



News Release

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A CLOSER LOOK AT JOBLESS RECOVERIES

As the U.S. economy recovers from recession, businesses are still shedding workers, creating what analysts call a “jobless recovery.” This is the nation’s second straight jobless recovery, following a similar recovery after the 1990-91 recession.

Since these two are the only jobless recoveries in the nation’s postwar history, many analysts are suggesting that employment may be stagnant in future recoveries as well. For policymakers, understanding the behavior of jobless recoveries is critical in forecasting the pace and strength of the recovery and in developing better policy responses to weak employment growth.

Stacey L. Schreft, assistant vice president and economist at the Federal Reserve Bank of Kansas City, and Aarti Singh, research associate, find that the jobless recoveries have many common features that distinguish them from traditional recoveries. Their article, “A Closer Look at Jobless Recoveries,” is featured in the second quarter 2003 edition of the *Economic Review*.

The authors find that both post-1990 recoveries reflected a greater use of just-in-time employment practices, where firms substitute temporary and part-time jobs for full-time, permanent jobs and give workers more overtime hours and fewer straight-time hours.

Jobless recoveries also have other implications. For firms, the new employment practices offer flexibility in adapting to the business cycle. For workers, part-time job opportunities and overtime hours increase. But at the same time, jobless recoveries frustrate workers seeking full-time, permanent jobs, and workers who do not want additional overtime.

“It is too soon to tell if future recoveries will also be jobless,” the authors write. “There is every reason to expect, however, that the use of just-in-time employment practices will persist. And the enhanced flexibility and greater productivity growth these practices afford will help determine employment growth in the future.”

This article is available on the Bank’s Web site at www.kc.frb.org or by contacting Tim Todd at 816-881-2308.

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