

**Friends of Local Government
Policy Paper Series**

2013:

The New Jersey Employment Expansion Gains Momentum

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Preface

This is the eighteenth paper in NJLM Foundation's "Friends of Local Government" Policy Paper series. This paper, authored by Dr. James Hughes and Dr. Joseph Seneca from Rutgers, the State University of New Jersey, is entitled, "**2013: The New Jersey Employment Expansion Gains Momentum.**"

Dr. Hughes and Dr. Seneca have previously authored:

Volume 1, Number 1, *From Wall Street to Main Street. 2009: Unprecedented Economic Challenges;*

Volume 2, Number 2, *2010: A Stabilizing Economy but Uncertainties Remain;*

Volume 3, Number 2, **2011: Economic Growth, but Slowdowns Persist.**

Volume 4, Number 2, **2012: New Jersey Employment Upswing? Or Will It Succumb to the National Slowdown?**

These papers are available on the Foundation's website at www.njlmef.org

On behalf of the Board of the NJLM Educational Foundation, we thank Dr. Hughes and Dr. Seneca for these contributions, and believe you will find this paper informative.

We would also like to note the support of the Foundation's Board for this project, as well as staff from the New Jersey State League of Municipalities.

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2013: The New Jersey Employment Expansion Gains Momentum

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July 2013 marks the start of the fifth year of economic recovery from the Great Recession, which technically ended in June 2009. New Jersey's job performance had lagged in the recovery's early stages, but the state has subsequently demonstrated sequential year-by-year increases in employment growth. Recent job growth by far surpasses that of the expansion years of the 2000s, and is starting to resemble that of the expansion years of the 1990s. But, there is still a ways to go before full employment recovery is achieved.

The Long Cycle

The relentless business cycle never stops, and New Jersey is now deep into its latest stage: economic expansion. It has been a difficult and painful journey through the cycle the past 13 years (chart 1). Early in the new century, the high-technology capital investment bubble that had built up in the late 1990s finally burst. This led to the 2001 recession, which officially lasted just eight months (March 2001-November 2001). The economic expansion that followed was an above-average 73 months in length (November 2001-December 2007), propelled by global credit and housing bubbles.¹ Nonetheless, it was a particularly weak expansion in terms of employment growth.

Weak or strong, economic expansion phases of the business cycle ultimately succumb to recession. The bursting of the housing and credit bubbles then resulted in what is now popularly called "The Great 2007-2009 Recession," which started in December 2007 and ended in June

¹ For comparison, the average post-World War II expansion in the United States is 58 months.

2009. Its 18-month duration made it the longest recession since the Great Depression.² Nationally, over 8.8 million private-sector jobs were lost. But, the recessionary phases of the business cycle also do not last forever. A recovery always follows and expansions ensue. The current expansion started in June 2009 and has now reached 49 months in length (June 2009-July 2013). Since, as noted earlier, the average post-World War II economic expansion in the United States is 58 months long, it must be concluded that the current expansion is no longer youthful – it’s undeniably aging. Nonetheless, employment deficits from the Great Recession still confront New Jersey and the nation. These deficits persist despite positive job advances during the past three and one-half years. The nation had fallen deep in the economic abyss and the climb out has been long and difficult.

The Big Picture of Recession and Recovery

As shown in chart 2, the cumulative private-sector employment losses in New Jersey since the recession began still remain quite substantial. Each bar represents the total cumulative job loss each month since the start of the national recession in December 2007. The numbers are in thousands, and there are there are 64 months or bars in the chart – January 2008 through May 2013 (the latest available data). The size of each bar is calculated by subtracting the December 2007 employment level from the employment level of each month.

By June 2009, the technical end of the recession, the state had lost an astounding 207,900 private-sector jobs over 18 months. That is indicated by the box titled “Recession’s End” in chart 2. However, employment declines continued for another eight months, the exact same pattern experienced by the United States. Thus, employment losses finally ended in February 2010, 26 months after the start of the recession. At that point, New Jersey had lost nearly one-quarter of a million private-sector jobs (240,600 jobs). That’s indicated by the box titled “Total Loss” in the chart. At that point, New Jersey was seemingly stuck in an economic death valley.

² Previously, the longest recession since the Great Depression was 16 months. This happened twice: the November 1973-March 1975 recession and the July 1981-November 1982 recession. The Great Depression itself technically lasted 43 months (August 1929-March 1933).

But, in March 2010, the employment rebound finally commenced. As growth resumed, the blue bars started to decrease in size. Consequently, the cumulative losses started to shrink. Over the next 39 months, through May 2013, private-sector employment grew by just over 145,100 jobs. That recovery is shown by the green line and the green box titled “Recovery” in chart 2. So, the good news is that the state has experienced 39 months of employment expansion, and that the magnitude of job recovery total has started to gain critical mass. The less than good news is that the cumulative employment losses still stood at 95,500 private-sector jobs in May 2013. That’s the far right bar in chart 2 indicated by the box titled “Current Deficit.” New Jersey is still some time away from fully extricating itself from the deep employment hole.

A Summarization

The state’s journey through employment contraction and expansion can also be depicted by a simpler bar chart (chart 3). The left bar in the chart is the 26-month employment-loss period (December 2007-February 2010). That period comprises the official 18-month long recession that ended in June 2010, and the eight months which followed. Private-sector employment losses totaled 240,600 jobs. The middle blue bar shows the number of jobs recovered (145,100 jobs) between February 2010 and May 2013. That leaves a current employment deficit of 95,500 jobs – the right bar in chart 3. So, a gain of another 95,500 jobs is needed to return the state to its pre-recession employment peak.

New Jersey has now recovered 60.3 percent of its job losses – the United States 78.7 percent. So, despite substantial progress, the state’s recovery is still lagging behind that of the nation. The state’s lag is partly due to a slower recovery start than that of the nation in 2010, which we will detail subsequently, and to two other factors. First, New Jersey did not fully participate in the nation’s manufacturing rebound, which was heavily centered on the massive federal rescue of the automobile industry and the subsequent recovery that it spawned. The state had already lost its last two automobile production plants in 2004 and 2005. Consequently, the national automobile industry post-recession bounce-back had little impact on New Jersey. The second factor is demography. The state’s population has been growing slower than the nation; thus, New Jersey is receiving a smaller demographically-driven component of economic growth,

i.e., slower growth in housing and household/population-serving economic activities. The last two factors are not going away any time soon, but the early slow start is starting to be overcome.

Detailing the New Jersey Recovery Trajectory

The state's recent annual private-sector employment changes, measured December to December, are presented in chart 4. In 2009, measured December 2008 to December 2009, New Jersey was hemorrhaging jobs. As the far left red bar in the chart shows, private-sector employment had declined by 115,700 jobs. But stability returned in 2010 when New Jersey had a small, but positive gain of 9,200 jobs. That was the slow recovery start compared to the nation, but it still represented a major turnaround. Then, 2011 resulted in a major advance, when growth more than tripled to 28,400 jobs. In 2012, the pattern of sequential improvement was repeated yet again. Growth more than doubled to 59,100 jobs. Thus, over the past four full years – 2009-2012 – each year has surpassed its predecessor in terms of private-sector employment growth.

It is highly likely that will happen again in 2013. If job growth in New Jersey during the first five months of 2013 is annualized and added to the annual employment change analysis (chart 5), the state is on track to gain 73,200 private-sector jobs in 2013. That is the far right bar of the chart. The 2010-2013 period defines the best employment trend line in New Jersey since the second half of the 1990s.³ This is made clear in chart 6, which takes the annual employment change back to 2000. The employment gain in the year 2012 was greater than any year since 2000, and the state is on course in 2013 to surpass 2000. The chart also shows that the 2010-2013 growth years far outdistance the 2003-2007 growth years.

New Jersey's National Ranking

How have we recently matched up against other states? Chart 7 ranks the 50 states according to private-sector job growth in 2012, measured December 2011 to December 2012.

³ During the last employment expansion (2003-2007) in New Jersey, private-sector employment growth averaged 15,500 jobs per year. During the 2009-2013 period – assuming the annualized 2013 estimate – employment growth will average 42,500 jobs per year, nearly triple that of 2003-2007.

New Jersey ranked a solid eighth – with only New York in the Northeast ahead of us. New York was in fourth place.

To put New Jersey into further perspective, let's look at some of the state's other northeastern peers/competitors, colored in green. Massachusetts ranked 16th, followed by Pennsylvania (17th), and Connecticut (37th). The state has not only “caught up,” but has surpassed what could be considered most of our key benchmark states. The bottom line is that 2012 turned out to be a pretty good economic year as the New Jersey recovery gained further traction.

Conclusion

New Jersey has made impressive strides in recovering from the devastating employment losses that were suffered during the Great Recession. The *dreaded* R word – Recession – has been fully supplanted by *delightful* R word – Recovery. Yet, the job losses were so severe that it will still take until late 2014 or early 2015 before *full* employment recovery is achieved. While this long time frame still seems daunting, it is far better than the 2017 full recovery estimate of two years ago.

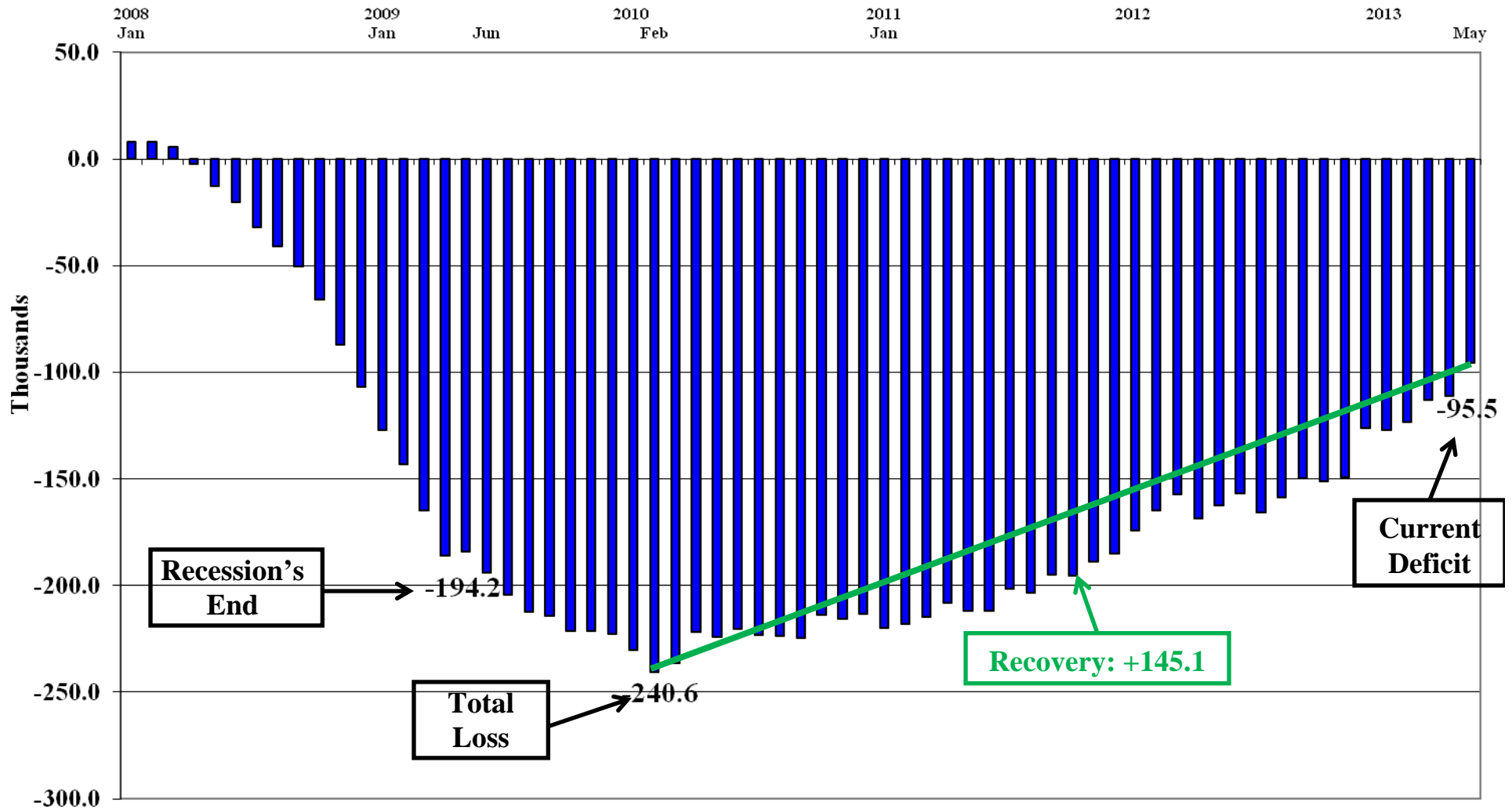
Income and output gains have also accompanied the employment increases documented above. The state has nearly recovered its pre-recession levels of total real personal income and real GDP (Gross Domestic Product). The housing market has also experienced a solid recovery in terms of sales and home prices are rising. While Hurricane Sandy property damages have left a number of shore municipalities with significant fiscal problems, the outlook is for continued improvement in housing activity. Municipalities should benefit from both the improving labor and housing markets in 2013. Nevertheless, the effects of the recession still linger as the state will need at least another year simply to return to its pre-recession employment level and this does not account for the jobs required to keep pace with the growth in the labor force growth of recent years. Thus, prudence and caution in fiscal decisions remain the prevailing principles for municipal governments going forward.

Chart 1: US Business Cycle Phases

- ▶ Recession: March 2001 – November 2001
- ▶ Expansion: November 2001 – December 2007
- ▶ (Great) Recession: December 2007 – June 2009
- ▶ Current Expansion: June 2009 – July 2013

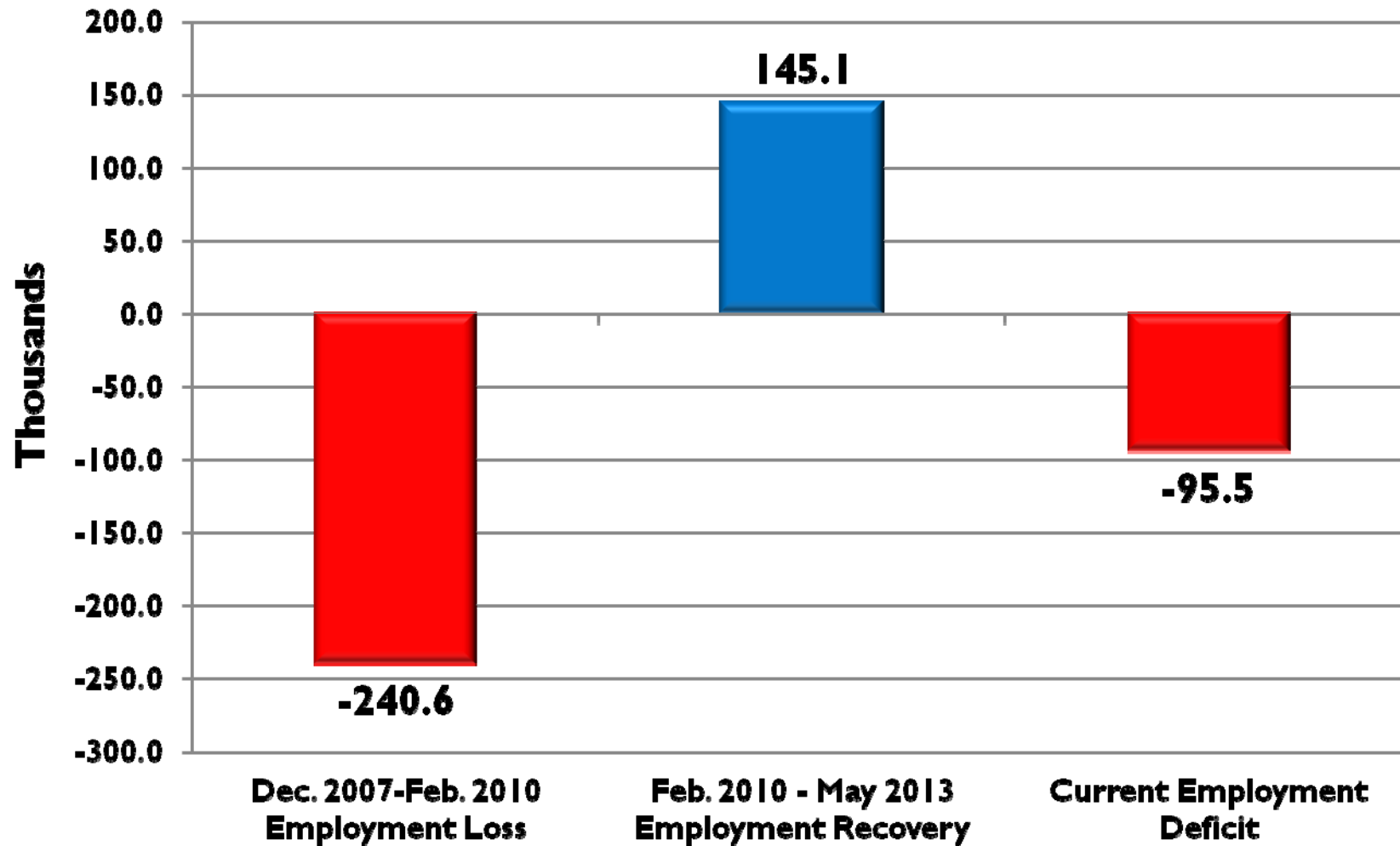


Chart 2: NJ Private Sector Employment Cumulative Losses: Jan. 2008 – May 2013



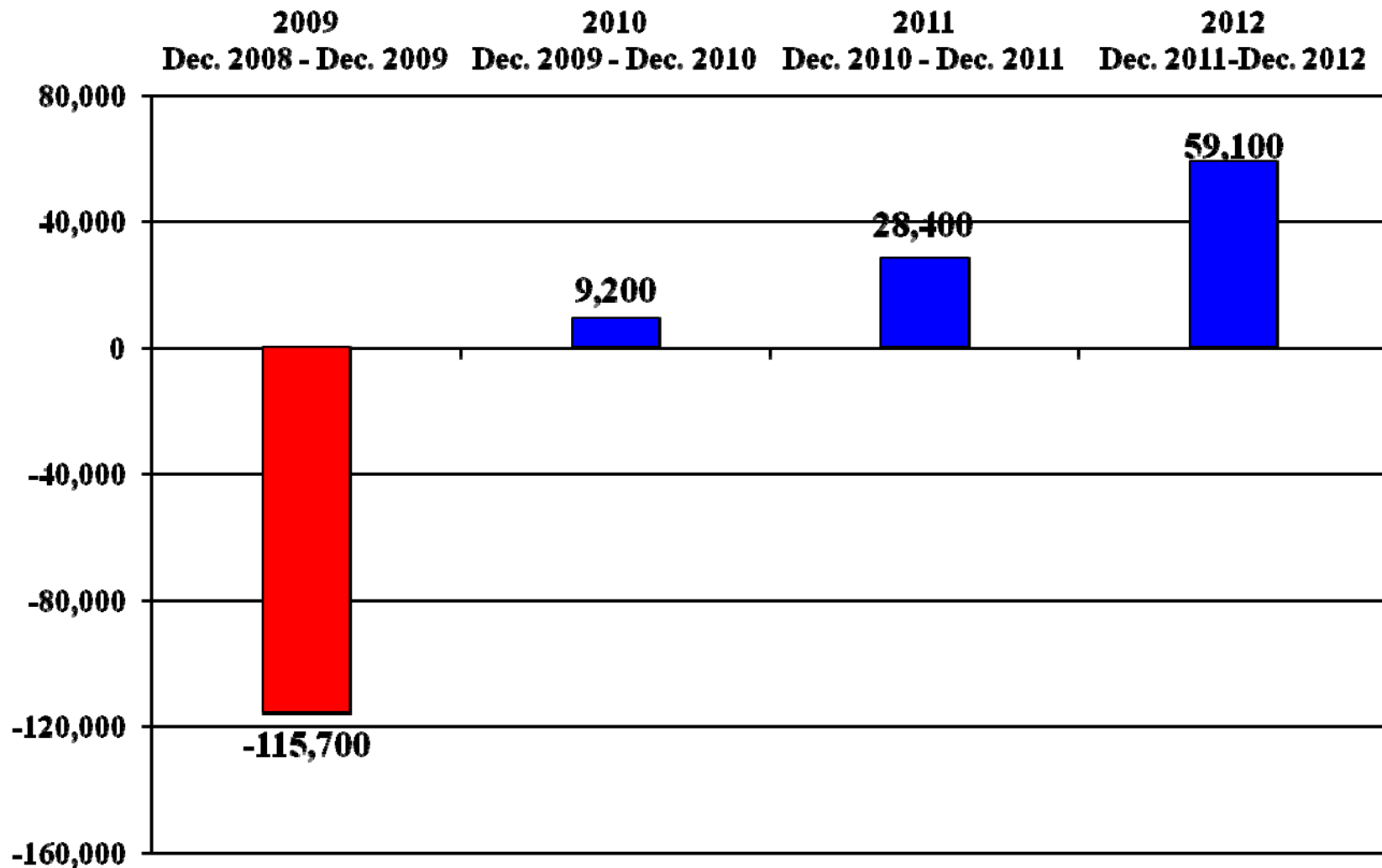
► Source: New Jersey Department of Labor and Workforce Development.

Chart 3: Great Recession and Recovery New Jersey Private Sector Employment



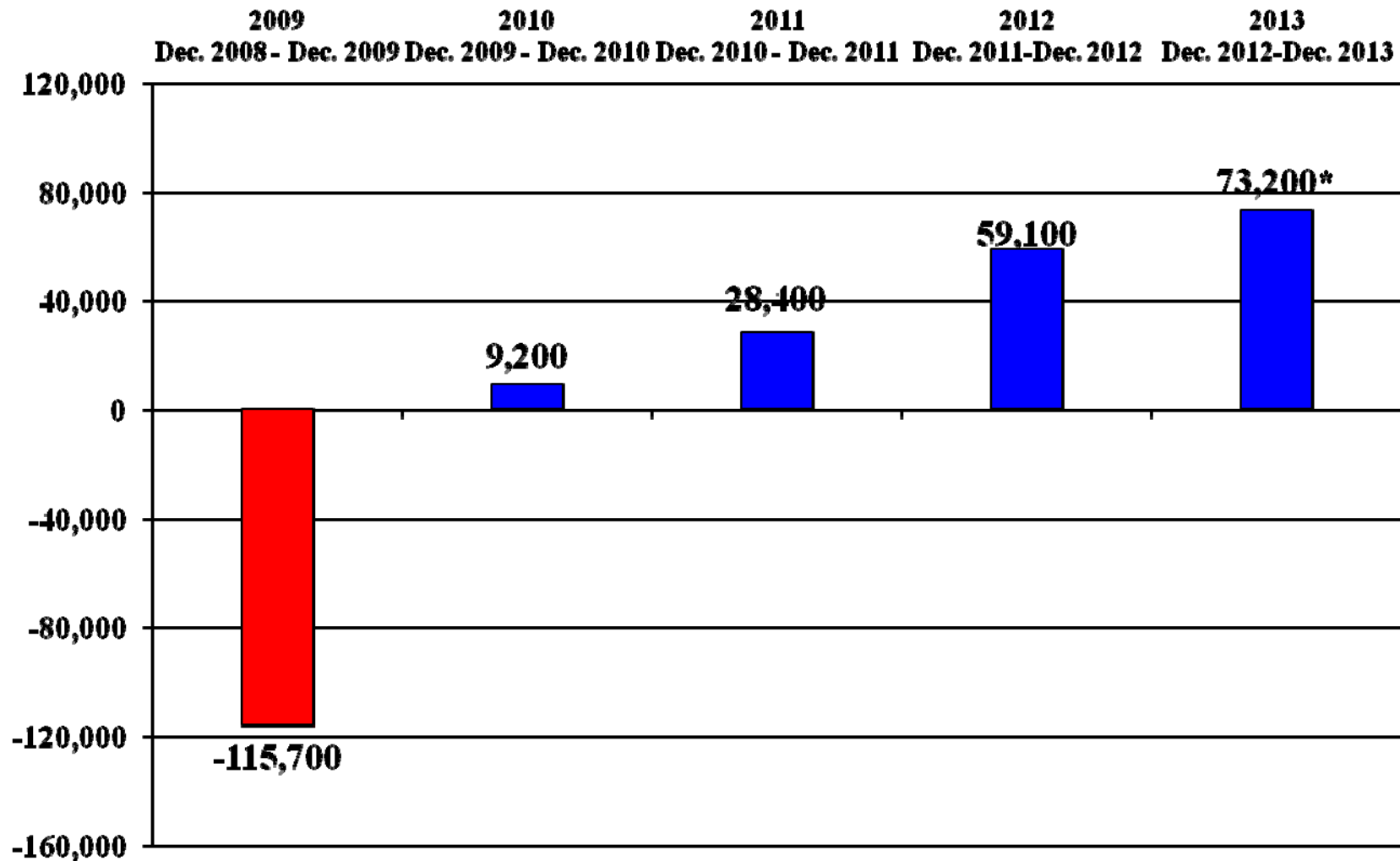
► Source: NJ Department of Labor.

Chart 4: New Jersey Private-Sector Annual Employment Change 2009 - 2012



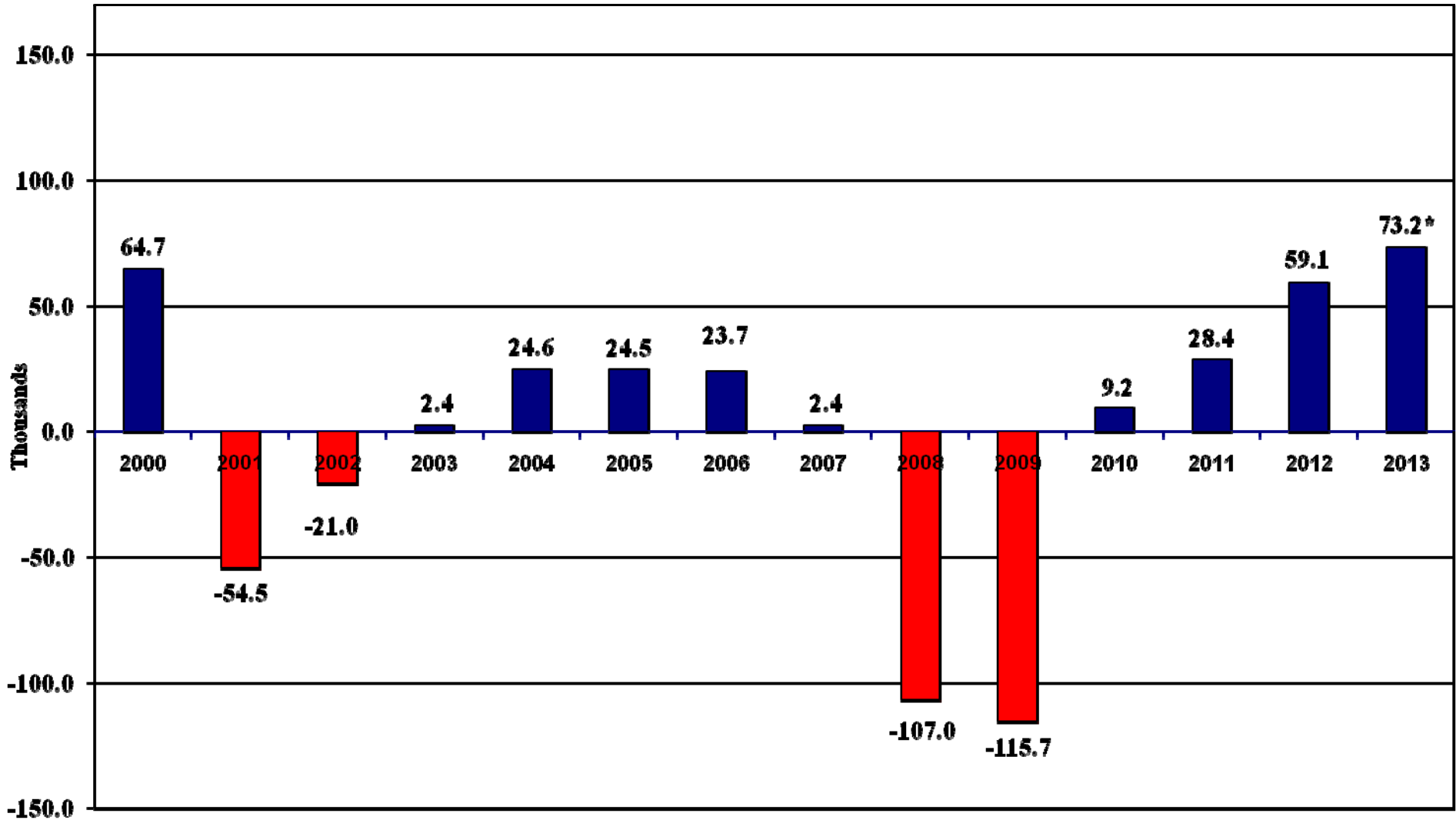
► Source: U.S. Bureau of Labor Statistics.

Chart 5: New Jersey Private-Sector Annual Employment Change 2009 - 2013



▶ Source: U.S. Bureau of Labor Statistics. *Estimate based on data through May 2013.

Chart 6: New Jersey Private Sector Annual Employment Change 2000-2013



Source: New Jersey Department of Labor and Workforce Development. *Estimate based on data through May 2013.

Chart 7: Private-Sector Absolute Employment Change - 50 States, Dec 2011 – Dec 2012

Rank	State	December 2011	December 2012	Absolute Change	Rank	State	December 2011	December 2012	Absolute Change
1	California	11,810.4	12,160.6	350.2	26	North Dakota	333.2	359.2	26.0
2	Texas	8,897.3	9,224.7	327.4	27	South Carolina	1,499.4	1,524.8	25.4
3	Florida	6,229.6	6,378.6	149.0	28	Wisconsin	2,358.2	2,382.0	23.8
4	New York	7,268.7	7,394.0	125.3	29	Kansas	1,085.8	1,107.7	21.9
5	North Carolina	3,231.1	3,317.6	86.5	30	Oklahoma	1,248.2	1,268.0	19.8
6	Georgia	3,232.9	3,312.5	79.6	31	Iowa	1,242.6	1,261.9	19.3
7	Illinois	4,870.4	4,941.4	71.0	32	Oregon	1,335.3	1,352.1	16.8
8	New Jersey	3,247.5	3,306.6	59.1	33	Alabama	1,494.3	1,510.3	16.0
9	Indiana	2,440.4	2,497.1	56.7	34	Mississippi	848.7	863.7	15.0
10	Tennessee	2,262.7	2,317.5	54.8	35	Hawaii	474.0	485.6	11.6
11	Colorado	1,886.3	1,939.2	52.9	36	Idaho	500.4	511.6	11.2
12	Ohio	4,373.3	4,425.5	52.2	37	Connecticut	1,391.6	1,401.2	9.6
13	Arizona	2,024.4	2,072.5	48.1	38	Montana	346.0	355.5	9.5
14	Washington	2,300.5	2,348.4	47.9	39	Nebraska	784.9	793.2	8.3
15	Virginia	2,986.2	3,030.0	43.8	40	New Hampshire	537.9	544.7	6.8
16	Massachusetts	2,814.9	2,858.1	43.2	41	New Mexico	606.7	612.9	6.2
17	Pennsylvania	4,978.9	5,021.8	42.9	42	South Dakota	333.0	338.1	5.1
18	Michigan	3,379.5	3,422.2	42.7	43	Alaska	246.7	251.6	4.9
19	Utah	1,002.6	1,043.3	40.7	44	Arkansas	960.3	964.7	4.4
20	Louisiana	1,558.1	1,596.8	38.7	45	Delaware	354.3	358.2	3.9
21	Minnesota	2,298.0	2,336.5	38.5	46	Rhode Island	402.2	405.9	3.7
22	Maryland	2,051.6	2,084.7	33.1	47	Vermont	248.2	251.7	3.5
23	Nevada	980.6	1,009.5	28.9	48	West Virginia	610.2	611.6	1.4
24	Kentucky	1,472.9	1,501.5	28.6	49	Maine	494.2	493.9	-0.3
25	Missouri	2,224.0	2,251.7	27.7	50	Wyoming	216.7	215.0	-1.7

► Source: U.S. Bureau of Labor Statistics.