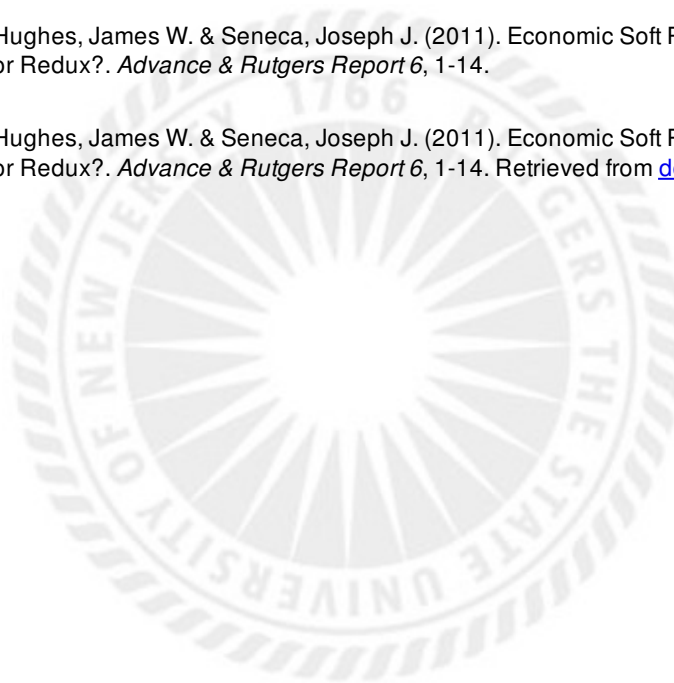


Economic Soft Patch 2: A Second-Half Rebound or Redux?

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ADVANCE & RUTGERS REPORT

Issue Paper Number 6 • August 2011

An Analysis of Economic,
Business & Demographic Trends

Economic Soft Patch 2: A Second-Half Rebound or Redux?

— July 29, 2011 Data Revisions —



James W. Hughes



Joseph J. Seneca

by **James W. Hughes** and **Joseph J. Seneca**

As the current issue of the *Advance & Rutgers Report* was on press, the Bureau of Economic Analysis of the U.S. Department of Commerce released revised Gross Domestic Product (GDP) estimates on July 29, 2011 that showed the December 2007–June 2009 recession to be far deeper than originally determined. The 4.1 percent recessionary decline in real GDP was revised to a much larger 5.1 percent decrease; therefore, the analysis of economic output starting on page 8 of this report is slightly altered.

Before the revisions, GDP had fully recovered all of its recessionary losses by the fourth quarter of 2010, 36 months after the recession began. However,

the revised estimates show that GDP had not yet fully recovered its recessionary losses by the second quarter of 2011, 42 months after the recession began. This affects figures 3 and 4 on pages 9 and 10 of the report.

But the conclusions in the report remain valid: The U.S. economy today is close (real GDP in the second quarter of 2011 is 0.42 percent below the fourth quarter of 2007) to producing the same pre-recessionary economic output with about 7 million fewer private-sector workers, and the time elapsed for full recovery of economic output (42 months and counting) is far more severe than the recovery time (21 months) from the July 1981–November 1982 recession, the previous post-World War II record holder. ■

James W. Hughes and
Joseph J. Seneca, Editors



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Economic Soft Patch 2: A Second-Half Rebound or Redux?

by **James W. Hughes** and **Joseph J. Seneca**



James W. Hughes



Joseph J. Seneca

The relentless odometer of history has now pushed us into the second half of the second year of the second decade of the twenty-first century. It has also pushed us, thankfully, further from the depths of the Great Recession. July 2011 marked the 25th month—the beginning of the third year—of economic recovery following the official end of the downturn in June 2009. Since the average length of the 11 post-World War II economic expansions in the United States has been 59 months, the current growth phase of the cycle will reach the halfway mark by the end of 2011!

The maturing of the business cycle in the summer of 2011 coincided with the emergence of a global soft patch that has tempered many economic indicators and was a sobering experience in contrast to earlier-in-the-year optimism.¹ Thus, economic uncertainty has again reared its ugly head, paralleling events of 2010, when growing optimism early in the year was also ultimately muted by disappointing statistics as a soft patch emerged in the spring.² But, the economy righted itself by the end of the year. As was the case in 2010, (continued on page 2)



Peter J. Cocozziello

A Message from Advance Realty

by **Peter J. Cocozziello**

The latest *Advance & Rutgers Report* examines the state of the current U.S. employment market. The report's authors, Dean James Hughes and Professor Joseph Seneca, reveal some very welcome economic indicators, maybe most surprisingly that June 2011 marked the 16th straight month of private-sector payroll employment increases in the nation, as well as the third consecutive year of a strengthening employment trajectory. Recognizing that now, more than ever, corporations

are searching for more information to assist them in making important business decisions, Advance Realty commends the Rutgers faculty and staff for creating this valuable report.

As an owner and developer of real estate in New Jersey for more than 30 years, Advance Realty has experienced a number of economic cycles, and we know that successful companies need to be well prepared to address issues of worry and uncertainty that characterize periods of recovery. Currently, Advance has multiple mixed-use, transit-oriented projects under way in the Garden State, and we are confident these significant, multifaceted developments will create jobs and vastly improve the communities where they are located.

Beyond our development initiatives, Advance is managing this economic cycle by providing corporate solutions for our clients. Through our Advance Real Estate Solutions (continued on page 11)

James W. Hughes and
Joseph J. Seneca, Editors



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Economic Soft Patch 2, continued

it is possible that the 2011 slowdown may well be short-lived, again the result of unique temporal shocks creating “bumps” in the recovery road.³

Despite the soft patch, there have been longer-term improvements in the employment and labor market conditions of the United States. As a result, it is still likely that when all the data are in, 2011 will surpass the economic achievements of 2010. The question is: By how much?

Executive Summary

June 2011 marked the 16th straight month of private-sector payroll employment increases in the United States. And, despite temporary disappointments, it marked the third consecutive year of a strengthening employment trajectory.

- In 2009, despite the recession technically ending in June, the United States lost nearly 5 million private-sector jobs, the worst annual employment loss since payroll statistics were first compiled in 1939. In each month of 2009, on average, the nation lost 415,583 jobs.

1. Weak first-quarter 2011 GDP growth of 1.9 percent was confirmed with June’s final estimate of first-quarter activity. Forecasters, including the Federal Reserve, have been revising downward their GDP estimates for the second quarter and for all of 2011. Faltering payroll employment growth starting in May, rising unemployment insurance claims (after dropping to a near three-year low in February), less-than-vibrant measures of housing production, still falling housing prices, and less-than-robust readings on consumer confidence, factory output, and retail performance have raised questions about the strength of the economy’s basic underpinnings.

2. Last year’s soft patch and economic slowdown were linked to unique factors such as the European sovereign debt crisis and the Gulf oil spill. Fears arose that the Great Recession and the nascent recovery would be followed by the “Great Stall.” Fortunately, these shocks proved to be temporary, and growth picked up during the balance of the year, but only to modest levels. Thus, the 2010 slowdown turned out to be the “Great Swoon” rather than the “Great Stall.” The final private-sector employment gain for 2010 was just under 1.2 million jobs, a modest increase constrained by the twin shocks earlier in the year. Nonetheless, 2010 was a major rebound from 2009, which had a record loss of 5 million private-sector jobs.

- This job hemorrhage was finally stanching in 2010. When 2010 ended, private-sector employment had increased by 1,173,000 jobs, or 97,750 jobs per month.⁴ Then, in the first six months of 2011, a further gain of 945,000 jobs was achieved, or 157,500 per month. If this pace were maintained for the rest of the year, the increase for all of 2011 would be nearly 1.9 million jobs, or more than 61 percent higher than in 2010.
- Thus, the 2010-2011 employment upswing, while not yet achieving full-scale momentum, has gained significant traction, and is certainly moving in the right direction: -415,583 jobs per month in 2009 to +97,750 jobs per month in 2010 to +157,500 jobs per month in 2011 (through June).
- The only caveat, and it is an important one, to growing job momentum is the recent uncertainty about the economy’s ability to traverse a soft patch similar to that which emerged in the spring of 2010. The soft patch of 2011 was defined most clearly by a sharp decline in private-sector employment growth in May and June. Thus, in both years, early optimism was challenged by the emergence of a variety of “economic shocks.” In 2010, these challenges were ultimately surmounted. However, the list of 2011’s challenges is longer and contains several that are more tenacious, even though the recovery is a year further along. While the economy’s performance for the balance of 2011 has not yet been fully determined, the risks on the downside are significant.

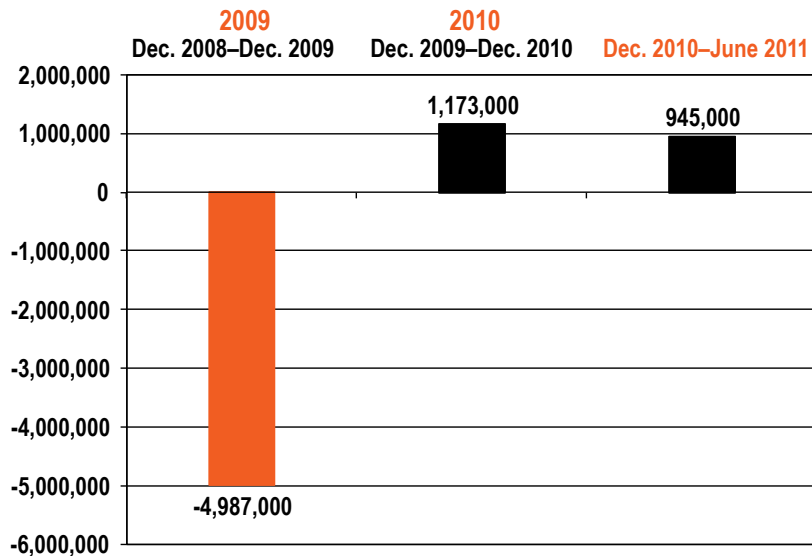
3. Higher oil prices, harsh weather-related events, and the March 2011 natural disaster in Japan (resulting in supply-chain disruptions) have all contributed to the current soft patch. Moreover, there was the additional potential problem created by the unresolved European debt crisis, another repeat of spring 2010. If this array of 2011’s shocks begins to fade—following the pattern of 2010’s shocks—then “Great Swoon 2” may characterize mid-2011, with the economy picking up in the second half of the year. The nagging concern is that structural issues may be constraining growth in addition to these special, one-time factors.

4. While this is a modest increase compared with long-term averages, 2010 surpassed the private-sector employment gains of 2007 (1,173,000 jobs versus 803,000 jobs), the last year of the 2001-2007 economic expansion.

- The components of monthly employment change—hires, quits, layoffs and discharges, as well as the number of job openings—that are provided by the Job Openings and Labor Turnover Survey (JOLTS) of the U.S. Bureau of Labor Statistics, reveal that the activity or “churn” in the labor market each month is far more substantial than that suggested by monthly net employment change.
- For example, the average monthly *net* increase in private-sector employment in 2007—the last year of the previous expansion—was 70,000 jobs. But, this net monthly change was the result of nearly 10 million labor market “movements” or “transactions” comprising 4,897,000 monthly hires and 4,827,000 monthly job separations. Thus, an enormous level of activity underpins the jobs figures reported each month.
- JOLTS data also provide evidence of a strengthening employment trajectory. After tumbling from more than 5 million monthly new hires in 2005 and 2006 to less than 3.5 million in 2009, monthly new hires by America’s employers have finally stabilized, topping 3.6 million in 2010 and exceeding 3.7 million through May of 2011. At the same time, the number of monthly separations—mostly quits, and layoffs and discharges—has fallen to record-low levels (just under 3.4 million per month).
- Thus, both components of change (more hiring, fewer separations) are moving in a positive direction. But, when the components are examined, net employment growth has been due much more to declining layoffs rather than a resurgence of hiring.
- The failure of hiring to increase faster may not be simply due to employers averse to adding new personnel. Instead, it may also reflect, in part, employer difficulties in finding appropriate personnel. In fact, the number of job openings grew substantially between 2009 and the first five months of 2011, increasing by more than one-third (33.6 percent), a pace far in excess of the increase in the number of hires (7.0 percent).
- Thus, job openings have increased nearly five times faster than hires! This suggests that employers are finding it difficult to fill open positions. This may well reflect a significant structural mismatch between job-skill requirements and labor force capabilities.
- Despite positive trajectories of employment growth and its underlying dynamics, America faces a long road back to pre-recession labor market conditions. By the fourth quarter of 2010, America’s Gross Domestic Product (GDP)—the total output of the United States economy—had recovered *all* of the losses suffered during the Great Recession.
- But, at the very same time—the end of the fourth quarter December 2010—total private-sector employment in the United States remained 7.6 million jobs, or 6.6 percent, *below* its pre-recession peak. Consequently, as 2010 came to a close, the nation was producing the same economic output with 6.6 percent fewer private-sector jobs—i.e., with 7.6 million fewer private-sector jobs.
- The full GDP recovery from the Great Recession took 36 months, a length unique in post-World War II economic recovery annals. Previously, the 1981–1982 downturn had the status of being the worst recession since the Great Depression. But its full GDP recovery took only 21 months. The time it took for full GDP recovery of the losses suffered during the Great Recession was over 71 percent longer: 36 months versus 21 months. Thus, the Great Recession really does warrant the label “great.”

Prolonged and subdued recoveries follow deep financial crises. The current situation is no different. The United States is still feeling the effects of the worst financial crisis since the Great Depression. The nation lost an unprecedented 8.8 million private-sector jobs during the Great Recession. Through June 2011, 2.2 million jobs (rounded) have been recovered, or about 24 percent—leaving a deficit of 6.7 million jobs. There is still a very long road to traverse before achieving full job recovery, but the employment recovery process is under way.

FIGURE 1
U.S. Private-Sector Employment Change—2009, 2010, 2011



Source: U.S. Bureau of Labor Statistics.

Strengthening Employment Trajectory

Payroll employment is a useful monthly gauge of the economic direction of the United States, and the three-year trend is certainly positive. While the second half of 2009 (measured June 2009–December 2009) marked the first six months of the recovery phase of the business cycle, the year as a whole experienced the greatest annual employment loss since payroll employment statistics were first compiled in 1939. Private-sector employment declined by nearly 5 million (-4,987,000) jobs (figure 1). In 2010, this job hemorrhage was supplanted by modest growth—an increase of almost 1.2 million (+1,173,000) jobs. Then, during the first six months of 2011, the nation added nearly 950,000 (+945,000) private-sector jobs, which translates into an annual equivalent of nearly 1.9 million (+1,890,000 jobs) if the same pace of growth were maintained for the balance of the year. So, the three-year employment trend—from -5 million to +1.2 million to +1.9

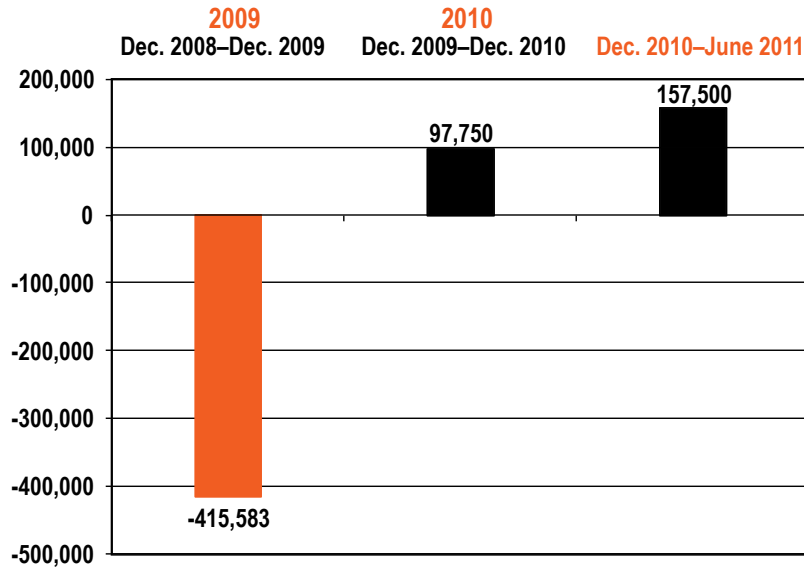
million (extrapolated)—indicates a strengthening job recovery. Even if the job gains for the balance of 2011 fail to match those of the first six months, the annual increase certainly will surpass that of 2010. Translating the data into monthly averages (figure 2) reinforces the picture of post-recession improvement. In 2009, the nation's economy was experiencing an average net loss of 415,583 private-sector jobs per month. Employment gains then supplanted losses in 2010 (+97,750 jobs per month), followed by a 61.1 percent increase (+157,500 jobs per month) during the first six months of 2011.

A Nagging Caveat

No good economic news seemingly goes unchallenged for long in 2011 America! After particularly strong growth in private-sector payroll employment in March (+219,000 jobs) and April (+241,000 jobs), there was a disappointing slowdown in May (+73,000 jobs) and June (+57,000 jobs) (see figure A-1 in the appendix on page 11). This suggested that the national economy had begun to lose steam for a second time

FIGURE 2

U.S. Private-Sector Employment, Average Monthly Change—2009, 2010, 2011



Source: U.S. Bureau of Labor Statistics.

in the recovery. When taken in the context of other faltering economic indicators in both the United States and globally, fears of an economic stall have reemerged. This is highly reminiscent of the pattern of a year ago, when optimism early in 2010 was then tempered by disappointments stemming from such factors as the European sovereign debt crisis and the BP oil spill in the Gulf of Mexico. Fears arose that the Great Recession and the nascent recovery would be followed by a “Great Stall.” Fortunately, those shocks proved to be temporary, and growth picked up during the balance of the year, although only to modest levels.

Is history repeating itself? Uncertainty and distinct softness in the recent economic data have recurred due to the echo effects of higher oil prices, harsh weather-related events in the United States, the natural disaster in Japan and resulting supply-chain disruptions, and Greece’s ongoing debt crisis, which is playing out in the context of broader fiscal and financial worries about the Euro area. Another potential negative factor is whether brinkmanship on the debate to extend the U.S. debt ceiling will damage national and international financial markets.

If this array of 2011’s shocks begins to fade—following the pattern of 2010’s shocks—then economic growth will again pick up in the second half of the year. Nonetheless, the emergence of this second wave of problems has inhibited the placement of uncertainty on the back economic burner despite the fact that the U.S. economic recovery is well along.

Moreover, though some of these shocks and problems are likely to be short-lived, others are more tenacious and create deeper concerns, suggesting that even if the recovery continues, it is likely to remain mediocre. This is especially applicable with respect to the prospects of reducing the distressingly elevated unemployment rate that continues. Here is a list of these concerns. First, the U.S. housing market, a significant part of the national economy, continues to founder with falling prices, high inventory, more foreclosures, and a lack of effective policies to fix a distressed housing finance system. Second, despite a likely resolution to the immediate debt ceiling issue, the outlook for a credible and comprehensive agreement for long-term federal deficit reduction

remains problematic. At the same time, the likelihood of another short-term fiscal stimulus is limited by political jockeying in advance of the ever-intensifying focus on the presidential election. This is despite the need for additional support to boost an economy that has slowed from what was, at best, tepid growth in both output and employment. While monetary policy stands ready to counter any further faltering in the economy, its options are now much more limited. Another more lasting headwind is the continuing deleveraging by American consumers faced with higher core inflation, weak job prospects, falling home prices, and still-high debt levels. This suggests that consumer spending will not soon resume its conventional role of being the leading economic engine. Finally, what was seen as a temporary shock last spring—the sovereign debt crisis in Greece—has become a major recurring financial worry that replays itself quarterly as part of the approval process for continuing EU assistance. Of even greater concern is another recurring prospect of contagion to other EU countries that would significantly, and possibly deeply, destabilize credit markets on a large scale.

This list of problems suggests that the economy, at best, will remain in low gear and that the large job chasm created by the recession will remain stubbornly hard to correct.⁵

Underlying Employment Dynamics

Monthly payroll employment releases by the Bureau of Labor Statistics (BLS) provide the *net monthly increase or decrease* in employment in the United States. This number, which receives wide media attention, is simply the difference between the current and previous monthly survey totals. However, the Bureau of Labor Statistics also produces another survey—Job Openings and Labor Turnover Survey (JOLTS)—which provides estimates of the components of this change: hires, quits, layoffs and

5. As of June 2011, private-sector employment remains 6.7 million jobs below its pre-recession peak.

discharges, as well as the number of job openings. The JOLTS data reveal the full and enormous scale and complexity of labor market changes that take place each month in the United States. For example, the average monthly net increase in private-sector employment in 2007—the last year of the 2001–2007 economic expansion—was 70,000 jobs (table 1).⁶ This figure, by itself, represents a very modest monthly change in an economy with approximately 138 million jobs in 2007, and suggests “not much is happening.” However, that is only the tip of the iceberg! The net monthly change was the result of nearly 10 million individual labor market “movements” or “transactions”! Each month, on average, there were 4,897,000 hires and 4,827,000 separations, which, together, yielded the net gain of 70,000 jobs. Consequently, the activity or “churn” in the labor market each month is far more substantial than that suggested by monthly net change statistics. Even during the depths of the Great Recession in 2009, there were nearly 3.5 million hires taking place each month. Unfortunately, the average number of monthly separations, just over 3.9 million per month, was far greater.

There are three types of separations—quits, layoffs and discharges, and “other.”⁷ The 4,827,000 average monthly separations in 2007—a “normal” year of economic expansion—were dominated by quits (2,760,000, or 56.8 percent of total) rather than layoffs and discharges (1,767,000) or other separations (299,000). Only in 2009, the worst year

6. The net column in table 1 is the monthly private-sector employment change derived from JOLTS. It is the difference between hires and separations. The monthly averages from the JOLTS data are not seasonally adjusted, while the monthly payroll employment figures cited in this report (CES [Current Employment Statistics] data, also produced by the Bureau of Labor Statistics), *are* seasonally adjusted. The net column in table 1 corresponds quite closely to the CES average monthly employment change cited for full years but deviates from the CES data for 2011. This is due in part to the fact that the seasonally and not seasonally adjusted averages correspond only on a full-year basis (where seasonal fluctuations in the not seasonally adjusted data have been smoothed out). For 2011, the CES data used in this report are only through June, while the JOLTS data are only through May.

7. Quits are individuals voluntarily leaving a job. Layoffs and discharges are involuntary separations. “Other” consists of retirements, transfers to other locations, deaths, or shifts to employee disability.

TABLE 1
U.S. Hires and Separations, Private Sector
Average Monthly Levels

(Data not seasonally adjusted; in thousands)

Year	Hires	Separations	Net	Separations ¹			Job Openings
				Quits	Layoffs and Discharges	Other Separations	
2001	4,948	5,142	-194	2,863	1,934	345	3,922
2002	4,639	4,708	-69	2,539	1,844	325	3,102
2003	4,507	4,502	5	2,299	1,889	314	2,942
2004	4,795	4,638	157	2,501	1,834	303	3,296
2005	5,037	4,853	184	2,760	1,790	304	3,740
2006	5,035	4,875	160	2,856	1,675	344	4,069
2007	4,897	4,827	70	2,760	1,767	299	4,103
2008	4,191	4,504	-313	2,353	1,881	270	3,199
2009	3,497	3,920	-422	1,610	2,059	250	2,036
2010	3,608	3,510	98	1,663	1,596	252	2,399
2011²	3,743	3,399	344	1,685	1,441	274	2,721

Notes: 1. Separations consists of three categories: Quits, Layoffs and Discharges, and Other Separations. Other Separations includes retirements, transfers to other locations, deaths, or separations due to employee disability.

2. 2011 data are through May.

Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS).

of the Great Recession, did layoffs and discharges surpass quits. This was highly unusual. Even in 2001, a recessionary year, quits far exceeded layoffs and discharges. Thus, as can be seen in table 1, the largest single category of separations, except for 2009, has typically been voluntary (quits). But, starting in 2009 and continuing into 2011, quits have accounted for less than 50 percent of all separations, as quits have plateaued at just over 1.6 million per month, far below pre-recession levels. This probably indicates that workers have a continuing lack of confidence about the likelihood of finding, or of having the skills to qualify for, another job. The full impact of the Great Recession is also evident in table 1. In 2009, monthly hires had plummeted to 3,497,000, a decline of more than 1.5 million from the over 5 million monthly hires

of 2006. However, the number of monthly separations also declined, from 4,875,000 in 2006 to 3,920,000 in 2009 (-955,000). All of this decline was due to the sharp reduction (-1,246,000, or 43.6 percent) in the number of quits, from a monthly average of 2,856,000 in 2006 to 1,610,000 in 2009. Concurrently, the number of layoffs and discharges increased, from 1,675,000 in 2006 to 2,059,000 in 2009. This increase (+384,000, or 18.6 percent) was relatively modest compared with the impact of hiring reductions on the monthly net change. Thus, a significant share of the average monthly employment decline (negative net change in total employment) caused by the Great Recession was the result of dramatic reductions in hiring rather than in downsizing (layoffs and discharges).

The JOLTS data also reveal substantial post-recession improvements. Monthly layoffs and discharges are now actually below their pre-recession levels. They have declined from a peak of 2,059,000 in 2009 to 1,441,000 in 2011. The average monthly layoffs and discharges for the economic expansion years 2005 through 2007 were well above 1.7 million. In fact, 2010 and 2011 have the fewest layoffs and discharges since the data were first compiled in 2001. Overall separations (quits plus layoffs and discharges) also are at record-low levels. However, a less-than-encouraging trend is the sustained post-recession low levels of quits now in the 1.6 million range, substantially down from the 2.7 to 2.8 million range of 2005 to 2007.

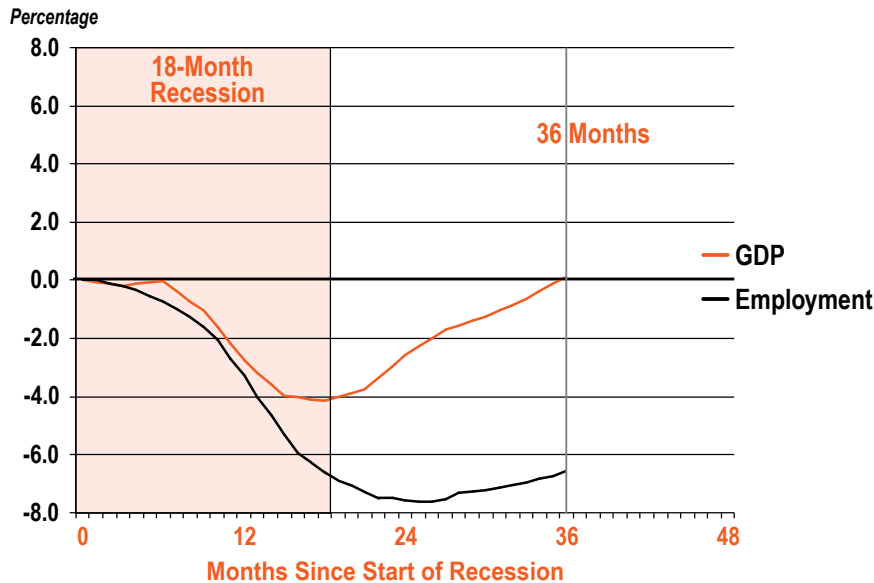
At the same time, monthly hiring has increased, but still remains far below pre-recession levels. The average number of monthly hires increased from a low of 3,497,000 in 2009 to 3,743,000 in 2011, a growth of only 246,000, or 7.0 percent. The absolute number of new hires (3.7 million) falls considerably below the approximate 5 million level of 2005 through 2007. Thus, while layoffs and discharges are at record-low levels, American employers have barely increased their hiring from the recessionary lows. The nation's labor market problems are now not due to reductions in force but, rather, to low levels of hiring.

But a low level of hiring may not simply be due to employers averse to adding new personnel. Instead, it may reflect employer difficulties in finding appropriate personnel. As shown in table 1, the number of job openings grew substantially during the past three years, increasing from 2,036,000 in 2009 to 2,721,000 in 2011. This growth in job openings (685,000, or 33.6 percent) was far in excess of the increase in the number of hires (246,000, or 7.0 percent). Thus, job openings have increased five times faster than hires! This suggests that employers are finding it very difficult to fill open positions. There may well be a significant mismatch between job-skill requirements and labor force capabilities. This is much more a structural problem than a cyclical problem.

Economic Output Fully Recovered, but Employment Not Even Close

Despite positive trajectories for employment growth and its underlying dynamics, America faces a long road back to pre-recession labor market conditions (figure 3). In the fourth quarter of 2010, America's Gross Domestic Product (GDP)—the total output of the United States economy—finally recovered all of the losses suffered during the Great Recession (December 2007-June 2009). Thus, after 12 quarters—36 months—the economic output of the nation had rebounded to pre-recession levels. However, at the end of the fourth quarter (December 2010), total private-sector employment in the United States remained 7.6 million jobs (or 6.6 percent) below its pre-recession level of December 2007, the peak of the business cycle. Consequently, as 2010 came to a close, *the nation was producing the same economic output*, but doing so with 6.6 percent fewer private-sector jobs—with 7.6 million fewer private-sector jobs. This pattern of full recovery of GDP with lower employment levels has significant repercussions for the recovery of commercial real estate markets. Is this a new normality of sustained high productivity growth spurred by innovative new technologies enabling the economy to grow in the future with minimal increases in employment? Alternatively, is it a painful, but temporary post-recession reluctance to hire by corporate America due to lingering uncertainties—and/or lack of qualified workers? Are American workers now stretched to the limit in achieving output gains, and future advances will require employment expansion? The resolution of these questions will help determine the future of U.S. labor markets and economic infrastructure requirements.

FIGURE 3
U.S. Private-Sector Employment and GDP: Percentage Change Since December 2007 Start of Recession



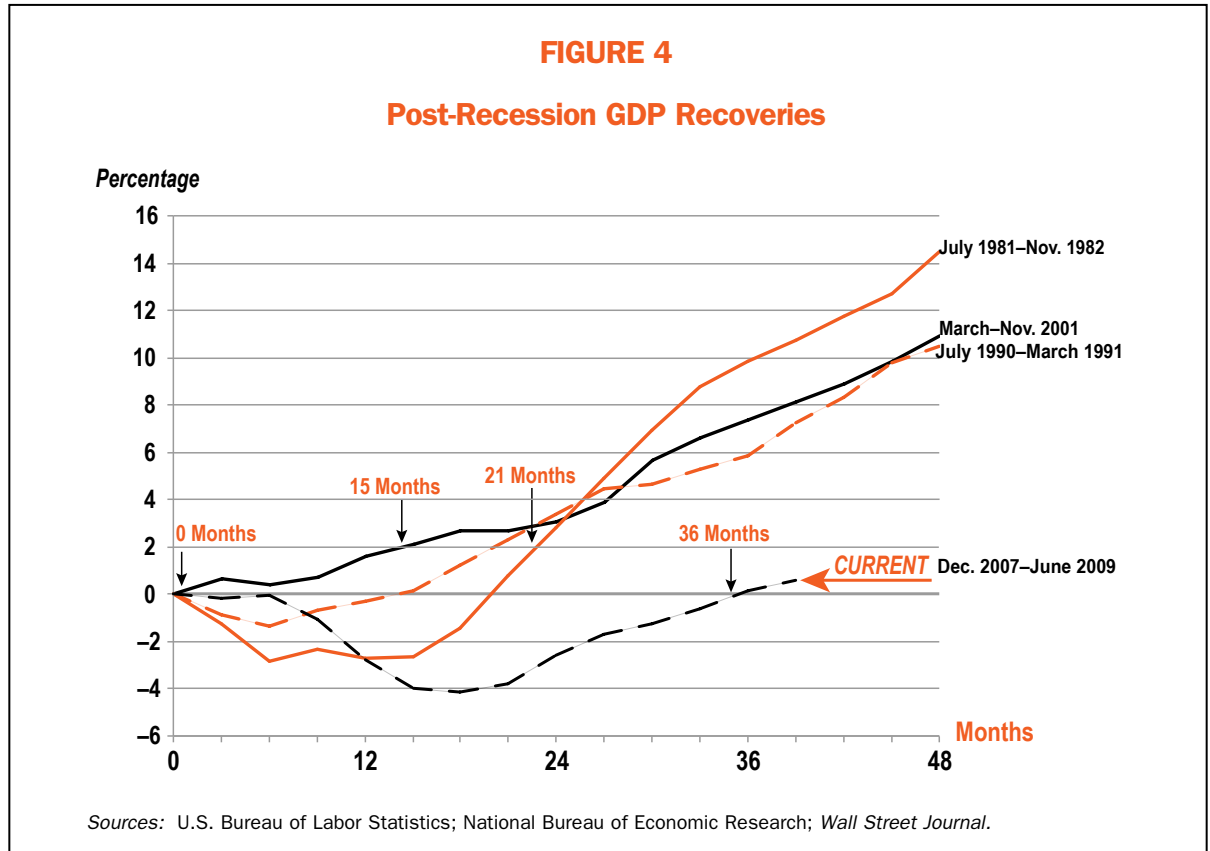
Sources: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis; National Bureau of Economic Research.

GDP Recovery in Perspective

In any case, the 36-month GDP recovery period stands unique in postwar annals. Prior to the Great Recession of 2007–2009, the 1981–1982 downturn had the dubious status of being the worst recession since the Great Depression. As can be seen in figure 4, GDP recovery of all of the 1981–1982 recession’s output losses took 7 quarters, or 21 months. In contrast, full recovery of the output losses suffered during the Great Recession took over 71 percent longer: 36 months versus 21 months, or 12 quarters versus 7 quarters. Thus, the Great Recession really does deserve the label “great.”

This contrast is even more dramatic for the two recessions that immediately preceded the Great

Recession. The eight-month-long March 2001–November 2001 downturn did not experience a net GDP loss. GDP declined by 1.3 percent in the first quarter of 2001 (annualized rate) just before the recession began. It then grew by 2.6 percent in the second quarter, the first quarter of the recession, followed by a decline of 1.1 percent in the third quarter. GDP growth of 1.4 percent followed in the fourth quarter. Thus, the change in total output during the recession never slipped below zero percent, even though it did decline in the third quarter of 2001 (the second quarter of the recession). This was a highly unusual pattern linked to the housing bubble and sustained growth in housing output even during the downturn. Normally, during a recession, housing and construction are at the leading edge of the economic contraction. However, in 2001, the sheer and unprecedented strength of the housing



market kept the nation’s overall economic output growing even though private-sector employment declined for 29 straight months (March 2001–August 2003).

The eight-month-long July 1990–March 1991 recession was somewhat more conventional. It took 15 months from the start of the downturn for GDP to fully recover. This more typical length of the recovery period of time adds even more emphasis to the uniqueness of the Great Recession.

Conclusion

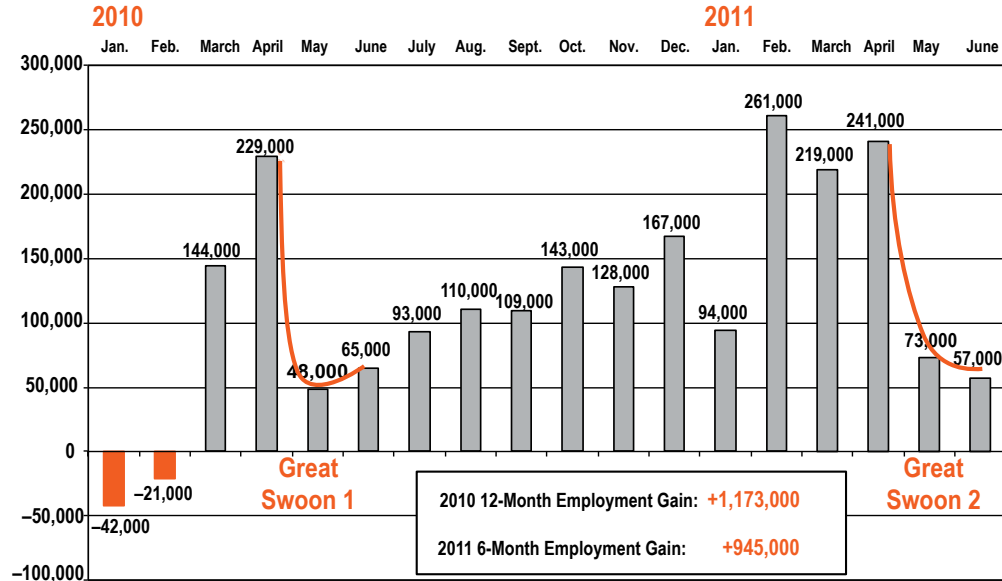
This report documents several highly positive trends in the nation’s recovery from the Great Recession. The stabilization of job losses after sustained deep declines, the resumption of job growth, the acceleration of that growth, the increase in new hires, and the drop in layoffs and discharges are all important and most welcomed developments.

However, the pace of hiring remains tepid, there is evidence of possible structural as well as cyclical reasons for that weak pace, and an extraordinarily large employment gap remains simply to return to the pre-recession peak level of employment of December 2007. Moreover, the recent, déjà vu slowdown in overall economic activity stemming from a series of one-time negative events has an added and worrisome element of uncertainty as to whether this is entirely a one-off problem that will fade, or whether these one-time events are accompanied by deeper structural national and global obstacles to sustained economic growth.

All this places intense focus, and importance, on designing and implementing effective policies to return the U.S. economy to its long-term growth performance. The divided politics of Washington and a presidential election just over the horizon add a complexity of another order of magnitude to this task of restoring prosperity and employment on a widespread basis across the American workforce. ■

APPENDIX FIGURE A-1

U.S. Private-Sector Employment Change, 2010–2011



Source: U.S. Bureau of Labor Statistics.

Appendix

Appendix figure A-1 above depicts graphically private-sector employment change in the United States beginning in January 2010 and ending in June 2011. The two great “swoons,” or job slowdowns, discussed on page 4 are illustrated by the solid, curved red lines.

A Message from Advance, continued

division, we are working with numerous corporations to enhance their operations. Our services include analysis and recommendations for our clients’ existing facilities to achieve the most effective strategy to dramatically impact a company’s bottom line. Whether the recommended approach is a relocation, renovation, buy-to-suit project, or a solar installation, we offer the depth of knowledge and experience needed to produce dramatic, cost-effective results.

To this end, Advance is actively seeking to acquire land in target markets throughout the state and is interested in hearing from companies in need of solutions to address their corporate real estate property needs. Our team is highly capable of handling a myriad of assignments generated in today’s volatile business climate, and we look forward to understanding and evaluating your real estate requirements (www.advancerealtygroup.com). ■

Peter J. Coccoziello is President and CEO of Advance Realty.

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ADVANCE & RUTGERS REPORT

The **Edward J. Bloustein School of Planning and Public Policy** is one of the nation's key centers for the theory and practice of planning and public policy scholarship and analysis. The school was established in 1992 by the Rutgers University Board of Governors to provide a focus for all of Rutgers' initiatives and programs of instruction, research, and service in planning and public policy. The Bloustein School was ranked No. 3 in the United States in the latest survey of the nation's top graduate programs in urban planning by Planetizen, a Los Angeles-based planning and development network.

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March 2012 will mark the twentieth anniversary of the establishment of the Edward J. Bloustein School of Planning and Public Policy. A series of events from fall 2011 through spring 2012 is planned to commemorate this achievement. Festivities will include presentations on Bloustein School faculty and staff research, several major lectures, and a two-day symposium on healthy cities, health policy, transportation security, and international planning. Events will highlight the best of the school's work in urban planning, public policy, and public health. They will begin in September 2011 with the construction of the Rutgers and NJIT completely solar-powered ENJOY house on the Washington Mall in the District of Columbia as part of the U.S. Department of Energy's Solar Decathlon, and culminate in the two-day symposium.

For additional information about the Bloustein School, its academic programs, upcoming events, and affiliated research centers, visit the school's website: <http://www.policy.rutgers.edu>. Check the website frequently for calendar updates on special Twentieth Anniversary events. ■

Advance Realty, an owner and developer of office, flex, industrial, retail and multifamily properties, has grown to become one of the most active and respected commercial real estate development, investment and management companies in the New Jersey and Washington, D.C. markets. This philosophy is evidenced by Advance's active presence in the commercial real estate trade, business and non-profit sectors, where members of the Advance team have consistently played a leadership role in serving the industry's associations including ULI, BOMA, NAIOP, and CoreNet Global, as well as numerous charitable organizations. For additional information about Advance Realty, visit <http://www.advancerealtygroup.com>. ■

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