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## The economic recession of 2007-2009 : a comparative perspective on its duration and the severity of its labor market impacts

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The Economic Recession of 2007-2009:  
A Comparative Perspective on Its Duration and  
the Severity of Its Labor Market Impacts

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President Obama: “This is the worst recession since the Great Depression.” (March 2009)  
Dave Ramsey on Fox News: “This is not the worst recession since the Great Depression.”  
(March 19, 2009)

## **Introduction**

The current national economic recession that officially began in December 2007 has been taking a severe toll on U.S. labor markets and workers in recent months, with steep drops in nonfarm payroll employment, even larger reductions in the number of employed working age adults (16 and older), and rapidly rising unemployment and underemployment problems.<sup>1</sup> While the number of nonfarm wage and salary jobs has declined by 5.133 million over the past 15 months (through March 2009) and the official unemployment rate has risen to 8.5%, there has been continued debate about how severe the current recession is and how it compares to earlier recessions in the U.S. over prior decades.<sup>2</sup> This brief research paper is designed to provide a comparison of key aspects of the current recession which is still on-going with the previous 10 national recessions since the end of World War II. The findings will reveal that this current recession will be the worst since the Great Depression in terms of both the absolute and relative magnitude of the destruction of payroll jobs and the percentage point increase in the unemployment rate from the beginning of the recession to 16 months later.

There are a variety of measures that can be used to describe a recession, including its duration and its severity in terms of reduced real output, incomes, and employment and increased open unemployment and other types of labor market problems, such as unemployment and mal-employment. The number of underemployed (i.e., those working part-time but desiring full-time jobs) has increased very substantially since the fall of 2007, rising over 9 million in March of this year. The starting and ending months of the previous 10 recessions in the U.S. from the 1948-49 recession to the 2001 recession are displayed in Table 1.<sup>3</sup> The beginning and ending dates are

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<sup>1</sup> For reviews of the evidence on the steep deterioration in U.S. labor markets in recent months, See: U.S. Department of Labor, Bureau of Labor Statistics, The Employment Situation, January 2009, February 2009 and March 2009, Washington, D.C., 2009.

<sup>2</sup> See: Clark Hoyt, “Bad News and More Bad News,” The New York Times, Week in Review, March 15, 2009, p. 12.

<sup>3</sup> For earlier descriptions of the post-war recessions from 1948-49 to the 1981-82 recession, See: Alan L. Sorkin, Monetary and Fiscal Policy and Business Cycles in the Modern Era, Lexington Books, Lexington, MA, 1988.

those of the National Bureau of Economic Research, the official arbiter of business cycle dating in the U.S. The current recession began in December 2007 and is now in its 17th month with no immediate end in sight.<sup>4</sup> In late March, Federal Reserve Bank Chairman Ben Bernanke informally forecast in a discussion with CBS television that the recession would “probably” end this year likely in the fall. If the recession did come to an end by October 2009, it would have lasted 23 months counting the initial month of December 2007.<sup>5</sup> The previous 10 recessions were characterized by highly variable durations ranging from a low of seven months (the recession of 1980) to as long as 17 to 18 months (the recessions of 1973-75 and 1981-82). The current recession already has lasted longer than all but 2 of the prior 10 recessions, will surpass the 1973-75 recession next month, and, if it does not end until October 2009, it will become the longest lasting recession in post-World War II history, with a duration twice as long as the average recession (11.6 months).

Table 1:  
The Beginning and Ending Months of the Eleven Post-World War II Recessions in the U.S.

	(A)	(B)	(C)
Recession	Beginning Month	Ending Month	Number of Months from Beginning to End
1948-49	November 48	October 49	12
1953-54	July 53	May 54	11
1957-58	August 57	April 58	9
1960-61	April 60	February 61	11
1969-70	December 69	November 70	12
1973-75	November 73	March 75	17
1980	January 80	July 80	7
1981-82	June 81	November 82	18
1990-91	June 90	March 91	10
2001	March 01	November 01	9
2007-2009	December 07	???	23-24?

The impacts of a recession on national labor markets can be measured in several different ways. One widely-cited measure of on-going labor market developments is the change in the

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For a review of the recessions of 1990-91 and 2001,

See: (i) Olivier Blanchard, Macroeconomics, Second Edition, Prentice-Hall, Saddle River, New Jersey, 2001; (ii) Joseph E. Stiglitz, The Roaring Nineties, W.W. Norton and Company, New York, 2003

<sup>4</sup> Vikas Bajai, “Are We There Yet?”, The New York Times, March 15, 2009, p.1-4.

<sup>5</sup> Jeannine Aversa, “Bernanke Says Recession Could End in 2009,” [www.Boston.com](http://www.Boston.com), March 16, 2009.

number of wage and salary jobs on the payrolls of nonfarm private sector industries and government agencies at the federal, state, and local level. We now have national data from the U.S. Bureau of Labor Statistics on the estimated number of payroll job losses from November 2007 (the month prior to the official onset of the recession) through March 2009. Over this 16 month period, the U.S. has experienced a net loss of 5.013 million wage and salary jobs or 3.6% (Table 2). The absolute and relative size of the payroll job losses over the prior 10 recessions over the same 16 month period are displayed in Table 2.<sup>6</sup> The absolute size of the job losses was less than zero in the 1980 recession and for the other ten recessions ranged from -229,000 in the 1969-70 recession to a high of -5.013 million in the current recession. Job losses in the current recession are the largest ever experienced in the post-World War Two era and to date are already 4.5 times as high as they were on average in the prior ten recessions.

Table 2:  
Absolute and Percent Size of Nonfarm Payroll Job Declines from the  
First Month Prior to the Recession to 16 Months Later

Recession	(A) Number of Payroll Jobs Lost (in 1000s)	(B) Job Loss as % of Base Month Employment
1948-49	-1,952	-4.3%
1953-54	-1,578	-3.1%
1957-58	-1,179	-2.2%
1960-61	-334	-.6%
1969-70	-229	-.3%
1973-75	-686	-.9%
1980	+607	+.7%
1981-82	-2,115	-2.3%
1990-91	-1,514	-1.4%
2001	-2,157	-1.6%
2007-?	-5,013	-3.6%
Mean Amount of Job Loss in Prior 10 Recessions	-1,114	-1.4%

Many economic analysts would argue that a more appropriate comparison of the magnitude of payroll job losses would be that of the percent of payroll jobs lost from the month prior to the onset of the recession to some given time period later. Using the same 16 month time

<sup>6</sup> The two prior recessions lasted only 9 to 10 months but nonfarm payroll jobs increased with a lag in the recoveries from those two national recessions, especially the 2001 recession.

period to gauge the relative size of these job losses, we find that their relative size ranged from +.7% (recession of 1980) to a -4.3% in the recession of 1948-49.<sup>7</sup> The current recession is characterized by the second highest relative job loss. Following the 16<sup>th</sup> month after the beginning of the 1948-49 recession, the number of payroll jobs grew substantially. In fact, by the 21<sup>st</sup> month following the start of the recession, all of the jobs lost in the recession were recovered. Given the steep payroll job losses in the past few months, it is likely that the number of payroll jobs will continue to fall through at least the end of this calendar year with another 500,000 to 800,000 payroll jobs lost. A payroll job loss of this magnitude (800,000) over the remainder of this calendar year would push the rate of job decline above 4.2%. For a 24 month period beginning with the month prior to the official onset of the recession, this rate of job loss would be a post-World War II high.<sup>8</sup>

Our final measure of the labor market impacts of a recession is the percentage point rise in the overall unemployment rate from the month immediately prior to the recession to 16 months later. In the current recession, the unemployment rate (seasonally adjusted) has jumped from only 4.7% in November 2007 to 8.5% in March 2009, a rise of 3.8 percentage points to date. This 8.5% unemployment rate was the second highest overall unemployment rate 16 months following the onset of the recession. The 3.8 percentage point increase in the unemployment rate was the highest of the 11 recessions since the end of World War II. The current recession, however, is still ongoing, and a growing number of economic analysts have forecast an unemployment rate of 9.5 to 10 percent by the end of the year.

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<sup>7</sup> The positive +.6% change in payroll jobs in the 1980 recession reflects its short duration (7 months) and a recovery over the following 8 months that more than offset jobs lost during the recession.

<sup>8</sup> Twenty four months following October 1947, payroll jobs in the U.S. were above their pre-recession level.

Table 3:  
Percentage Point Changes in Unemployment Rates from the Month Prior to the Start of the Recession to 16 Months Later (Seasonally Adjusted) Over the Past Eleven Recessions

Recession	(A)	(B)	(C)
	Month Prior To Recession	16 Months Later	Percentage Point Change
1948-49	3.7%	6.4%	2.7
1953-54	2.5%	5.7%	3.2
1957-58	4.2%	6.2%	2.0
1960-61	5.4%	7.0%	1.6
1969-70	3.5%	6.0%	2.5
1973-75	4.6%	8.1%	3.5
1980	6.0%	7.2%	1.2
1981-82	7.5%	10.1%	2.6
1990-91	5.4%	6.9%	1.5
2001	4.2%	5.8%	1.6
2007-2009	4.7%	8.5%	3.8
Mean Unemployment Rate Change in 10 prior recessions			2.4

Thus, contrary to some of the views expressed in the national and local media, the current national recession will end up being the longest in post-World War II history and will be the most costly in terms of payroll jobs lost and unemployment rate increases. The current recession has already wiped out 5.7% of employed men, nearly 9% of the jobs held by Black male workers immediately prior to the onset of the recession, and pushed the nation’s teen employment rate and the employment rate of young adult males (20-24) to the lowest ever recorded in the post-WW II period.<sup>9</sup> For many groups of workers, including the young, the non-college educated, blue-collar workers, and Black men, this recession has already been enormously costly with severe long-term consequences.

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<sup>9</sup> See: Andrew Sum and Joseph McLaughlin, The Impacts of the 2007-2009 Recession on the Employment Declines of U.S. Workers by Gender and Race: The Massive Job Losses Among the Nation’s Black Males, Center for Labor Market Studies, Northeastern University, Boston, 2009.