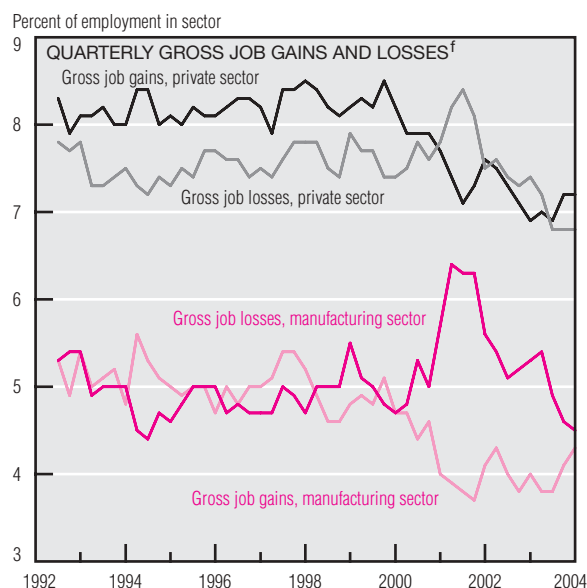
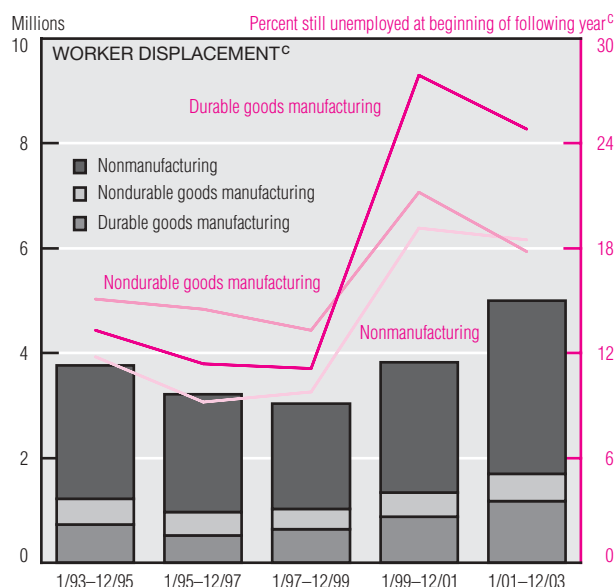
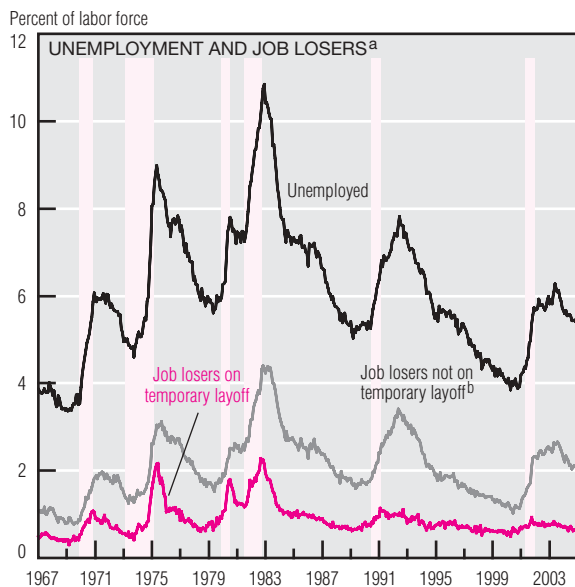


Job Reallocation in the Recovery



a. Recession periods dated by the National Bureau of Economic Research.

b. Job losers not on temporary layoff include permanent job losers or persons who completed temporary jobs.

c. Displaced workers are those who had three or more years-tenure on a job they lost or left because of plant or company closings or moves, insufficient work, or elimination of their positions or shifts. Includes only private nonfarm wage and salary workers 20 years and older.

d. For example, for workers displaced in the January 2001–December 2003 period, measures the percent unemployed in January 2004.

e. The bubble area is proportional to industry employment (two-digit SIC) at business cycle peak. Omits metals mining and includes only commercial banks, not all depository institutions. See Erica L. Groshen and Simon Potter, Federal Reserve Bank of New York, *Current Issues in Economic and Finance*, August 2003.

f. Gross job gains are net gains at expanding or opening firms. Gross job losses are net losses at contracting or closing firms.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

The labor market recovery after the November 2001 business cycle trough has been unusually weak. Has increased sectoral reallocation (a permanent shift in the way employment is distributed among economic sectors) been a factor in this slow transition?

The recessions of the 1970s and 1980s had a feature that the 1990–91 and 2001 episodes lacked: a spike in the percentage of labor force participants on temporary layoff. The decrease in temporary layoffs compared to other layoffs during the last

recession is consistent with the idea of increased sectoral reallocation.

What is more likely to be seen in sectoral reallocations is increased worker displacement. The years covered by the two most recent Displaced Worker Surveys (DWS) showed spikes in displacements. And researchers have found that worker displacement rates fell less in the 1990s than one might have expected, given the strong labor market conditions.

A less roundabout way to identify sectoral reallocation, suggested by several researchers, is seeing how many

industries have employment increases both during and after a recession or employment decreases in both phases. According to these researchers, increased sectoral reallocation is suggested by the larger proportion of industries in one of these two categories for the 2001 recession than for previous episodes. Others take issue with this methodology. They note that both job creation and job destruction have fallen since the last business cycle peak and contend that this is less consistent with the hypothesis of increased sectoral reallocation.