THE RECESSION
and Its Effect on Job Search

Much like the proverbial snowflake, no two recessions are identical. Each downturn differs in origin, duration, depth and range across industries and states. The current ongoing recession, now officially declared to have started in December 2007, is the 11th recession since World War II according to the National Bureau of Economic Research (NBER), the official arbiter of business cycles. A frequently stated rule of thumb for a recession to be underway is at least two consecutive quarters of declining real gross domestic product (GDP). Officially, though, the NBER has more sophisticated recession standards:

> "A recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income and other indicators. A recession begins when the economy reaches a peak of activity and ends when the economy reaches its trough. Between trough and peak, the economy is in an expansion."[1]

Two quarters of contracting GDP has been a sufficient but not necessary condition for the NBER to throw the recession flag as evidenced by the eight-month 2001 recession from April through November. GDP declined in the first and third quarters of 2001 but expanded during the second and fourth quarters. Likewise, during the current recession so far, GDP declined in fourth quarter 2007, then expanded during the first and second quarters of 2008 before declining again in the third quarter.[2]

Since 1946 the United States has been in official recession for a total of 114 months as of December 2008, or roughly 15 percent of the time since World War II. As a result of diminished economic volatility, a phenomenon that has been dubbed "The Great Moderation",[3] the nation has enjoyed an extended period of less frequent and milder recessions, with the economy in a recession 20 percent of the time between 1946 and 1983 but only 9 percent of the time from 1984 through the end of 2008.

However, the current recession's length, at 12 months as of December 2008, is already longer than the 10-month average of the other postwar recessions. Two postwar recessions, the 1973-75 and the 1981-82 recessions, are tied for the longest at 16 months. The two most recent downturns, in 1990-91 and 2001, were eight months long and relatively mild. This recession, which until the financial meltdown last fall appeared to be a run-of-the-mill recession, is beginning to look more like the two long "Pre-Great Moderation" recessions than the recent mild recessions.

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[1]For more information see **www.nber.org/cycles/dec2008.html**.

[2]These are subject to revision, thus raising the possibility that the two consecutive quarter rule may come to pass, but at the time of the official declaration of recession, there had not been two quarters of declining GDP.

[3]See **http://ksghome.harvard.edu/~JStock/pdf/stock&watson_macroannual.pdf**.

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During postwar recessions, GDP has dropped an average of 2 percent from peak to trough. The slump that started in September 1957 and lasted only eight months was the deepest postwar recession with a 3.7 percent GDP drop. The 2001 recession beats out the 1969-70 recession as the mildest recession in terms of GDP contraction. Five of the 11 recessions since 1946 have been mild downturns with GDP drops of less than 2 percent.

As economic activity contracts during a recession, labor market conditions tend to worsen as layoffs increase, hiring slows, employment declines and unemployment rates rise. Unemployment tends to lag the business cycle, starting to increase a few months after a recession sets in and peaking a few months after a recession ends. However, subsequent to the last two recessions as the economy entered recovery, unemployment rates have continued to climb gradually for more than a year even as GDP growth accelerated in what has become known as "jobless recoveries."

On average, the national jobless rate has increased 2.7 percentage points during postwar recessions.[4] The worst recession in terms of the jobless-rate jump was the 1973-75 recession when unemployment increased 4.1 percentage points, from 4.7 to 8.8 percent. Unemployment climbed to its postwar peak during the 1982 recession, reaching 10.7 percent in late 1982, but the job market was still recovering from the 1980 recession when the 1981-82 contraction started, and unemployment was already at 7.4 percent.

Figure 1 compares the 11 post-1945 recessions based on GDP decline and associated unemployment-rate increases. The current recession is included in the comparison based on forecasts made in December by Global Insight Inc. Economic activity, as measured by GDP, shrinks for four straight quarters between third quarter 2008 and second quarter 2009, with economic growth re-emerging sometime during third quarter 2009.

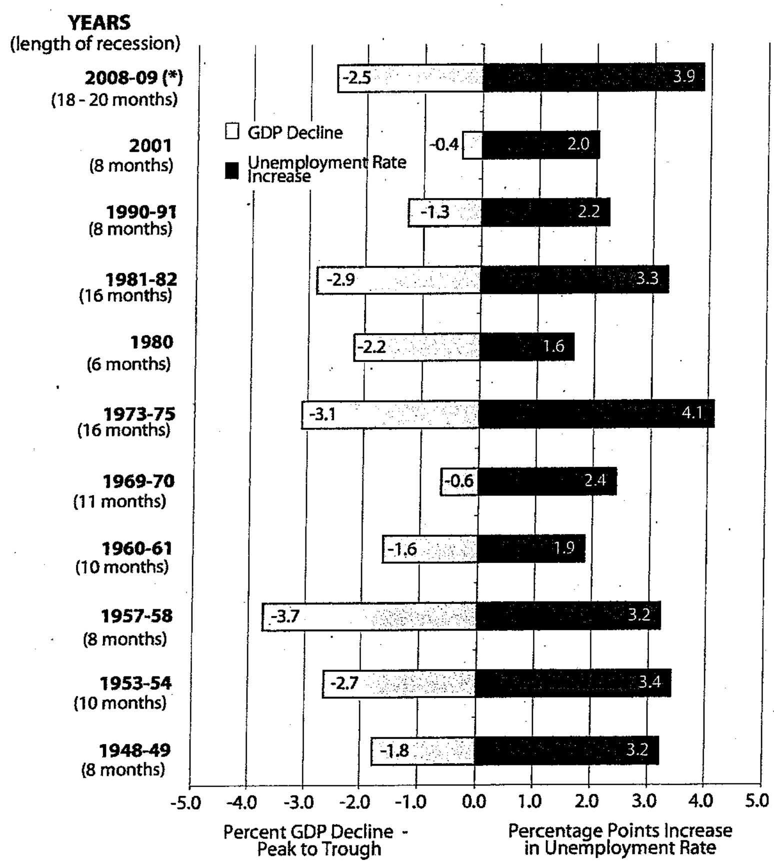
Job loss is heaviest from fourth quarter 2008 to second quarter 2009, and losses continue at a decelerating rate through the rest of 2009. Job growth finally resumes in first quarter 2010 but remains below the pre-recession pace for all of 2010. It's forecast that in early 2012 the economy will regain the 3.7 million jobs that are expected to be lost between 2008 and 2010.

Unemployment is expected to climb through the middle of 2010 reaching a peak of 8.7 percent, or 80 percent higher than the 4.8 percent at the start of the 2007-09 recession (labeled 2008-09 in Figure 1).

These assumptions and comparisons suggest that the current recession will likely be the longest of the post-war period and will be of a severity more like those prior to the Great Moderation than the milder recessions since the mid-1980s.

Figure 1

U.S. Peak-to-Trough GDP and Unemployment Rate Changes During Recessions

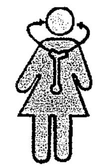


* 2008-2009 data based on Global Insight forecasts, December 2008
Source: U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics

[4]The peak-to-trough unemployment increase is calculated as the difference in the three-month average of seasonally adjusted unemployment rate at the beginning of a recession and the highest three-month average of seasonally adjusted unemployment rate during or soon after a recession.

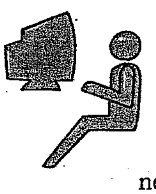
Careers to survive the current recession.

How will this recession affect occupational demand? Although no career can ever be guaranteed as "recession-proof," it is possible to say that jobs will be retained more easily in some fields than in others regardless of how long the recession lasts.



Health care: Unlike demand for cars or entertainment services, demand for health care does not stop during a recession. Therefore, job availability will be good for all types of health technologists and technicians (growing at a 0.8 percent rate) and health diagnosing and treating occupations (with a 1.2 percent growth). Surgical technologists, medical assistants, physician assistants and registered nurses are examples of occupations that will continue to be in demand thanks to new job growth and replacement needs. Most of these occupations require a post-secondary degree and often an advanced degree. If you are considering enrollment in one of these degree programs you can feel pretty good about your future employment opportunities even in case of a deep and protracted recession.

Finance and Insurance: Despite losing a lot of jobs nationwide, in Minnesota this industry sector is less vulnerable. Minnesota financial employers will probably continue to hire because recently they have reported difficulty finding accountants, credit analysts, loan officers and trust managers. Additionally, bank tellers will continue to be in demand because of high turnover.[5] Bank teller jobs require a high school diploma, are often part time and account for one in four banking jobs nationally.



Information Technology (IT): Skilled IT professionals will likely continue to be hired thanks to the stable demand for software applications and the need to manage increasingly complex corporate networks in various industries. Careers like computer software engineers and network systems and data communications analysts are expected to have a lot of openings both from new growth and from the need to replace workers who leave the occupation. However, it is difficult to predict how these careers will suffer from the current economic downturn. The troubled computer and electronic manufacturing industry is expected to shed 1,100 jobs from now until the end of 2009, and the majority of IT careers are concentrated in business and professional services, which might be particularly vulnerable to economic downturns as firms cut back on spending for business services. It is also worth mentioning that demand for most of these occupations is concentrated in the Twin Cities metro area, which could experience the worse fluctuations as firms react to weak consumer spending. Demand could be more stable in other regions with a good presence of high-tech firms and lower supply of college-educated workers.

Yet even the few careers that are still growing are doing so at a slower rate than one would have expected before the subprime and credit crises hit. This is likely to cause downward pressure on wages as more job seekers compete for fewer openings. Therefore, job seekers who are entering the job market for the first time should expect lower starting wages than in early 2007. Even job vacancy survey data registered a decline in median wages from 2007 to 2008 (from $11 per hour to $10.58 per hour).

Kick-start your job search by thinking about your skills.

A November 2008 Gallup Poll showed that 86 percent of Americans think now is a "bad time to find a quality job." If you are in the position of having to look for work in a sluggish economy, you can benefit by taking time to think in new ways about your skills.

Learn how your skills might transfer to a new industry. If you've been laid off, it's likely that other employers in your industry are not hiring — and if they are, competition could be stiff. In general, job seekers who are willing to settle for work in an industry that is not necessarily their top choice have more chances of landing a job than those who do not have this flexibility. This does not mean settling for a low-quality job, but taking the time to learn how your skills would transfer to a good job outside your current industry. Taking a free skills assessment test on **www.ISEEK.org** can help you identify new occupations that match your skill set, and it will also help you identify where your own skills exceed or fall short of the skill requirements of different jobs. Additionally, Minnesota WorkForce Centers throughout the state offer free workshops that cover skill identification. More information on Minnesota WorkForce Centers is available online at **www.mnwfc.org** or call 1-888-438-5627; (TTY 1-800-657-3973).

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[5] See Mary E. Schmidt, The Financial Services Industry: Risks and Opportunities in Turbulent Times, Minnesota Economic Trends, October 2008 (online at **www.PositivelyMinnesota.com/lmi/publications/trends/0908/finance.htm**)

Don't ignore soft skills. Your personal attributes and interpersonal abilities, often called soft skills, are universally desired, learnable and can make you more competitive and successful in the market. Attributes and abilities relating to reliability, time management, sociability and communication, to name a few, are all sought by most employers. Some experts consider soft skills to be the most important skill set, and there's some evidence to back this up. The Occupational Information Network (O*NET) rates the skill requirements of 809 job titles. Consider these facts:

- More than one in five (21.5 percent) O*NET job titles require a high level (a score of 5 or higher on a 7-point scale) of **active listening skill**, defined as "giving full attention to what others are saying, taking time to understand the points being made, asking questions as appropriate, and not interrupting at inappropriate times."
- Nearly one in five job titles require a high level of **coordination**. Coordination means being able to adjust your actions in relation to others' actions.
- About 14 percent of job titles require a high level of **speaking** skill — talking to others to convey information effectively.
- One out of 10 job titles requires a high level of **social perceptiveness**, defined as "being aware of others' reactions and understanding why they react as they do."
- Ten percent of job titles require a high level of **time-management** skills.
- Five percent of job titles require a high level of **service orientation** — that is, actively looking for ways to help others.

This does not mean that skills in math, science and programming, for example, are unimportant; it simply suggests that no matter what job you are seeking, you are likely to get further if you don't ignore the soft skills.

Think carefully about how your skills meet the needs of each prospective employer. When you apply for a job, consider and communicate carefully how your skills match the requirements. You can do this by organizing your cover letter around the job ad. If the ad specifies the need for strong customer service, communication and telephone skills, write a cover letter that highlights those skills, emphasizing how your previous work experience has honed each of them. Not only does this show the employer that you have what s/he is looking for, it also shows that you paid close attention to what they need.

Once you have identified your skills and honed your resume, where do you find job leads? Starting with Web sites, including employment Web sites and employer Web sites, you'll find job openings of various kinds. But don't rely strictly on these sites. Networking is extremely important. The more people who know that you are seeking employment, the wider the net you cast for finding employment opportunities. Even though we are in a recession, there are still job opportunities to be had.

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For more job-seeking tips and information visit

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