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William M. Rodgers III, Rutgers University

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William M. Rodgers III

Rutgers University and National Poverty Center

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Summary

Since the start of the recovery in November 2001, U.S. workers have experienced slow job growth. These conditions have adversely impacted the economic security of low-income and less-educated older workers (ages 50 to 64).

During previous recoveries, strong job growth provided older workers with employment opportunities, which helped to moderate the secular increases in displacement that are well documented.

This recovery has been different. Only 3.4 million new jobs have been created, less than half during the 1990s recovery and a quarter during the recovery that started March 1978.The absence of strong job growth has resulted in a drop in employment, health insurance and pension coverage for many older workers.

Stronger job growth is only a first step to offsetting the secular increase in the displacement of older workers. Additional public policy answers are needed to ensure that older low-income Americans can achieve economic security in the future.

The results show that

- Job growth continues to lag growth during previous business cycles. As of November 2005, 3.4 million new jobs have been created, compared to 8.0 million during the 1970s recovery and 12.0 million during the recovery that started March 1978.

- The slower pace of growth is potentially due to three new trends: shifts in investment, rising health care costs, and fiscal policy choices.

- The slower pace of employment growth has adversely affected older Americans. Full-year employment, private health insurance and pension coverage have trended downward, with the most consistent and strongest evidence of decline among low-income men aged 50 to 54.

- Older men's losses are primarily due to their decline in manufacturing, transportation, and public utility employment, sectors of the economy that have lost jobs during the recovery. Older women's losses were dampened due to their disproportionate presence in the education and health services sector, the recovery's fastest growing sector.

- Rising economic insecurity for older low-income families goes well beyond declining labor force attachment. Private sector health insurance and pension coverage rates both fell. These erosions come on top of already significantly lower wages, health insurance and pension coverage than the general working age population.

Introduction

The U.S. labor market is four years into the current business cycle, yet just over 3.4 million jobs have been created, not even half the growth that occurs in a typical recovery.[1] Although modest job growth has emerged since August 2003, the questions that Freeman and I asked in our earlier work still remain appropriate.[2] Why has the macroeconomy produced historically slower job growth? Why has the job market recovered at a much slower pace than during previous recoveries? Does this slower pace of job growth signify a major shift in the link between the labor market and the business cycle or does it represent a temporary break in historic patterns, possibly due to the oddities of the 1990s boom?

Understanding the sources of this slower job growth is of particular importance for American families, policy makers, practitioners and academics. During the recovery, productivity growth, fiscal stimulus and interest rates have been much more favorable than previous recoveries. Yet, growth in Gross Domestic Product has not been strong enough to generate job growth larger or even similar to previous recoveries. Some cite job growth since August 2003 to downplay the recovery's slower pace of growth, but even average monthly growth in total nonfarm employment since then has been 164,000, just above the monthly increase of 150,000 new jobs that are needed to accommodate population growth.[3] Even though the national unemployment rate is in the range of estimates that are considered to be the non-accelerating inflation rate of unemployment (NAIRU), the employment-population ratio (share of civilian population that is employed) is lower than when the US unemployment rate was at the same levels during the 1990s boom.[4]

Because the labor market continues to play catch up with past recoveries, many minority workers and workers with the least skills who benefited from the 1990s boom are having difficulty maintaining their gains. This is true for African-Americans and new job entrants (Freeman and Rodgers, 2005a, 2005b). It is also true for the nation's fastest growing minority group, Hispanics. The lack of strong job creation has given rise to growing economic

insecurities for Hispanics (Gonzalez, 2002; Suro and Lowell, 2002; Kochhar, 2003). Depending on their particular demographic characteristics, this has meant fewer jobs, lower wages, less health insurance, and declining pensions (Freeman and Rodgers, 2006).

The analysis in this paper focuses on describing the experiences of older Americans, defined as age 50 years and over. In a typical recovery, the labor market should become even more favorable to older workers. They have greater levels of education and experience than younger workers. However, an extensive body of literature on job displacement has shown that the absolute and relative probability of displacement among older workers has risen over the past several decades, regardless of the point in the business cycle.[5] A variety of factors have been identified as the causes: corporate restructuring, rising health care and pension costs. The common rationale for the greater displacement has been firms' efforts to trim the higher costs portions of their labor forces.

Given this secular rise in displacement and the slower pace of job growth, I explore whether the latter has adversely impacted the employment outcomes of older workers. Has the recovery's slower pace of job growth put older workers at greater economic risk by not providing employment opportunities that offset the structural increase in the displacement? During previous recoveries, strong job growth provided older workers with opportunities, helping to moderate displacement's effects.

The results show that

- Job growth continues to lag growth during previous business cycles. As of November 2005, 3.4 million new jobs have been created, compared to 8.0 million during the 1970s recovery and 12.0 million during the recovery that started March 1978.
- The slower pace of growth is potentially due to three new trends: shifts in investment, rising health care costs, and fiscal policy choices.
- The slower pace of employment growth has adversely affected older Americans. Full-year employment, private health insurance and pension coverage have trended

downward, with the most consistent and strongest evidence of decline among low-income men aged 50 to 54.

- Older men's losses are primarily due to their decline in manufacturing, transportation, and public utility employment, sectors of the economy that have lost jobs during the recovery. Older women's losses were dampened due to their disproportionate presence in the education and health services sector, the recovery's fastest growing sector.
- Rising economic insecurity for older low-income families goes well beyond declining labor force attachment. Private sector health insurance and pension coverage rates both fell. These erosions come on top of already significantly lower wages, health insurance and pension coverage than the general working age population.

A Framing of the Current Business Cycle: The Catch Up Economy

A puzzle for analysts and policymakers has emerged since November 2001. Figure 1 shows that during the current recovery, major macro indicators have been at extremely favorable growth rates or levels. First, productivity growth has averaged 3.6 percent compared to 2.8 percent over the past recoveries since 1960. Second, as measured by the federal budget deficit as a share of GDP, fiscal stimulus has increased. Third, interest rates have been at record lows compared to previous recoveries: the federal funds rate has been at 1.7 percent during the current business cycle, compared to 5.7 percent for previous recoveries since 1960.Yet, real GDP growth does not exceed growth during previous recoveries. Further, the growth in GDP has not been large enough to generate large and widespread job growth.

To illustrate this point, Figure 2 contrasts the November 2001-November 2005 recovery with the six previous recoveries on a month-by-month basis. Even with the acceleration in job creation since August 2003, the 2000 recovery has had slower employment growth than all prior recoveries since 1960, including the 1990s recovery, when employment also took a long period

to recover. After forty-nine months of this recovery, 3.4 million new jobs have been created, compared to 8.3, 11.5 and 12.8 million during the recoveries that followed the 1990s, 1980s and early 1970s recessions.[6]

The slower pace of job growth is broad based. In fact, employment in many private sector industries, such as manufacturing in which older men are concentrated, remains well below the start of the recovery.[7] By November 2005, employment was 9.4 percent lower in durable manufacturing and 10.6 percent lower in non-durable manufacturing than when the recovery began (Figure 3). In contrast, by the 49th month of previous recoveries, nondurable and durable manufacturing had typically expanded 3.7 and 9.4 percent. Even with the recovery, employment remained 11.0 percent lower in the broad 'information' sector, which was supposed to produce good jobs to replace declining employment in traditional manufacturing. During earlier recoveries this sector had grown at an average rate of 7.4 percent.

Employment growth in other major sectors is slower than the average over the last six recoveries. This is true for wholesale and retail trade and even for interest rate sensitive industries, such as construction and financial activities. Employment in the wholesale and retail trade sectors is up 0.8 and 0.3 percent, while at 49 months in previous recoveries, employment had already grown by 10.0 percent. Construction employment grew by 8.4 percent, compared to 13.8 percent during the previous recoveries. Financial activities expanded by 5.9 percent during the current recovery, a bit more than half the 11.2 percent growth in previous recoveries. In contrast, employment has grown strongly in the education and health services sector, where many older women are employed.[8]

Potential Explanations for the "Catch up Economy"

Why has the labor market been slower to shift into a higher gear? Freeman and Rodgers (2005b) offer some preliminary answers to this question. While not definitive, we identified three explanations for the new path of job growth: US performance in the international economy; health care costs; and the size and composition of the federal government's fiscal

stimulus. The following provides an overview of the analysis on which these conclusions were made.

US performance in the international economy

The first factor is the poor performance of the United States in the international economy. The US trade deficit is the focus of many analysts and policymakers. In the current recovery, it has risen to levels that are unprecedented in recent US experience. Table 1 illustrates this point. Between the fourth quarter of 2001 and the third quarter of 2005, the ratio of exports minus imports relative to GDP increased from -4.2 percent to -5.5 percent. This is the largest trade deficit in US economic history and a larger than normal increase during a recovery. However, the deficit's growth is not the largest increase on record. In the 1980s recovery, the trade deficit rose from -0.5 percent to -2.6 percent of GDP.

What is unprecedented is the slowdown in investment growth. In previous recoveries, investment flows moved in directions that presumably created US jobs. Figure 4 compares different components of investment growth during the current recovery to previous recoveries. Growth is weaker than during the 1980s and 1990s recovery. Most notable is the decline in non-residential investment of 18.0 percent. This component grew by 9.0 percent from 1982 to 1985 and fell by 5.0 percent from 1991 to 1994. Also, of importance for explaining the slower pace of job growth are shifts in foreign direct investment (Figure 5). Foreign direct investment in the United States as a share of GDP decline by 0.72 percent from 2001 to 2004, while in previous recoveries, FDI in the US as a share of GDP grew slightly. The drop is predominately due to a decrease in Europe's direct investment in the U.S. Also notable is the acceleration in US foreign direct investment abroad. During the two previous recoveries, as a share of GDP, US foreign direct investment abroad grew by 0.28 percent and 0.49 percent, while during the current business cycle, foreign direct investment abroad has accelerated 0.87 percent.

There has recently been a lot of discussion about the significance (or lack thereof) of jobs being 'offshored' in the recovery. Unfortunately, government statistics do not provide even

crude measures of the number of jobs being offshored in the service industries. For example, while Indian exporters report several billion dollars of exports in computer related and telecoms services and many major US companies proudly proclaim offshoring of service sector work as way to improve profits, government statistics record less than a billion dollars of service sector imports from India and show them declining over time, while BLS surveys record only a small number of job losses attributable to offshoring, in part because the displaced workers questions are not asked in such a way as to obtain the appropriate statistic. The Government Accounting Office (2004) recently examined the quality of official statistics and found them to provide little information for measuring offshoring's importance. Freeman and Rodgers concluded that the Indian statistics and business announcements indicate that offshoring has cost the United States a significant number of jobs.

Attributing the slower pace of growth to trade, investment and offshoring does not provide a complete explanation. That the value of the dollar fell relative to the euro and pound despite rapid increases in productivity demands some deeper explanations for the United States' weak performance in international markets.

The impact of health care costs

The second factor behind the slower pace of job growth may be the US mode of funding medical insurance. Health insurance spending per employee has risen sharply in the United States, albeit over a longer period than in the current recovery. It adds a substantial marginal cost to employing workers, and many firms have sought ways to operate without committing themselves to permanent workers who obtain such benefits.

The Kaiser Family Foundation finds that between 2000 and 2004, employment of people with employer-sponsored health care coverage fell by 4.9 percent, which is considerably greater than the overall fall in employment in that period. Gould (2004) and others continue to document the decline in employer-provided health coverage. This is consistent with the notion that some of the stagnant employment growth may be associated with rising health care costs,

and ultimately with the country's approach to financing health insurance. Reber and Tyson (2004) also find support for rising health insurance cost as a deterrent to employment growth.

The impact of the fiscal stimulus

The third factor is the nature and composition of the federal government's fiscal stimulus, which gave the bulk of the tax cuts to wealthy people whose propensity to spend quickly is likely to be less than that of people on middle incomes and below. Table 2 shows that between 2001 and 2004, the US fiscal deficit rose by 3.5 percentage points relative to potential GDP: from a surplus of 1.1 percent to a deficit of 2.4 percent. This exceeds the increase in the deficit and the size of stimulus in the 1990s recovery. It is slightly larger than the deficit's increase in the 1980s recovery. Yet, between 2001 and 2004, actual real GDP grew by just 9.0 percent despite the large stimulus, a smaller growth rate than during the two previous recoveries when fiscal stimulus was no greater than today's stimulus. Real GDP grew by 17.0 percent from 1982 to 1985 and 10.0 percent from 1991 to 1994.

Although a large stimulus, the tax cuts were slanted to the super-wealthy and expenditures on Iraq have probably had a smaller impact on GDP growth. The job creation multipliers associated with these fiscal choices are probably smaller than if the tax cuts were targeted toward middle and lower income families and Iraq expenditures were targeted toward domestic investment.

Other Explanations: Structural Change and Productivity Growth

Rodgers and Freeman (2000) reject the idea that increased productivity explains the new pattern of job growth. This is a circular argument. Increases in productivity due to technological and other innovations shift out the country's aggregate supply curve, which increases the growth of potential GDP and permits greater growth of employment without inflation than would otherwise be the case.

Some have hypothesized that continuing structural change, the permanent relocation of workers from declining industries to growing ones, has contributed to the slower pace of growth.

Groshen and Potter (2003) show that the share of total employment in industries undergoing structural change was 51.0 percent during the mid-1970s and 1980s recoveries and 57.0 percent during the 1990s recovery; it is 79.0 percent during the current recovery. Their research suggests that the United States is in the middle of a period of reaction to the over-expansion of the 1990s, making structural employment shifts the dominant source of changes in employment.

Linking Industry and Demographic Change

The changing industry distribution of employment from 2001 to 2004 potentially affects older workers differently than other Americans. Older workers (at least 50 years of age) are concentrated in different industries than younger workers. Employment changes in the manufacturing, transportation, public utilities and education and health services sectors are key to understanding the recent employment experiences of older workers.

For the purposes of this analysis, I define an older worker as someone between 50 to 64 years of age. I divide this group into three age groups: 50 to 54, 55-60 and 61 to 64. To describe experiences across educational attainment and income, I create two sub-samples: older individuals that have no more than a high school diploma, and older individuals whose family income puts them in the first (lowest) quartile of the family income distribution. As a point of comparison, I compare the outcomes of older workers in these sub-populations to 16 to 64 year olds. See the Data Appendix for a full description of the data.

Table 3 shows the distribution of industry employment in 2001 by age and gender. All older men have a strong presence in manufacturing, while all women have an extremely strong presence in educational and health services. Low-income men are less concentrated in manufacturing and more concentrated in trade.

The following describes the industry distributions in greater detail. Older men are concentrated in three industries: manufacturing (18%), trade (16%), and education and health services (18%). Just over 40 percent work in these three sectors. An additional one-fifth work in construction and professional business services sectors. Limiting the sample to older men with

no more than a high school diploma leads to further concentration. Thirty-nine percent work in manufacturing (21%) and trade (18%). Adding the men who work in the transportation and public utilities (13%) and construction (14%) sectors raises the share to two-thirds. Older low-income men are less concentrated in manufacturing than other men. Only 15 percent work in the sector. They have their greatest presence in the trade (22%) and professional business services sectors (17%). They also have a strong presence in construction and education and health services.

Older women have different industry distributions than older men. They are concentrated in wholesale and retail trade, and heavily concentrated in the education and health services sector. For example, 59 percent of older women work in these two industries. This estimate falls to 51 percent when I limit the sample to older women with no more than a high school degree. It jumps back up to 59 percent when we focus on older low-income women.

I translate these patterns into expected shifts in demand for a demographic group's employment by computing a fixed weight index of the potential shift in employment for a group. To do this, we multiply each group's 2001 industry employment share by its industry employment growth from 2001 to 2004, and sum the products to obtain a weighted average growth of employment.

Table 4 reports these expected shifts. For 16 to 64 year old men, the shift due to changes in employment ranges from declines of 1.8 percent for all men and low-income men to a 2.9 percent for less educated men. The main reason for the drop is both group's concentration in the manufacturing sector. Men with no more than a high school degree have the largest expected reductions in employment. Among these men, the expected decline is greatest for 50 to 54 and 55 to 59 year old men. The 3.5 percent decline is due to their overrepresentation in manufacturing and transportation and public utility sectors. Thirty-eight percent of 50 to 54 year old men are employed in these two sectors. The percent decline for less educated 60 to 64 year old men is also due to their overrepresentation in these three sectors.

The drop in employment for low-income men ranges from 1.4 to 2.2 percent. The losses come from their concentration in manufacturing, transportation and public utilities, and trade. Unlike older less educated men, a larger share is employed in the education and health services sector. This sector expanded during the recovery, dampening their losses in manufacturing and trade.

For older women, the fixed weight industry growth calculations suggest employment increases for all age and education groups, except for those with no more than a high school degree. All have a large presence in the education and health services sector. The variation in their expected employment gains is due to their varying presence in the manufacturing sector. In 2001, 10 percent of older women were in manufacturing, compared to 14 percent of less educated women and 9 percent of older low-income women. Women 50 and over are predicted to have a 1.8 percent increase. Older less educated women have a predicted a 0.3 percent decline and older low-income women have a 1.2 percent increase in employment. Across age, the expected employment patterns are similar.

The Consequences of the "Catch Up" Economy on Older Americans

Do the losses for men and gains for women shown in the fixed-weight analysis translate into changes in labor force attachment? Do they translate into changes in benefit coverage? Before answering these questions, I present an economic portrait of older Americans. The picture that will emerge is one of not only current economic vulnerability, but of potential long-term economic vulnerability for individuals in the first (lowest) quartile of family income. Older low-income men and women have the weakest labor force attachments compared to both the general population of 16 to 64 year olds and other low-income 16 to 64 year olds. Their benefit coverage rates are lower than the general population; however, they do exceed the rates of all low-income individuals. Older less educated men and women are not at as great an economic risk as low-income men and women. Their labor force attachment and benefit levels are higher.

To develop this portrait in greater detail, Table 1 first reports summary statistics on years

of schooling and potential experience for each category of men and women. The greater potential experience of older men and women should serve as a benefit during times of economic growth, even for less educated and low-income men and women. For the latter, the greater experience should help to offset the adverse effects of their limited schooling. In sectors where internal labor markets exists, the experience of older workers should help to insulate them from fluctuations in the macroeconomy.

Table 6 presents employment-population ratios plus outcomes for four additional economic and social measures: hours worked per week, full-year work, private health insurance coverage, and pension coverage. The key result in this table is that older low-income men and women have weaker labor force attachments than all other 16 to 64 year olds and other low-income 16 to 64 year olds. Their benefit coverage rates are lower than the general population; but they do exceed the coverage rates of low-income 16 to 64 year olds.

Other notable trends in the table are that attachment falls as we move across age groups. It is important to see that all of the attachment measures at age 50 to 54 exceed the measures for the general population. For example, 82 percent of 50 to 54 year old men work full-year, compared to 73 percent of 16 to 64 year old men. For 55 to 60 year old men, the figure falls to 74 percent and further to 56 percent for 61 to 64 year old men. Attachment among similarly aged men and women is uniformly lower among less educated and lower income men and women than the general population.

The biggest gaps in attachment exist between low-income men and women and the general population. In 2004, 46 percent of low-income 50 to 54 year olds worked full-year, compared to 82 percent of all 50 to 54 year old men, generating a 36-point gap in attachment. A 32-point gap even exists among women: 37 versus 69 percent. Even at ages 61 to 64, gaps in attachment are substantial. Among men the difference in the share that are employed throughout the year is 30 percentage points and women 19 percentage points.

The weaker attachment of men and women in the lowest quartile of the family income

distribution extends to benefits. Between 40.0 and 46.0 percent of low-income men have private health insurance coverage. The rates for older men range from 74.0 to 80.0 percent. Even more than two-thirds of men with no more than a high school degree have health insurance. A similar pattern exists among women. The estimates on pension coverage reveal substantial differences between low-income men and women and the general population. More than a third of older low-income men and just under 40 percent of older low-income women are employed in firms that offer pension plans to their employees. These figures are around 55 percent for all male and female 16 to 64 year olds and 60 percent for all older men and women. Shifting to who actually has an employer-provided pension reduces these figures, especially for low-income men and women. Approximately, one-fifth of low-income men and one-quarter of low-income women have an employer-provided pension, compared to one-half of all older men and women, and 44 to 46 percent of men and women with no more than a high school degree.

The Current Business Cycle: A Period of Growing Economic Insecurity?

I now describe the extent to which the slower pace of job growth during the current business cycle has led to greater economic insecurity for older workers, with a focus on low-income and less educated individuals. The story that emerges is that during the 2001 to 2004 period, 50 to 54 year old men and women have experienced a consistent pattern of decline in attachment and benefits.

Tables 7 to 9 report the analysis for full-year work, employer-provided health insurance and pension coverage. On balance, the indicators suggest increased labor market insecurity among low-income 50 to 54 year old men and women, with some evidence of a decline among men with no more than a high school degree. Full-year work trended downward for 50 to 54 year old low-income men and women. It stagnated for men with no more than a high school degree and fell for women. Private sector health insurance coverage declined for all older men and women. The sharpest drop occurred among low-income men and women. For example, the coverage of 50 to 54 year old less-educated men and women fell 2.1 and 3.1 points, respectively.

The fall in coverage for 50 to 54 year old low-income men and women was 3.4 and 3.8 points, respectively.

Men were particularly impacted by a decrease in the share of firms that offer pension plans. Coverage trended downward for 50 to 54 year olds and 55 to 59 year olds. The decline among 50 to 54 year olds is measured with the greatest precision. No systematic pattern of change exists for older women. The actual holding of a firm-provided pension fell among older men. Less educated and low-income men were impacted, but a decline also occurred in the general male population. Women's actual holding of pensions remained unchanged.

Is Growing Economic Insecurity a New Feature of Recoveries?

I now place the 2001 to 2004 erosions in attachment and benefits into a broader historical context. Are they apart of the recent path of slower job growth, potentially caused by the US's performance in the international economy, increase in health care costs, and federal fiscal policy choices? To answer this question, I compare changes in our list of outcomes during the current business cycle to previous business cycles. If attachment and benefits typically rose during past recoveries, then the slower pace of job growth has been powerful enough to reduce the ability of older workers' greater labor market experience to fully insulate them from job losses. I find that the recent deterioration of low-income men and women's labor force attachment and benefits differs from previous recoveries. During the 1980s and 1990s recoveries, attachment and benefit levels did not fall.

Tables 7 to 9 report changes in the percentage of respondents that worked full-year, had private health insurance and pension coverage during the current and two previous recoveries. The figures in Table 7 for full-year work suggest that a break from previous recoveries has occurred for low-income men and women. During the 1980s and 1990s recovery, full-year work among 50 to 54 year old men typically remained unchanged, while it has fallen by 2.4 points during the current business cycle. Although not measured with a high level of precession the estimates indicate a modest increase in older women's full-year work during the two previous

recoveries. Their coverage fell by 4.6 percentage points from 2001 to 2004.

Recent patterns of job growth are associated with trends in older workers' private health insurance and pension coverage. Tables 8 and 9 report that employer provided benefits have fallen. The drop in coverage has been greatest among low-income and less-educated 50 to 54 year men and women. More specifically, from 1991 to 1994 employer-provided health insurance coverage increased. During the current recovery, the decline in coverage occurs not only among low-income men and women, but also those with no more than a high school degree.

With respect to pensions, the share of older individuals included in pension plans either remained the same or increased during the 1990s recovery. Coverage fell during the current business cycle. During the 1990s recovery, there was little relationship between men's pensions and job growth, but since 2001 the share of firms that offer plans has fallen. The decline has been among 50 to 54 and 55 to 60 year old men, with the drops largest among low-income men. Women's pension coverage seems to have a different relation to the macroeconomy. Coverage increased during the 1990s for all women, with the largest increases occurring among 50 to 54 year low-income women (6.4 points). Women with no more than a high school degree also saw their coverage rate jump by 4.8 points. During the current recovery, the growth in coverage has stagnated for older women in these age groups.

Summary and Conclusions

In recent work, Freeman and Rodgers (2005, 2006) found that the slower pace of job growth has had an adverse impact on the employment outcomes of blacks, Hispanics and youth. These findings should not be too surprising. A large literature has demonstrated the greater sensitivity of these demographic groups' labor market outcomes to the macroeconomy.[9]

This paper shows that the slower pace of job growth has even impacted older workers. Job growth during the recovery has not been large enough to offset the adverse impact of the structural increases in displacement that have occurred over the past two decades. Low-income men and women who already have weaker labor force attachment, lower private health

insurance and pension coverage rates saw the greatest erosions in their economic security. Unlike youth, who have longer time horizons to recoup losses, older workers have fewer years, even if they choose to extend their working careers past the age of 65. To my knowledge, employment and wage losses for this recovery have not been estimated, but for earlier periods Chan and Stevens (2001, 2004), Kletzer and Fairlie (2003) and others have found that older "displaced" workers experienced major reductions in income even if they were able to return to the labor market. Future work should compare the CPS Displaced Worker Surveys for 2001 to 2004 to earlier Surveys.

The slower pace of job growth poses a challenge to economic and social policy. As long as the US makes full employment its main source of economic protection for workers, the job market has to attain something similar to the late 1990s labor market tightness for economic growth to be broadly shared. But given the weaker labor force attachment, lower health insurance and pension coverage rates of older low-income and less-educated Americans, even a return to the 1990s tightness may not be enough to significantly improve their prospects for greater economic security. Stronger job growth is only a first step to offsetting the secular increase in the displacement of older workers. Additional public policy answers are needed to ensure that older low-income Americans can achieve economic security in the future.

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Table 1: Trade Balance in the 2001 and Earlier Recoveries
Real Gross Domestic Product, Chained Dollars
(Billions of chained (2000) dollars)
Seasonal Adjusted at annual rates

Period 2001-2004	GDP	Exports	Imports	X-M/GDP
2001-IV	9910	980.3	1394.9	-4.18%
2005-III	11202.3	1202.7	1820.2	-5.51%
2005-2001	1292.3	222.4	425.3	-1.33%
1991-1994				
1991-I	7040.8	563.2	581.5	-0.26%
1994-IV	7951.6	737.3	819.2	-1.03%
1994-1991	910.8	174.1	237.7	-0.77%
1982-1986				
1982-IV	5189.8	285.7	311.4	-0.50%
1986-III	6291.7	355.2	521.2	-2.64%
1986-1982	1101.9	69.5	209.8	-2.14%
1975-1978				
1975-I	4237.6	228.7	229.3	-0.01%
1978-IV	5137.4	281.6	333.4	-1.01%
1978-1975	899.8	52.9	104.1	-0.99%
1970-1974				
1970-IV	3759.8	164	216.7	-1.40%
1974-III	4305.8	221.3	257.4	-0.84%
1974-1970	546	57.3	40.7	0.56%
1961-1964				
1961-I	2491.2	91.6	97.8	-0.25%
1964-IV	3033.6	117.2	128.4	-0.37%
1964-1961	542.4	25.6	30.6	-0.12%

Source: Authors' calculations from Bureau of Economic Analysis, Table 1.1.6.

Table 2: The fiscal stimulus as a percentage of potential GDP was larger in the jobless recovery than in two preceding recoveries

Recovery	Surplus or Deficit (-)
1982	-1.1
1985	-4.3
Change	-3.2
1991	-2.5
1994	-2.1
Change	0.4
2001	1.1
2004	-2.4
Change	-3.5

Source: Congressional Budget Office. Figures are the standardised budget surplus or deficit as a share of potential GDP. The historical budget data are from Appendix F of the CBO publication *The Budget and Economic Outlook: Fiscal Years 2006 to 2015*, released on January 25, 2005.

Table 3: 2001 SIC Industry Distributions of Employment
By Age and Gender

All			**Male**					**Female**		
Industry	**16 to 64**	**50+**	**50-54**	**55-59**	**60-64**	**16 to 64**	**50+**	**50-54**	**55-59**	**60-64**
Mining	0.9%	1.0%	1.2%	1.0%	0.8%	0.1%	0.2%	0.2%	0.2%	0.1%
Construction	12.5%	9.6%	10.5%	9.5%	9.7%	1.5%	1.4%	1.4%	1.4%	1.5%
Manufacturing	17.7%	17.6%	19.4%	19.2%	17.8%	9.5%	9.7%	10.3%	10.7%	9.2%
TPU	9.5%	10.3%	11.4%	11.3%	9.5%	4.3%	3.9%	4.4%	3.8%	3.8%
Trade	20.4%	15.6%	14.2%	15.3%	16.3%	21.4%	16.7%	14.7%	16.1%	18.6%
FIRE	4.7%	6.2%	5.5%	6.2%	6.2%	7.9%	7.9%	8.1%	8.1%	7.5%
PBS	12.2%	10.6%	9.9%	10.0%	10.6%	12.7%	11.2%	10.3%	10.8%	11.4%
Education and Health Services	13.5%	18.1%	17.6%	17.6%	18.6%	36.6%	41.1%	43.2%	41.1%	39.6%
Public	4.7%	5.9%	6.9%	5.9%	4.5%	4.4%	5.7%	6.0%	5.7%	5.3%
No More than HS School Degree			**Male**					**Female**		
Industry	**16 to 64**	**50+**	**50-54**	**55-59**	**60-64**	**16 to 64**	**50+**	**50-54**	**55-59**	**60-64**
Mining	1.2%	1.3%	1.7%	1.4%	0.9%	0.1%	0.1%	0.2%	0.1%	0.1%
Construction	17.5%	13.6%	15.8%	13.6%	13.7%	1.7%	1.6%	1.6%	1.5%	1.6%
Manufacturing	19.8%	21.4%	24.3%	24.2%	21.3%	12.6%	13.7%	15.4%	16.0%	12.0%
TPU	9.9%	12.5%	13.7%	13.9%	12.1%	4.2%	4.1%	4.8%	4.2%	3.9%
Trade	24.0%	17.7%	15.8%	17.4%	18.6%	29.3%	22.3%	20.8%	20.7%	24.2%
FIRE	2.1%	3.4%	2.6%	3.1%	3.3%	7.0%	7.5%	8.2%	7.8%	6.7%
PBS	12.2%	11.5%	10.6%	10.3%	11.2%	15.2%	13.8%	12.9%	13.7%	13.6%
Education and Health Services	5.4%	7.4%	6.6%	7.5%	7.8%	24.6%	29.3%	29.5%	28.8%	29.7%
Public	2.6%	3.5%	3.9%	3.2%	3.1%	3.3%	4.7%	5.0%	4.8%	4.6%
Family Income in Lowest Quartile			**Male**					**Female**		
Industry Group	**16 to 64**	**50+**	**50-54**	**55-59**	**60-64**	**16 to 64**	**50+**	**50-54**	**55-59**	**60-64**
Mining	0.6%	0.7%	0.5%	0.5%	1.7%	0.1%	0.1%	0.0%	0.3%	0.0%
Construction	18.6%	15.0%	18.0%	13.1%	13.7%	1.3%	1.2%	1.6%	0.8%	1.6%
Manufacturing	15.6%	15.9%	15.0%	18.8%	16.6%	8.7%	9.1%	10.2%	11.9%	7.5%
TPU	6.9%	8.8%	8.5%	9.8%	7.1%	2.9%	3.3%	5.1%	1.6%	2.4%
Trade	27.7%	21.9%	20.9%	21.9%	20.3%	31.7%	23.4%	21.1%	21.4%	31.7%
FIRE	2.9%	3.5%	2.9%	3.4%	5.8%	4.5%	4.3%	4.7%	4.2%	3.6%
PBS	15.8%	17.3%	16.8%	16.8%	19.9%	18.3%	19.8%	21.3%	19.3%	15.9%
Education and Health Services	9.9%	13.7%	13.8%	13.1%	12.4%	30.2%	36.0%	33.9%	38.3%	33.3%
Public	1.8%	2.9%	3.2%	1.8%	2.5%	2.2%	2.7%	2.0%	2.4%	4.0%

Notes: Authors' calculations from the 2001 ORG CPS file. The columns are the share of a particular group in each industry. All corresponds to all men at least 18 years of age that work in the either the public or private sector. Agriculture comprises the remaining industry share.

Table 4: Expected Change in Employment by Age
(Assuming 2001 Industry Shares and Actual CES Employment Change)

Male	**16 to 64**	**50+**	**50-54**	**55-59**	**60-64**
All	-1.8%	-1.4%	-1.7%	-1.7%	-1.4%
No More than HS School Degree	-2.9%	-3.0%	-3.5%	-3.5%	-3.0%
Family Income in Lowest Quartile	-1.8%	-1.6%	-1.4%	-2.2%	-1.7%
Female					
All	1.4%	1.8%	1.9%	1.7%	1.8%
No More than HS School Degree	-0.2%	0.3%	0.1%	0.0%	0.5%
Family Income in Lowest Quartile	0.7%	1.2%	0.9%	1.2%	1.2%

Notes: Entries are constructed by multiplying a demographic group's 2001 industry employment shares (Table 8) by the industry's percentage employment growth from 2001 to 2004, and sum the products to obtain a weighted average growth of employment in the industries that employed the group. Industry employment growth is the difference from 2001 to 2004. In 2003 the industry codes changed. To link 2001 with 2004, we had to make several assumptions. The following list the 2001 SIC (2003 SIC) codes. If an industry shown in Table 8 is not listed below, a direct match was able to made: Transportation (Transportation and Warehousing), Communication and Public Utilities (Information), Utility and Sanitary Services (Utilities), Finance, Insurance and Real Estate (Financial Activities), Entertainment and Recreation (Leisure and Hospitality), Professional and Business Services (Personal services including private households, business, auto and repair services, Personal services excluding private households), Education and Health Services (Hospitals, Medical services, except hospitals, educational services, Social services, Other Professional Services (Other services).

Table 5: 2004 Summary Statistics by Gender and Age

	Men		Women	
All	**Years of Schooling**	**Potential Experience**	**Years of Schooling**	**Potential Experience**
16 to 64	12.8	19.8	13.0	19.7
50-54	13.5	32.4	13.4	32.5
55-60	13.4	37.5	13.1	37.7
61-64	13.0	42.9	12.7	43.2
No More than High School Degree				
16 to 64	10.8	19.4	10.9	20.4
50-54	10.9	34.9	11.0	34.9
55-60	10.6	40.3	10.8	40.1
61-64	10.5	45.5	10.9	45.1
Real Family Income in Lowest First Quarter				
16 to 64	11.4	19.0	11.7	19.2
50-54	11.9	34.0	11.7	34.2
55-60	11.4	39.5	11.4	39.5
61-64	11.3	44.8	11.6	44.3

Notes: Author's tabulations from the micro data of the March Annual Demographic files of the Current Population Survey. The sample consists of individuals that are at least 16 years of age, white, black or Hispanic. Individuals with no more than a high school degree are those with high school diploma's, GEDs or high school dropouts. An individual's years of schooling is constructed using the method proposed in Jaeger (2003). Potential experience equals: age - years of schooling - 6.

Table 6: 2004 Labor Market Outcomes of Older Workers by Age, Gender and Education

Panel A: Men

Men	EPOP	Hours	Full-time Work	Work Full-Year	Private Health Insurance	With Pension
16 to 64	0.782	32.5	0.686	0.734	0.723	0.449
50-54	0.835	36.6	0.778	0.817	0.796	0.574
55-60	0.754	32.0	0.678	0.736	0.781	0.550
61-64	0.562	22.7	0.464	0.559	0.737	0.524
No More than a High School Degree						
16 to 64	0.711	28.4	0.610	0.640	0.615	0.322
50-54	0.770	32.5	0.711	0.749	0.689	0.465
55-60	0.681	28.2	0.615	0.652	0.679	0.457
61-64	0.490	19.5	0.410	0.474	0.631	0.448
Real Family Income in Lowest First Quartile						
16 to 64				0.534	0.392	0.156
50-54				0.460	0.404	0.220
55-60				0.440	0.456	0.206
61-64				0.258	0.463	0.223

Panel B: Women

Women	EPOP	Hours	Full-time Work	Work Full-Year	Private Health Insurance	With Pension
16 to 64	0.673	24.1	0.491	0.596	0.721	0.421
50-54	0.737	28.0	0.587	0.686	0.784	0.556
55-60	0.643	23.7	0.490	0.605	0.754	0.537
61-64	0.453	15.3	0.304	0.430	0.714	0.469
No More than a High School Degree						
16 to 64	0.582	20.0	0.403	0.410	0.583	0.300
50-54	0.651	24.0	0.508	0.592	0.672	0.458
55-60	0.568	20.1	0.423	0.512	0.647	0.447
61-64	0.395	12.8	0.256	0.372	0.629	0.422
Real Family Income in Lowest First Quartile						
16 to 64				0.405	0.367	0.165
50-54				0.371	0.393	0.262
55-60				0.315	0.431	0.267
61-64				0.243	0.483	0.234

Notes: Authors' tabulations from the Outgoing Rotation Group (ORG) and March Annual Demographic files of the Current Population Survey. To be included in the sample, an individual had to be at least 16 years of age. EPOP, hours and full-time work come from the ORG. All other outcomes come from the Annual Demographic files.

Table 7: Change in Percent Working Full-Year by Recovery

Men	**All**			**No more than HS Degree**			**Family income in first quartile**		
Age Group	**1982-85**	**1991-94**	**2001-04**	**1982-85**	**1991-94**	**2001-04**	**1982-85**	**1991-94**	**2001-04**
50-54	0.015	0.006	-0.011	0.016	0.009	-0.008	0.007	-0.002	-0.024
	(0.010)	(0.010)	(0.008)	(0.012)	(0.013)	(0.012)	(0.021)	(0.020)	(0.016)
55-59	0.021	-0.001	-0.003	0.030	-0.003	-0.019	-0.001	0.040	0.035
	(0.010)	(0.011)	(0.009)	(0.012)	(0.014)	(0.013)	(0.019)	(0.020)	(0.017)
60-64	-0.007	-0.017	0.011	-0.004	-0.039	-0.019	0.001	-0.018	0.006
	(0.010)	(0.011)	(0.010)	(0.012)	(0.014)	(0.014)	(0.017)	(0.018)	(0.017)
Women									
Age Group	**1982-85**	**1991-94**	**2001-04**	**1982-85**	**1991-94**	**2001-04**	**1982-85**	**1991-94**	**2001-04**
50-54	0.038	0.030	-0.006	0.039	0.010	-0.030	0.013	0.014	-0.046
	(0.009)	(0.009)	(0.007)	(0.010)	(0.011)	(0.011)	(0.016)	(0.017)	(0.014)
55-59	0.035	0.026	0.007	0.030	0.013	-0.015	0.035	0.001	-0.027
	(0.009)	(0.010)	(0.008)	(0.010)	(0.012)	(0.012)	(0.014)	(0.015)	(0.014)
60-64	0.001	0.020	0.018	-0.007	0.007	0.003	-0.001	0.014	0.034
	(0.009)	(0.010)	(0.010)	(0.010)	(0.011)	(0.012)	(0.012)	(0.014)	(0.014)

Notes: Author's calculations from the micro data of the March Annual Demographic Files of the Current Population Survey. The columns correspond to the current and two previous recoveries: 1982 to 1985, 1991 to 1994, and 2001 to 2004. All respondents are men and women that are at least 16 years of age.

Table 8: Change in Private Sector Health Insurance by Recovery

Men	All		No more than a HS Degree		Family Income in 1st quartile	
Age Group	**1991-94**	**2001-04**	**1991-94**	**2001-04**	**1991-94**	**2001-04**
50-54	0.010	-0.022	0.020	-0.021	0.033	-0.036
	(0.010)	(0.008)	(0.015)	(0.014)	(0.029)	(0.022)
55-59	0.010	-0.014	0.012	-0.023	0.076	0.015
	(0.011)	(0.009)	(0.016)	(0.015)	(0.029)	(0.023)
60-64	-0.016	-0.007	-0.029	-0.020	-0.006	0.002
	(0.012)	(0.011)	(0.016)	(0.017)	(0.026)	(0.024)
Women						
Age Group	**1991-94**	**2001-04**	**1991-94**	**2001-04**	**1991-94**	**2001-04**
50-54	0.042	-0.017	0.032	-0.031	0.021	-0.038
	(0.010)	(0.008)	(0.014)	(0.013)	(0.028)	(0.022)
55-59	0.023	-0.008	0.018	-0.023	0.041	-0.008
	(0.011)	(0.009)	(0.015)	(0.014)	(0.026)	(0.022)
60-64	0.014	0.018	0.011	0.018	0.014	0.047
	(0.012)	(0.011)	(0.015)	(0.015)	(0.024)	(0.022)

Notes: Author's calculations from the micro data of the March Annual Demographic Files of the Current Population Survey. The columns correspond to the current and previous recoveries: 1991 to 1994, and 2001 to 2004. All respondents are men and women that are at least 16 years of age.

Table 9: Change in Have Pension by Recovery and Expansion

Men	All		No more than HS Degree		Family income in Lowest Quartile	
Age Group	**1991-94**	**2001-04**	**1991-94**	**2001-04**	**1991-94**	**2001-04**
50-54	0.011	-0.034	0.015	-0.029	0.012	-0.042
	(0.012)	(0.009)	(0.017)	(0.016)	(0.028)	(0.022)
55-59	-0.022	-0.017	-0.014	-0.037	0.019	-0.019
	(0.014)	(0.011)	(0.019)	(0.018)	(0.031)	(0.026)
60-64	-0.010	0.038	-0.022	0.012	-0.049	-0.019
	(0.016)	(0.015)	(0.022)	(0.022)	(0.032)	(0.032)
Women						
Age Group	**1991-94**	**2001-04**	**1991-94**	**2001-04**	**1991-94**	**2001-04**
50-54	0.037	0.006	0.048	0.013	0.064	0.025
	(0.013)	(0.010)	(0.018)	(0.016)	(0.030)	(0.025)
55-59	0.024	0.019	0.023	0.010	0.028	0.044
	(0.015)	(0.012)	(0.020)	(0.019)	(0.031)	(0.028)
60-64	0.026	0.013	0.015	0.034	-0.012	0.027
	(0.019)	(0.016)	(0.023)	(0.022)	(0.033)	(0.033)

Notes: Author's calculations from the micro data of the March Annual Demographic Files of the Current Population Survey. The columns correspond to the current and previous recoveries: 1991 to 1994, and 2001 to 2004. All respondents are men and women that are at least 16 years of age.

Data Appendix

This study uses several data sets. The first are the published monthly employment figures from the establishment-level Current Employment Statistics (CES). The monthly time series used in the analysis spans from February 1961 to September 2005, covering five boom, bust, and recovery episodes.[10] We use the NBER Dating Committee's designations to identify the episodes. The micro data from the annual Merged Outgoing Rotation Group Files of the Current Population Survey (1979 to 2004). We use the data files produced by Unicon Research Corporation. However, this gain in heterogeneity comes with costs. Due to the file's start in 1979, we can only document the recovery of the 1974 to 1984 episode. Further, the annual nature of the data means that we can only approximate the recovery and boom episodes, which are 1982 to 1985, 1982 to 1989; 1991 to 1994, 1991 to 2000; and 2001 to 2004.

The samples are comprised of all black, white, and Hispanic men and women that are 16 to 64 years of age. Three subsamples of older individuals are created: 50 to 54 years old, 55 to 60 years old and 60 to 64 years old. The less-educated sample consists of men and women who have completed no more than a high school degree. The low-income subsample is comprised of 50 plus men and women, whose family income is in the lowest quartile of the family income distribution.

The employment-population ratio is the ratio of the number of employed to the sum of the number looking for work, the number working, the number with a job but not working, and all those who are out of the labor force. The ratio is constructed from the MLR (Monthly Labor Force Recode) variable in the Unicon Research Corporation CPS Utilities files.[11] In these files, the variable has been made consistent across time to reflect changes in the question. We use the MLR variable to construct the employment-population ratio. This is the share of the civilian population that is employed. In a period of weak job growth, it has the benefit of both capturing the longer time it takes to find a job (unemployment) and decisions to leave the labor force (labor force participation).

A third data source is the annual demographic files from the March Current Population Survey (1963 to 2005), also available from Unicon Research Corporation. We use these data to describe patterns in full-year work, private health insurance coverage, and pension coverage. For example, the 2005 file contains information on weeks worked for calendar year 2004. To describe annual labor force attachment, we construct the percent of respondents that worked a full-year (at least 39 weeks).

The files start in 1963 and with the combination of available information to construct detailed Hispanic measures, we are able to roughly describe two boom and three recovery episodes: 1982 to 1989, 1982 to 1985; 1991 to 2000, 1991 to 1994, 2001 to 2004. We choose the recovery lengths to match the current length of the recovery and availability of data.

ENDNOTES

[1] The National Bureau of Economic Research designated November 2001 as the start of the recovery.

[2] See Freeman and Rodgers (2005a, 2005b).

[3] Excluding the months after Hurricanes Katrina and Rita raises the average monthly growth to 176,000 for the period from August 2003 to August 2005.

[4] For most of 2005, the national unemployment ranged from 4.9 to 5.1 percent. During this period, the employment-population ratio was 62.7 percent. During the 1990s recovery, the unemployment rate fell to 4.9 and 5.1 percent in 1997. At that time, over 8.0 million jobs had been created. As a result, the employment-population ratio was 63.8 percent.

[5] See, for example, Van Horn, Rodgers, Ridley, and Harrington (2004), Rodriguez and Zavodny (2003), Gardner (1995), Peracchi and Welch (1994).

[6] These increases translate into 2.6 percent growth for the current recovery, 7.6 percent for the 1990s recovery, 13.0 percent for the 1980s recovery, and 17 percent for the mid-1970s recovery. Author's tabulations of the BLS' CES employer survey.

[7] The number of manufacturing jobs fell from 15,827,000 in November 2001 to 14,283,000 in November 2005, yielding a 1,544,000 decline.

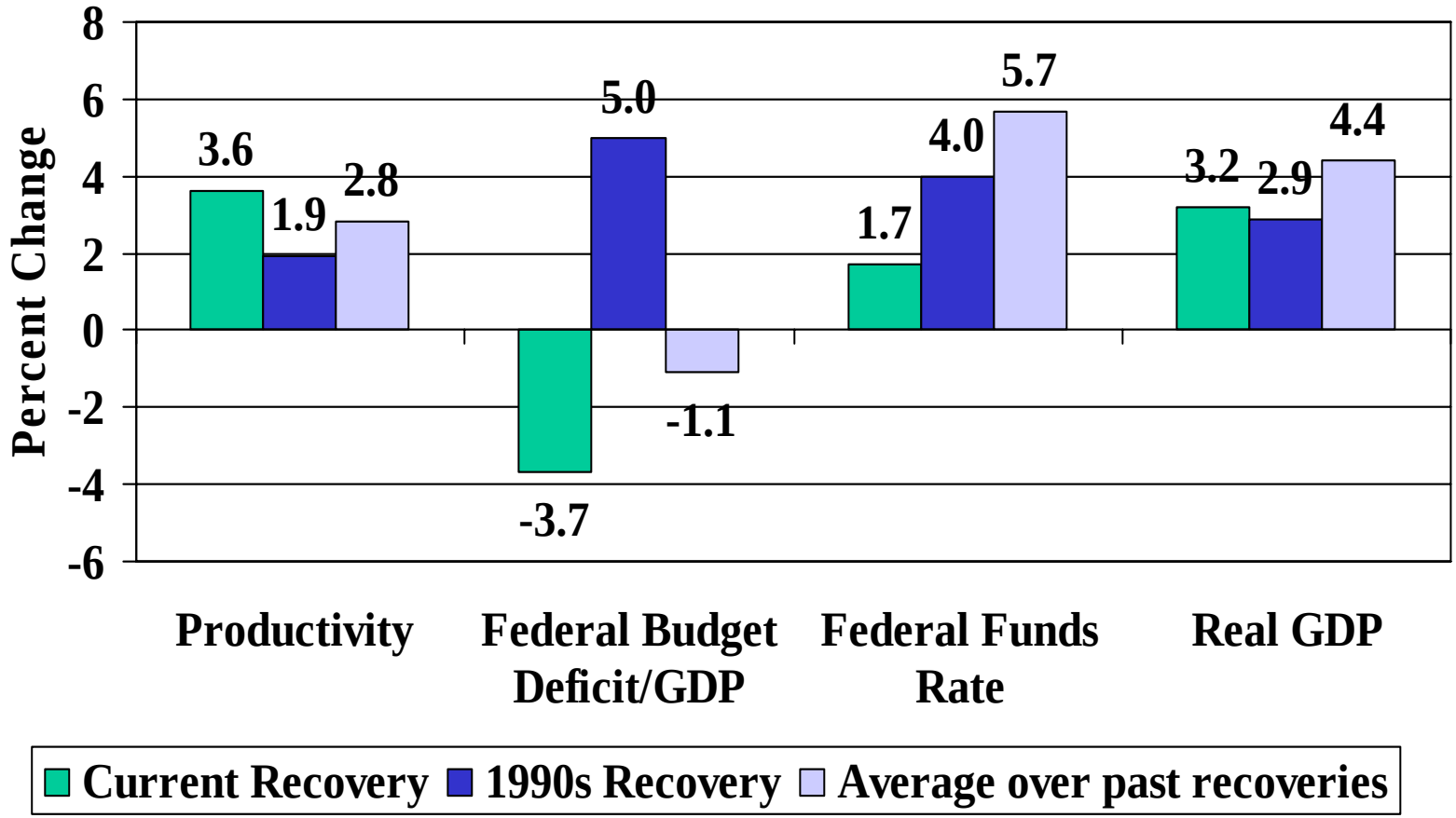
[8]The slow jobs recovery shows some variation across states. Looking at the past three recoveries - 2001 to 2005, 1991 to 1995, and 1982 to 1986 – average state employment growth was 10 percent in the two previous recoveries, while during the current recovery employment growth stagnated, growing at 0.3 percent.

[9]See, for example, Cherry and Rodgers (2000) for studies that document the benefits of the low unemployment rates of the 1990s on minorities and youth. Earlier studies such as Clark and Summers (1981) found this to be the case in their time series study of the relationship of youth joblessness and employment to adult unemployment. Freeman (1991) finds similar results using cross-area variation in youth employment and earnings in the 1980s. For a survey on estimates for the 1960s and 1970s, see DeFreitas (1986). For more recent work see DeFreitas (1991), Freeman and Holzer (1986), Myers (1989), Stratton (1993), and Farber (1997). Studies that use various waves of the displaced-worker survey also examine this issue. See, for example, Kletzer (1991) and Hipple (1997).

[10] The period of expansion, recession, and recovery that is the length of current recovery are as follows: 3/1991 to 3/2001, 3/01 to 11/01, and 11/01 to 11/2004; 11/82 to 7/90, 7/90 to 3/91, and 3/91 to 3/1994; 3/75 to 1/80, 1/80 to 7/80, and 7/80 to 7/1984; 11/70 to 11/73, 11/73 to 3/75, and 3/75 to 3/1978; and 2/61 to 12/69, 12/69 to 11/70. The 36th month after 11/70 is in the midst of the 11/73 to 3/75 recession.

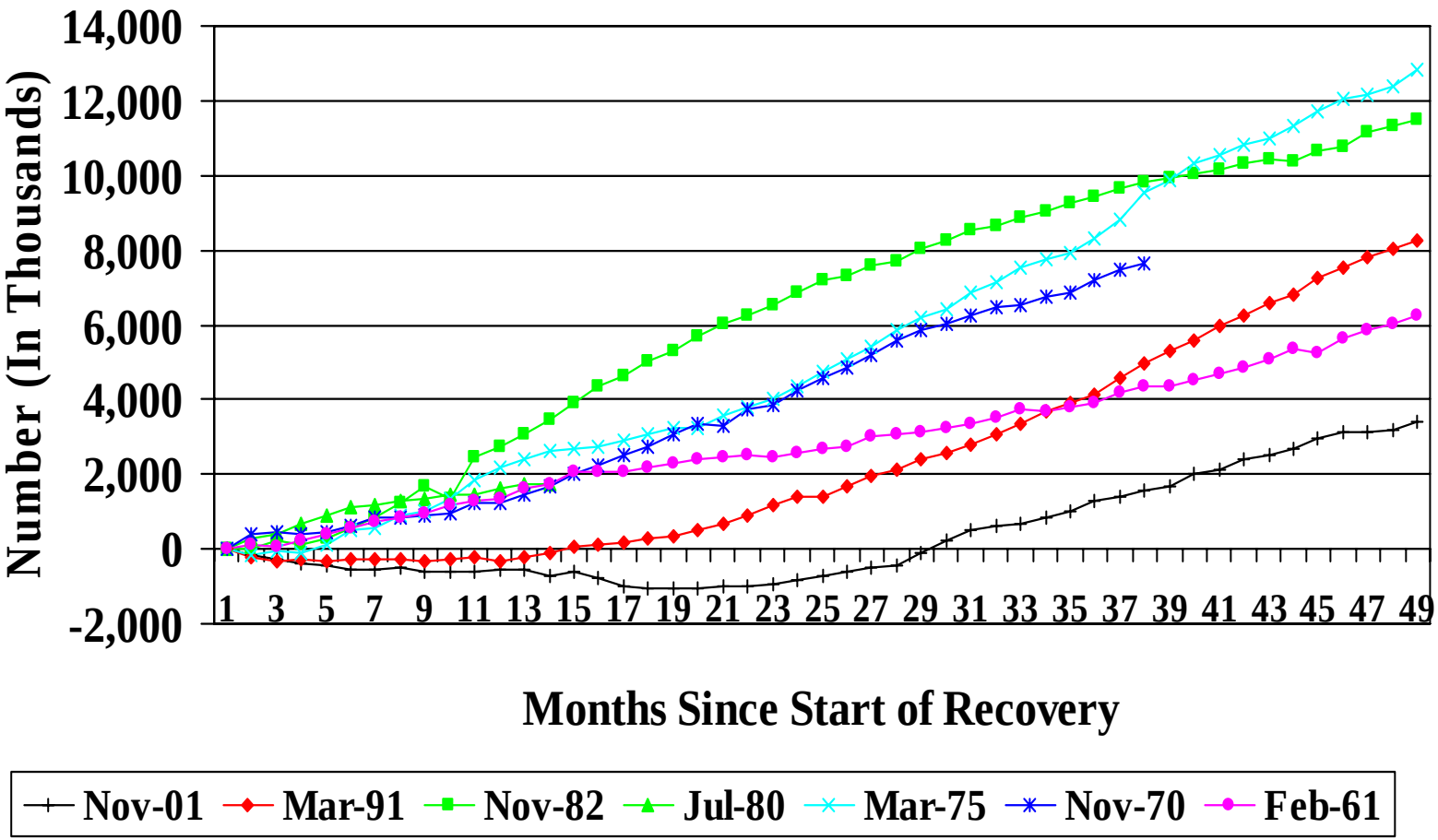
[11] The original location, length, and name are as follows: 1994 to 2003 (180, 2, PEMLR), 1989 to 1993 (348, 1, A-LFSR) and 1979 to 1988 (109, 1, ESR).

Figure 1: What is the US Labor Market Puzzle?



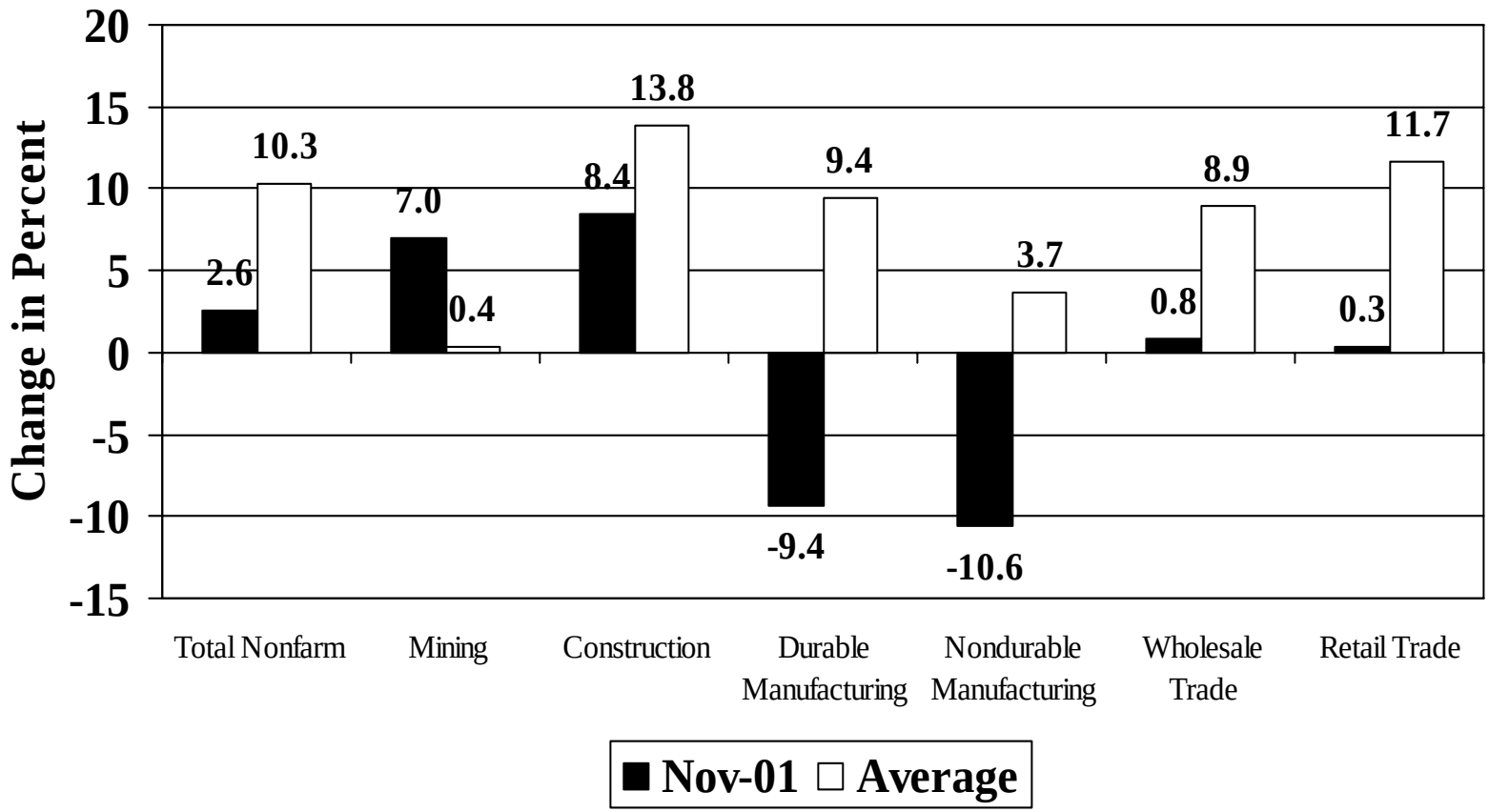
Source: U.S. Bureau of Labor Statistics, BEA, and Federal Reserve.

Figure 2:
Cumulative Employment Growth During The Six Most Recent Recoveries



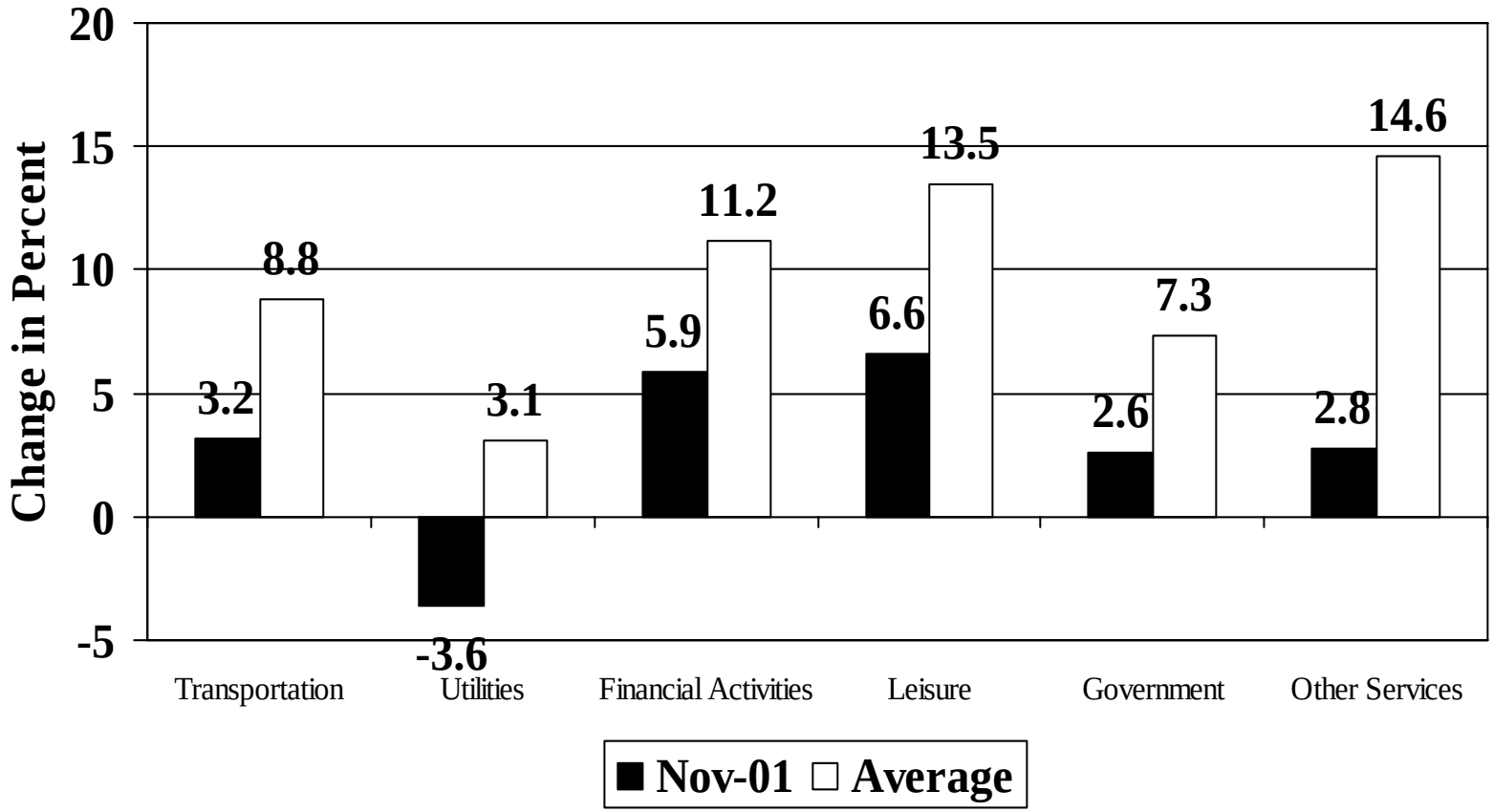
Source: Nonfarm Payroll Establishment data. U.S. Department of Labor, Bureau of Labor Statistics (www.bls.gov). Each series is benchmarked to the start of its recovery as defined by the NBER Business Cycle Dating Committee. Figures are through the September 2005, the 47th[t] month of the current recovery..

Figure 3:
Cumulative Employment Change by Industry (in percent)



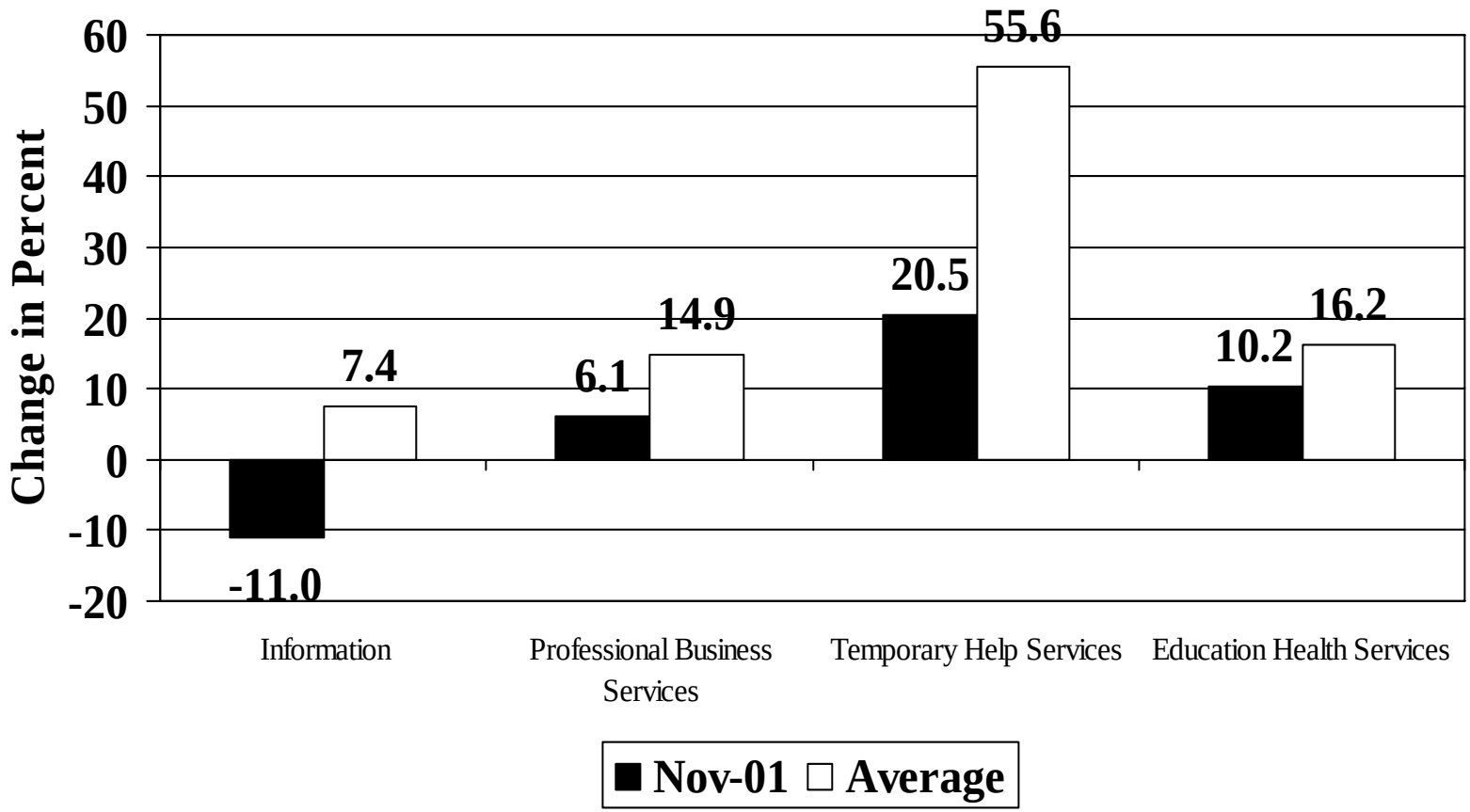
Source: Nonfarm Payroll Establishment data. U.S. Department of Labor, Bureau of Labor Statistics (www.bls.gov). Each series is benchmarked to the start of its recovery as defined by the NBER Business Cycle Dating Committee. Figures are through the November 2005, the 49th[t] month of the current recovery..

Figure 3 cont.:
Cumulative Employment Change by Industry (in percent)



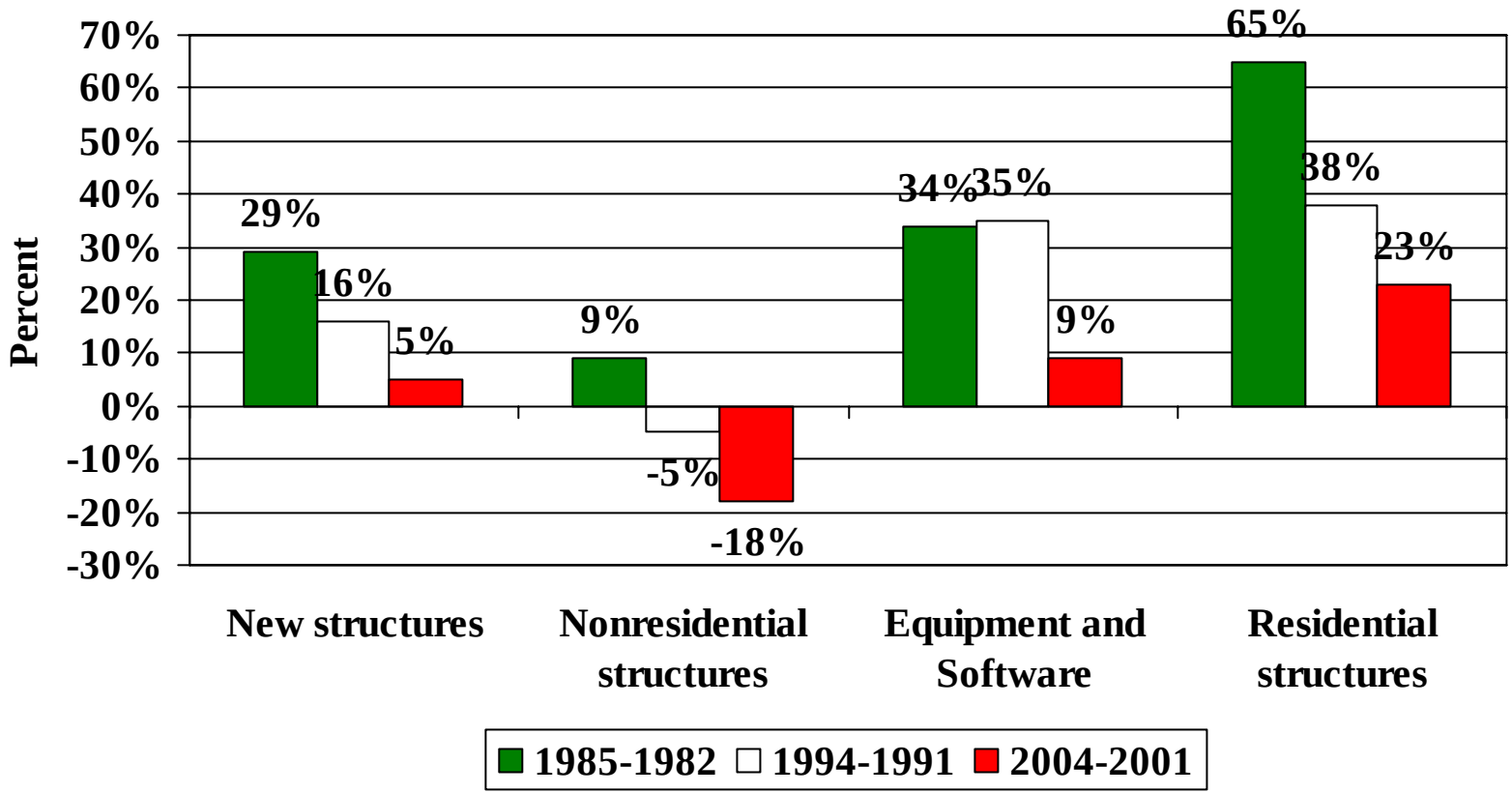
Source: NJ Nonfarm Payroll Establishment data. U.S. Department of Labor, Bureau of Labor Statistics (www.bls.gov). Each series is benchmarked to the start of its recovery as defined by the NBER Business Cycle Dating Committee. Figures are through the November 2005, the 49th[t] month of the current recovery..

Figure 3 cont.:
Cumulative Employment Change by Industry (in percent)



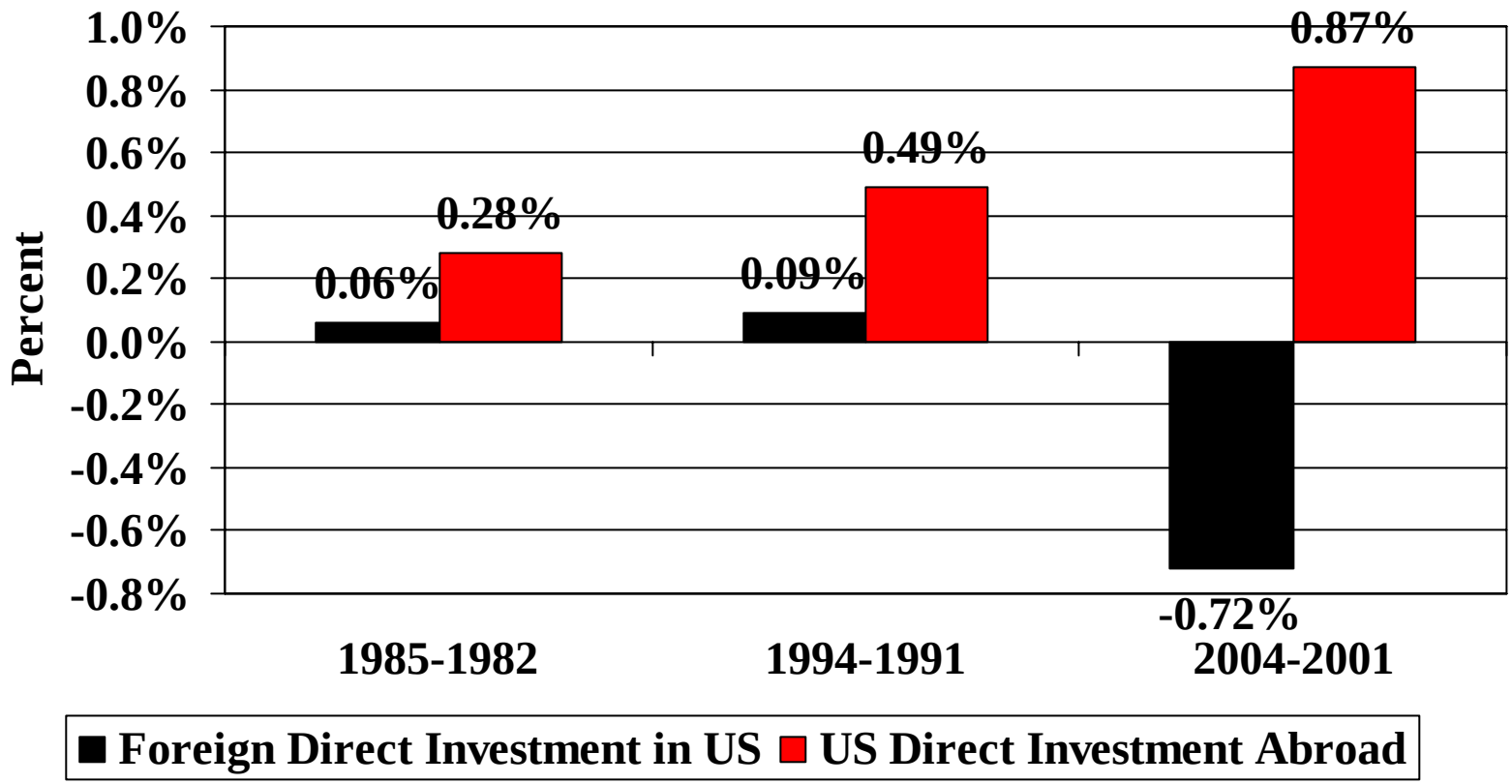
Source: NJ Nonfarm Payroll Establishment data. U.S. Department of Labor, Bureau of Labor Statistics (www.bls.gov). Each series is benchmarked to the start of its recovery as defined by the NBER Business Cycle Dating Committee. Figures are through the November 2005, the 49th[t] month of the current recovery..

Figure 4: Real Private Fixed Investment by Recovery



Source: Bureau of Economic Analysis.

Figure 5: Change in US Foreign Direct Investment as a share of GDP



Notes: Bureau of Economic Analysis.