions, female employment now has fewer gains than that of males**
- **Male employment and black employment have experienced greater losses than their counterparts during most recessions**
- **Industries such as manufacturing have consistently lost jobs in each recessionary period**

Labor market conditions deteriorated severely during the Great Recession—more so than in any previous recessionary period. Afterwards, the recovery of the labor market unveiled a much faster decline in the unemployment rate than economists—including those at the Federal Reserve Board (FRB)—had originally projected. Five years past the Great Recession's trough, the Federal Reserve stated that the "underutilization of labor resources has diminished" and signaled the approaching end of a seven-year period of near-zero fed funds rate.[1] Yet, the recovery of the labor market has been uneven across different groups (gender, race, age, industries), though in most cases, the dynamics of recovery for these cohorts follows a similar pattern as in previous recessions.

## Rapid Decline in Labor Force Participation and Unemployment Rates

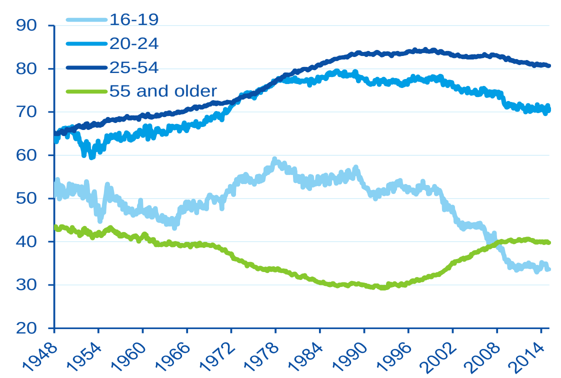
The continued drop in the labor force participation (LFP) rate has been the driving force of consistently faster-than-forecasted declines in the unemployment rate for the last two years. The consistent decline in the LFP rate signals a structural change within the labor market, as gains in the employment-to-population ratio have been slower than the decline in the unemployment rate. (For further information on the LFP decline, see our brief on this topic here.)

Chart 1
**Civilian Labor Force Participation Rate by Gender**
**%**




Source: BLS/ Haver Analytics

Chart 2
**Civilian Labor Force Participation Rate by Age**
**%**




Source: BLS/ Haver Analytics

[1] 2015. "Press Release." Board of Governors of the Federal Reserve System. http://goo.gl/mPbFjM

Notably, the labor force participation rate had been on the decline prior to the Great Recession as well. Postwar era LFP rate has taken a hump shape, with 70% of the decline due to demographic factors. The LFP rate surged as the baby boomers reached working age and entered the workforce; after 2000, they started to reach retirement age and exit the workforce en masse.[2] Although many of the baby boomers have reached retirement age already, one factor keeping LFP from falling further is their increasing participation in the labor market. As life expectancy increases, the LFP rate of older Americans is expected to increase as they choose to work for more years in order to save the money they need for a longer retirement.

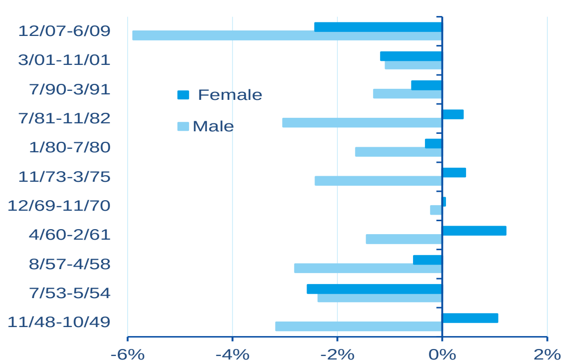
In terms of gender, the LFP rate has been continuously declining for both women (since 1999) and men (since the 1940s), which is primarily attributable to the aging of the U.S. population. In addition, research has found that 28% of the decline in U.S. female participation relative to other developed nations can be attributed to the expansion of family-friendly policies in those nations, such as paid parental leave, high quality available daycare, and part-time work entitlements. The U.S. has gone from leading its peers, such as Germany and the Netherlands, in prime-age female labor participation to lagging behind them after the 1990s.[3] The Bureau of Labor Statistics' (BLS) projections show the LFP rate continuing its decline through 2020, for both males and females, and across most age groups, with the only increase seen in the LFP rate for the 55 and older cohort.[4]

## Employment Dynamics of Economic Upturns and Downturns by Groups

During periods of recession, consistent discrepancies can be noticed in the employment trends among various demographic groups characterized by gender, age and race. In addition, certain industries have recurrently posted job losses in each recessionary period, and others have done so even during expansionary times.

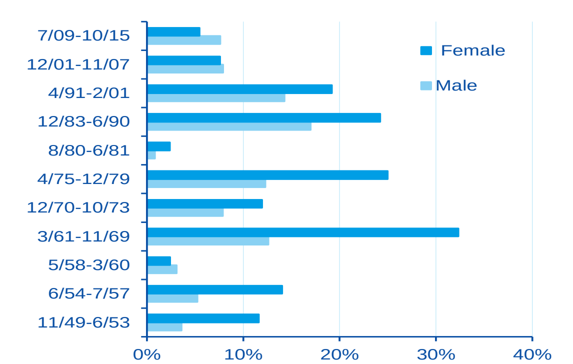
**Gender:** Employment by gender displays clear trends during and after recession. Male employment never gains during recession, while female employment usually suffers fewer job losses, even gaining jobs during three of the last 10 recessions. By the same token, the change in female employment is usually greater than the change in male employment during expansionary periods. One of the few exceptions is the current period, in which the increase in female employment from July 2009 to October 2015 was 5.4% and 7.6% for males. The unemployment rate follows the same trend, with the female unemployment rate nearly always lower than that of males—in both upturns and downturns.

Chart 3
**Employment Change by Gender: Peak to Trough**
**%**




Source: BLS/ Haver Analytics

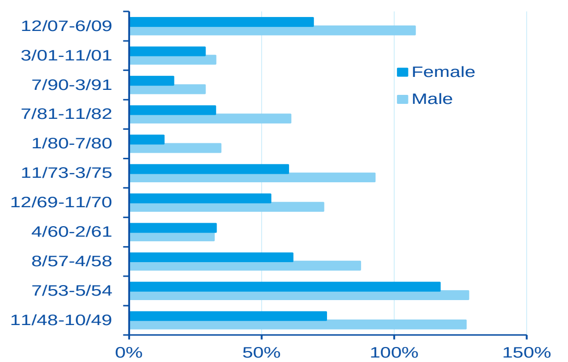
Chart 4
**Employment Change by Gender: Trough to Peak**
**%**




Source: BLS/ Haver Analytics

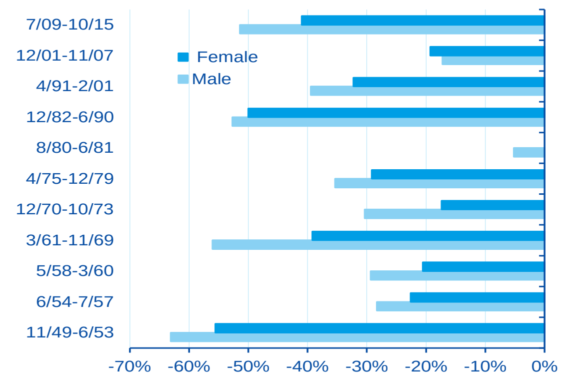
[2] 2014. Bullard, James. "The Rise and Fall of Labor Force Participation in the U.S." Federal Reserve Bank of St. Louis. https://goo.gl/4Q2C9U
[3] 2013. Blau, Francine and Kahn, Lawrence. "Female Labor Supply: Why is the US Falling Behind?" NBER. http://goo.gl/vfthtT
[4] 2013. Toosi, Mitra. "Labor force projections to 2022: the labor force participation rate continues to fall." BLS. http://goo.gl/C7tvtE

Chart 5
**Unemployment Rate Change by Gender: Peak to Trough, %**




Source: BLS/ Haver Analytics

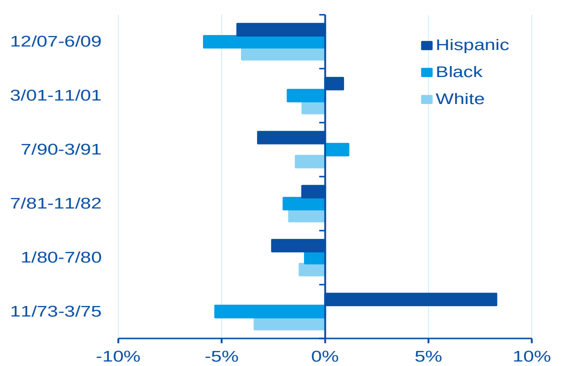
Chart 6
**Unemployment Rate Change by Gender: Trough to Peak, %**




Source: BLS/ Haver Analytics

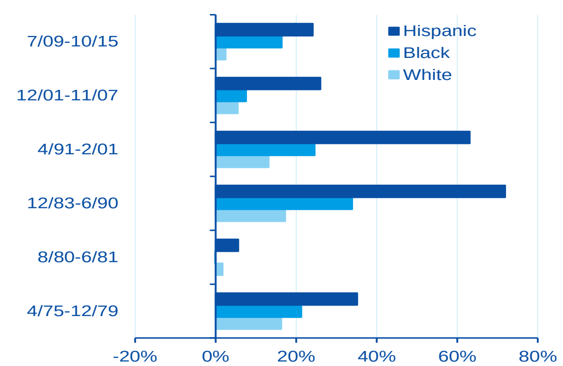
**Race:** When considering race, the decline in black employment has been, on average, greater than that of any other race during the last six recessions. The average change in employment during the last six recessions was 2.5%, 1.8%, and 0.3% for blacks, whites and Hispanics, respectively. This is consistent with unemployment rate data as well. From January 1972 to October 2015, the black unemployment rate was on average 2.2 times greater than that of whites. During expansion however, the story is different, with Hispanic employment gaining more jobs on average than any other race during the past six expansionary periods. During these periods, the average change in employment was 3.8%, 1.7%, and 0.9% for Hispanics, blacks and whites, respectively. Part of this could be explained by population growth trends, as Hispanic population growth has been higher than that of other races for both the past five recessionary and expansionary periods. When employment growth is normalized for working-age population growth, the differences in employment change by race are less evident.

Chart 7
**Employment Change by Race: Peak to Trough, %**



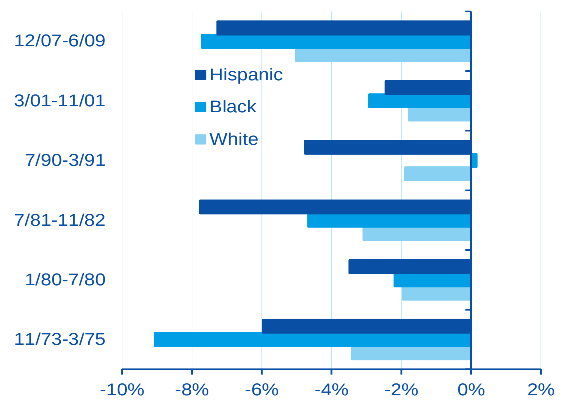

Source: BLS/ Haver Analytics

Chart 8
**Employment Change by Race: Trough to Peak, %**



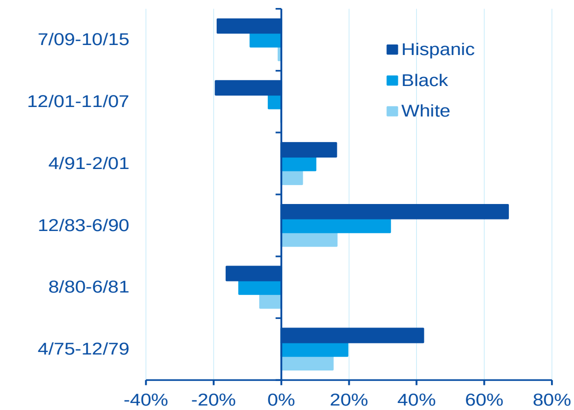

Source: BLS/ Haver Analytics

Chart 9
**Employment Change Normalized for Population by Race: Peak to Trough, %**




Source: BLS/ Haver Analytics

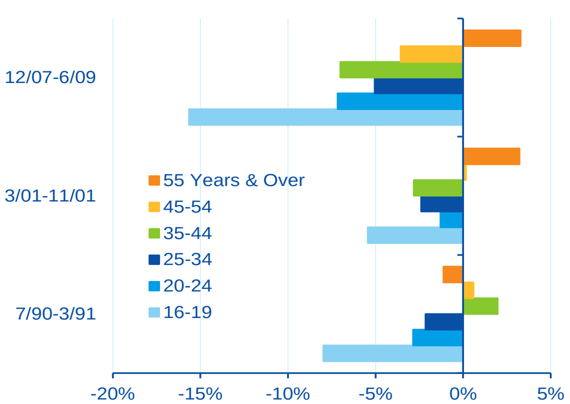
Chart 10
**Employment Change Normalized for Population by Race: Trough to Peak, %**




Source: BLS/ Haver Analytics

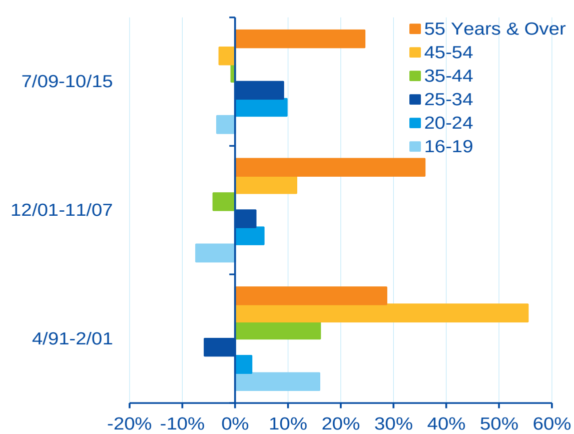
**Age:** In regards to employment by age, increasing participation in the labor force from the 55 and older cohort and decreasing participation from youngest workers (16-19 year olds) are the two dominant trends seen in both recessionary and expansionary periods. During the past two recessions, the change in employment among those 55 and older was actually positive; whereas, the 16-19 year old cohort suffered more job losses than any other group. The story holds true post-recession as well–the average change in employment among those 55 and older for the last three expansionary periods, including the current one to date, is a whopping 29.7% and only 1.7% for 16-19 year olds. At 15.9% and 9.4%, the current unemployment rates for 16-19 year olds and 20-24 year olds, respectively, are significantly higher than any other age group. Evidently, decreased employment among young adults is coupled with full-time enrollment in postsecondary education, which rose 38% between 2001 and 2011.[5]

Chart 11
**Employment Change by Age: Peak to Trough %**




Source: BLS/ Haver Analytics

Chart 12
**Employment Change by Age: Trough to Peak %**



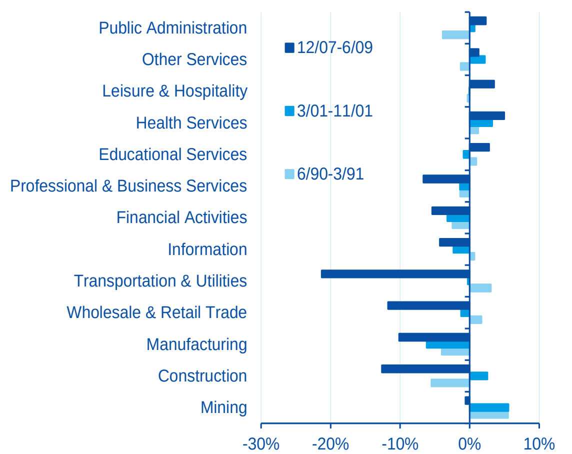

Source: BLS/ Haver Analytics

[5] 2012. "Digest of Education Statistics." National Center for Education Statistics, U.S. Department of Education. http://goo.gl/zq0m09

**Industry:** Looking at recession and post-recession trends on an industry-level, three industries have experienced declines in employment in each of the past three recessions: financial services, professional and business services and manufacturing. On a similar note, the information, manufacturing and mining sectors are the only ones that haven't consistently experienced employment gains in each of the past three expansionary periods.

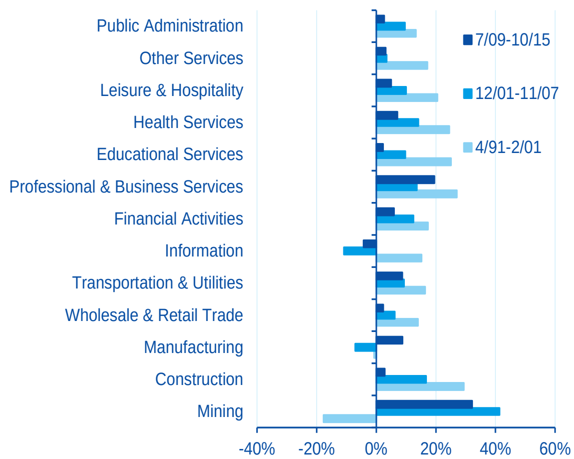
Since the end of the last recession, the only industry that hasn't added jobs is the information sector. The decline in the information sector stems from losses in the publishing and telecommunications subsectors as a result of industry transformation. Job growth in wireless telecom and cable has failed to offset declines in traditional wired carriers. Similarly, the emergence of electronic books and news sources has stymied employment prospects in print media. Since the end of the recession, employment in telecommunications has dropped 10.2%, while print media has declined 9.1%.

Chart 13
**Employment Change by Industry: Peak to Trough**
**%**




Source: BLS/ Haver Analytics

Chart 14
**Employment Change by Industry: Trough to Peak**
**%**




Source: BLS/ Haver Analytics

Since the Great Recession, employment in both mining and professional services has experienced the greatest gains. Mining employment increased 28.5% between July 2009 and October 2015 but has dropped 18.7% YTD, driven by the fall in oil prices.

The brightest spot within services seems to be healthcare, characterized by higher pay ranges and lower barriers to entry for several positions. The healthcare industry has more jobs this year than any other industry, with the exception of wholesale trade.

Employment in financial activities remains strong, with a 5.6% increase from July 2009 to October 2015, but within the sector, employment in commercial banking has declined 3.5% within the same time frame. On a year-over-year level, financial services industry employment for women rose 0.8% in 2014, while employment for men was down 0.4%. Notably, black employment has recently seen a substantial increase in the financial services industry, with a 6.1% year-over-year increase in 2014.

Jobs will continue to come from service industries. The Bureau of Labor Statistics projects that the health care and construction industries will see the largest growth in employment. Both industries are expected to grow at an annual rate of 2.6% between 2012 and 2022. The biggest decrease in employment is projected to come from the manufacturing industry, with a loss of 559.5 thousand jobs by 2022.[6]

## Bottom Line

Several similarities exist in employment trends when compared within other recessionary and expansionary periods. For example, both male employment and black employment fall behind other genders and races, respectively, during most recessionary periods. During expansionary periods, female employment and Hispanic employment typically gain more. Demographic factors also largely influence the decline in the labor force participation rate, which in turn has driven down the unemployment rate. Looking to the future, increasing participation from older workers is expected to sustain the LFP rate. On an industry-level since the last recession, services have dominated job creation and will continue to do so. The employment growth in services and the decline in manufacturing can be explained by modest productivity growth in manufacturing, weak global demand and the strong dollar.



[6] 2013. Henderson, Richard. "Industry Employment and Output Projections to 2022." BLS. http://goo.gl/NT98Xu