

Economics Group

John E. Silvia, Chief Economist
john.silvia@wellsfargo.com • (704) 374-7034
 Sarah Watt, Economic Analyst
sarah.watt@wellsfargo.com • (704) 374-7142

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.

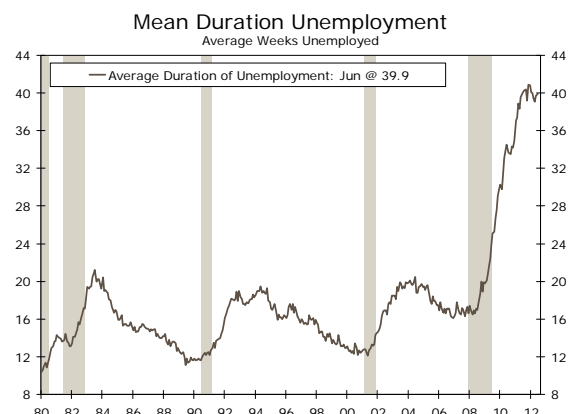
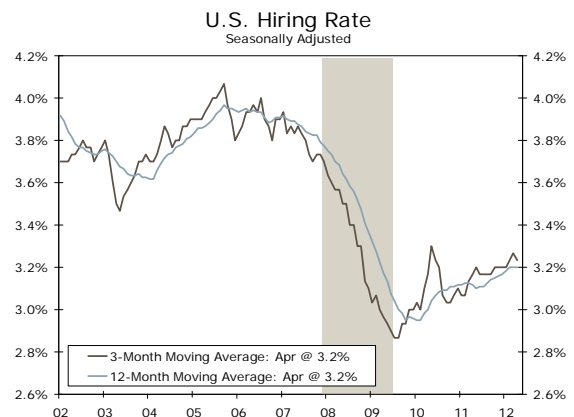
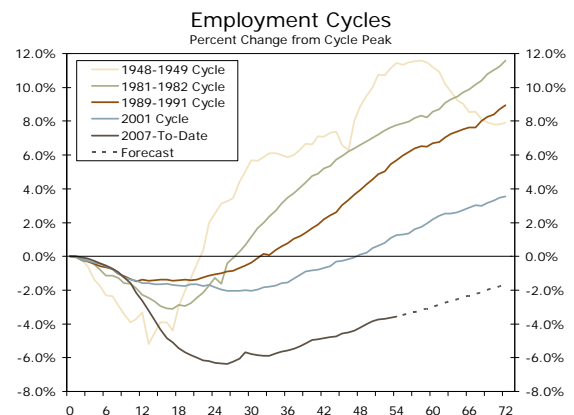
Hiring: Lower Level, Slower Pace

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.



Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research & Economics	(704) 715-8437 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 374-7034	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 383-5635	mark.vitner@wellsfargo.com
Jay Bryson, Ph.D.	Global Economist	(704) 383-3518	jay.bryson@wellsfargo.com
Scott Anderson, Ph.D.	Senior Economist	(612) 667-9281	scott.a.anderson@wellsfargo.com
Eugenio Aleman, Ph.D.	Senior Economist	(704) 715-0314	eugenio.j.aleman@wellsfargo.com
Sam Bullard	Senior Economist	(704) 383-7372	sam.bullard@wellsfargo.com
Anika Khan	Senior Economist	(704) 715-0575	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 383-6805	azhar.iqbal@wellsfargo.com
Tim Quinlan	Economist	(704) 374-4407	tim.quinlan@wellsfargo.com
Ed Kashmarek	Economist	(612) 667-0479	ed.kashmarek@wellsfargo.com
Michael A. Brown	Economist	(704) 715-0569	michael.a.brown@wellsfargo.com
Sarah Watt	Economic Analyst	(704) 374-7142	sarah.watt@wellsfargo.com
Kaylyn Swankoski	Economic Analyst	(704) 715-0526	kaylyn.swankoski@wellsfargo.com
Peg Gavin	Executive Assistant	(704) 383-9613	peg.gavin@wellsfargo.com
Cyndi Flowe	Administrative Assistant	(704) 715-3985	cyndi.h.flowe@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Advisors, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2012 Wells Fargo Securities, LLC.

Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Services Authority. The content of this report has been approved by WFSIL a regulated person under the Act. WFSIL does not deal with retail clients as defined in the Markets in Financial Instruments Directive 2007. The FSA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients. This document and any other materials accompanying this document (collectively, the "Materials") are provided for general informational purposes only.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

