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# Economics Group

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# Employment: Beyond the Sound Bites—Reading the Signals VII

***When does growth fail to signal recovery? The current period of economic growth has not meant a recovery in the job market, as the pattern of job gains continues to lag earlier cycles with no sign of catching up.***

## Job Growth Without a Labor Market Recovery

More than three years after the recession ended, the unemployment rate remains stubbornly high at more than 8 percent. Employment gains reflect a labor market that has added jobs but at an insufficient pace compared to prior economic recoveries (top chart).

This presents an interesting challenge to decision makers in both the private and public sector. In the private sector, employers must evaluate what the trend is in job and income gains that will support economic growth going forward, since the 2 percent range of growth over the past year was clearly below what many firms expected in an economic recovery. Public sector leaders also need to determine the pace of growth in order to determine tax revenue and the estimated gap between revenues and spending obligations promised over the past 30 years.

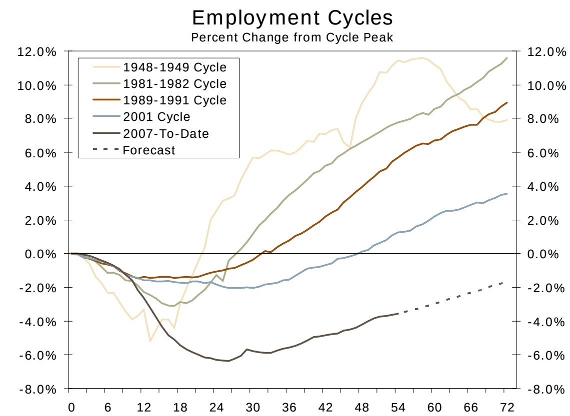
## Hiring: Lower Level, Slower Pace

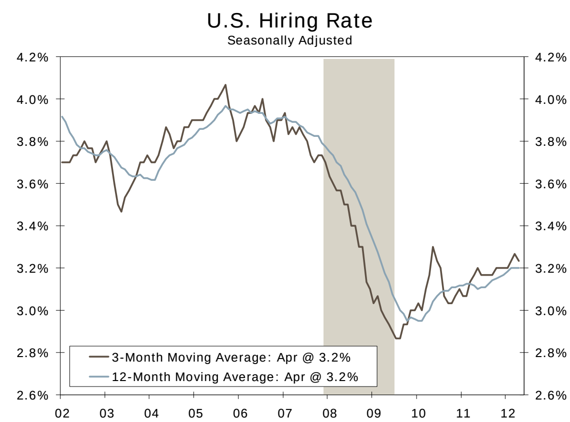
A particularly difficult issue is the disappointing pace of hiring during this economic expansion. From the middle chart, we can draw two observations. First, the rate of hiring in the current recovery, at 3.2 percent over the past 12 months, is far below the pace of hiring during the past recovery. Moreover, the cyclical pickup in hiring has come at a more modest pace in this recovery compared to the 2004-2006 expansion phase of the prior recovery.

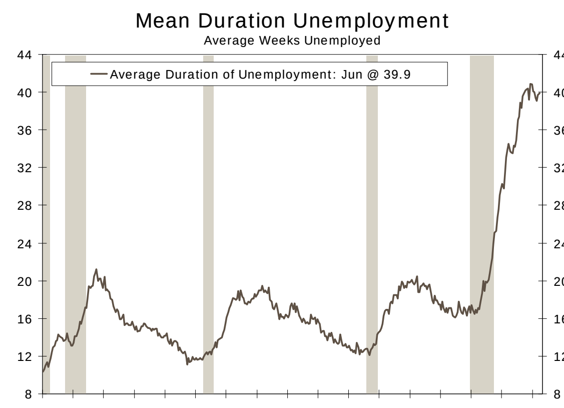
In essence, the pace of hiring is slower and is not closing in on the pace of growth exhibited in the past expansion. We are adding jobs but not catching up, experiencing growth without recovery.

## Duration of Unemployment: Still Long, No Sign of Recovery

Another signal of economic expansion without a labor market recovery is the persistently long length of unemployment. The average duration of unemployment continues to stand near the record high at 40 weeks (bottom chart). This data suggest many workers face severely long spells of unemployment, and that the headline unemployment rate, at 8.2 percent, does not fully capture the severity of the unemployment experience for millions of Americans. For the unemployed, the lack of job opportunities has not only cost workers in terms of lost wages, but also in skills that have atrophied over time. Employers are more apt to hire workers who have been recently employed, as their skills are thought to be more up to date and relevant to the current work environment. As a result, historically, workers with long durations of unemployment are less likely to find employment. Furthermore, as unemployment spells become increasingly long, job search networks also deteriorate for many workers and further constrict the additional avenues of finding employment.




Source: U.S. Department of Labor and Wells Fargo Securities, LLC

## Wells Fargo Securities, LLC Economics Group



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