

**Friends of Local Government
Policy Paper Series**

2012:

**New Jersey Employment Upswing?
Or Will It Succumb to the National Slowdown?**

[James W. Hughes](#), Contributing Author
[Joseph J. Seneca, Ph.D.](#), Contributing Author

Volume 4, Number 2
June 2012

Preface

This is the fourteenth 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.

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

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, including Bill Dressel, Michael Darcy and Danielle Holland.

Michael F. Cerra, Policy Advisor
NJLM Educational Foundation
222 West State Street
Trenton, New Jersey 08608
www.njlmef.org

About the Contributing Authors

[James W. Hughes](#) is dean of the Edward J. Bloustein School of Planning and Public Policy at Rutgers, The State University of New Jersey. He has been a member of the faculty since 1971 and was appointed dean in 1995.

[Joseph J. Seneca, Ph.D.](#), has taught at all levels of instruction throughout his Rutgers career and has received numerous awards for exemplary teaching and contributions to public service. A full profile is available at:

2012:
New Jersey Employment Upswing?
Or Will It Succumb to the National Slowdown?

James W. Hughes, Ph.D., Contributing Author

Joseph J. Seneca, Ph.D., Contributing Author

The state's economy has recently been on a "mini-roll!" Private-sector employment, hemorrhaging in 2009, finally experienced growth in 2010. Employment increases then improved sharply in 2011. In fact, 2011 turned out to be the best job-growth year in the state since 2000, 12-years earlier. Based on the first five months of the year, New Jersey's economy in 2012 was on track to supersede by far the employment performance of 2011. However, the surprising national employment-growth deceleration in 2012 (January through May) has put this possibility at risk.

With the state's overall employment recovery still in its nascent stages, several years of above-average growth will be needed to regain the steep job losses that occurred during the Great 2007-2009 Recession. However, this multi-year recovery period could lengthen further if faltering national job growth weakens economic activity in New Jersey. But, as of mid-2012, the employment picture that recovered dramatically in 2010 and 2011 is on track to show further improvement in 2012.

Recovery and Remaining Job Deficit

The Great Recession technically ended in June 2009. Thus, July 2012 will mark the start of the fourth year of economic recovery in the United States and New Jersey. That the recovery has reached such a mature state will probably evoke the disbelief of many New Jerseyans. One reason for this disbelief is the deep employment deficit that still confronts New Jersey and the United States. This deficit persists despite encouraging job growth during 2011 and into the

beginning of 2012. A comparison of the cumulative employment losses of the nation and state should prove instructive.

The United States

As can be seen in chart 1, the cumulative private-sector employment losses in the United States since the recession began remains substantial. Each bar represents the cumulative job loss each month since the start of the recession in December 2007. (Each bar is calculated by subtracting the December 2007 private-sector employment total from each month's private-sector employment total.) There are 53 months (bars) in the slide – January 2008 thru May 2012. The recession technically lasted 18 months, and ended in June 2009. Those are the first 18 bars on the left side of the chart. The first 8 months in this period was a typical harsh recession. Then, in September 2008, Lehman Brothers collapsed, and the next eight months comprised nothing less than a full metal jacket national meltdown. This meltdown is indicated by the green line on the left side of the chart and is labeled “Freefall.” America was staring into the economic abyss.

By June 2009, the technical end of the recession, the nation had lost 7,673,000 private-sector jobs over 18 months. This is indicated by “Recession's End” in the chart. But, employment declines continued for another eight months. However, the losses did start to moderate: things were still getting worse, but at a slower pace. That is what passed for good news as 2009 came to a close. Then, losses finally bottomed out in February 2010 at 8,833,000 private-sector jobs. That is indicated by “Total Loss” in the slide. Thus, the total cumulative employment loss 26 months after the start of the recession reached 8,833,000 private-sector jobs.

The long awaited employment bounce-back then began. Jobs finally started to grow, and the blue bars started to decrease in size. Thus, the cumulative losses were finally starting to shrink. As indicated by the “Recovery” green line and box, 4,267,000 jobs were added over the next 28 months -- between February 2010 and May 2012. To reiterate: the good news is that the total job recovery in the United States to date is nearly 4.3 million jobs. Despite this increase, the cumulative employment loss still stood at 4,566,000 private-sector jobs in May 2012. That is the far right bar in the chart indicated by “Current Deficit.” To reiterate: the bad news is that in

May 2012, according to the latest data, there were still nearly 4.6 million fewer private-sector jobs in the nation than in December 2007, 53 months earlier, when the recession began.

New Jersey

An equivalent relative employment deficit persists in New Jersey. As is shown in chart 2, by June 2009, the technical end of the recession, the cumulative private-sector employment losses in the state stood at 207,900 jobs. This is indicated by “Recession’s End” in the chart. But just like the nation, employment continued to decline for another eight months, finally bottoming out in February 2010. At that time, the state had lost 248,200 private-sector jobs – just shy of one quarter million. This is indicated by “Total Loss” in the chart.

Then job growth finally resumed. Over the next 26 months, private-sector employment in New Jersey grew by 84,600 jobs. This is indicated by the “Recovery” green line and box in the chart. But, despite this growth, in May 2012, the cumulative employment loss still stood at 163,600 private-sector jobs. That is indicated by the far right bar in the chart labeled “Current Deficit.” To reiterate, there were still 163,600 fewer private-sector jobs in the state in May 2012 than in December 2007, 53 months earlier, when the recession began. The bottom line is that both New Jersey and the United States still have to climb out of a very deep employment-loss hole.

America’s Improving Employment Trajectory

Despite substantial federal deficits and global economic headwinds, improving employment trajectories through the end of 2011 are evident both in the United States and New Jersey. In 2009, the nation was still hemorrhaging jobs, as indicated by far left bar in Chart 3 (-4,984,000 private-sector jobs). Payroll employment statistics were first compiled in the United States in 1939: 2009 was the worst year ever in the subsequent 71 years. But, stability and modest growth returned in 2010, as shown by the middle blue bar (+1,248,000 private-sector jobs). Then in 2011, the far right bar, the nation had a net increase of 2,105,000 jobs. This three-year period thus represents a strong positive growth trajectory.

The New National Concern: Two Perspectives

The United States entered 2012 like an economic lion. In January, the nation added a stunning 277,000 private-sector jobs, as shown by the far left bar of the top half of chart 4, labeled “Negative.” However, by May, the far right bar, it looked like the status was reduced to an economic lamb, with growth reduced to just 82,000 jobs, less than 30 percent that of January! This downward trend has obviously impacted the stock market, and is correlated with the never-ending European debt crisis. Extrapolating the green line would suggest the lamb may soon become lamb chops.

However, a case could be made that it probably isn’t time to panic. It is certainly possible that the very mild winter weather in December, January and February may have accelerated growth, essentially borrowing it from March, April, and May. Looking at the five months of 2012 together (January-May), reasonable aggregate growth was still evident. This is shown on the bottom half of the chart, labeled “positive.” The five-month employment gain in 2012 was 847,000 jobs. This translates into an annual gain of 2,032,800 private-sector jobs as shown in the bottom line in the slide. That compares to a total 2011 12-month gain of 2,105,000 jobs. That could be considered the positive interpretation of 2012’s employment growth, with the possibility of matching the growth achieved in 2011. The negative interpretation would be an extrapolation of the green trend line in the chart. It could quickly descend into negative territory.

New Jersey’s Improving Employment Trajectory

What is surprising is that the relative private-sector employment improvement in New Jersey between 2010 and 2011 was even more dramatic than the nation (chart 5). In 2009, a recession-wracked state hemorrhaged 117,000 private-sector jobs. In 2010, employment stabilization first ensued and then growth resumed – a modest, but positive 10,200 additional private-sector jobs. Lift off was finally achieved in 2011, reflected by a 33,400 private-sector job gain. This was more than triple (227 percent) the growth of 2010. The relative 2011 to 2010 national increase was only 68 percent, a less than doubling.

And in 2012, New Jersey was off to an even better start. For the first five months of the year, the state gained 27,500 private-sector jobs (chart 6). Annualizing this figure yields 66,000 jobs for all

of 2012, a total nearly double the 33,400 job increase of 2011. So, in relative terms, New Jersey's 2012 growth trajectory, through May, has been more positive than that of the United States. That certainly has been a positive development for the state and its municipalities. But a downside is that the national employment-growth trajectory has recently faltered, which will ultimately be reflected in New Jersey.

Looking in the rear view economic mirror, 2011 was the best job growth year in the state since 2000, 11 years earlier. This is shown in chart 7 which shows the annual change in private-sector employment for the past decade, with 2011 on the far right and the year 2000 on the far left. Growth in 2011 easily surpassed the annual gains in every year since 2000. Moreover, the state's potential annualized gain in 2012 – 66,000 private-sector jobs – as shown in chart 6, would actually surpass the year 2000 total (64,500 jobs). This would certainly qualify as full economic liftoff!

Economic Revenge

The state's rebound has enacted some measure of economic revenge. The economic promised lands of the bubble years – those states that proved to be intense competitors for New Jersey – have lost a bit of their allure. This is quite a turn of events. During the housing bubble years, 2002 to 2007, North Carolina and Georgia leap-frogged over New Jersey. Before 2006, New Jersey ranked ninth among the 50 states in total private-sector employment. But, in 2006, Georgia took over ninth place, pushing New Jersey to 10th place. Then, in 2007, North Carolina took over 10th place, pushing New Jersey to 11th place. This was the first time since the founding of the Republic that New Jersey fell out of the top 10 states in private-sector employment.

But the Great Recession and its aftermath may now have tilted the economic playing field back in the Garden State's favor. New Jersey has made returned to the top ten states in total private-sector employment, now ranking ninth again. North Carolina has fallen back to 10th place and Georgia has been knocked out of the top ten and now finds itself in 11th place. So, economic revenge appears to be at hand. Perhaps the historic virtues and economic assets of New Jersey are being rediscovered.

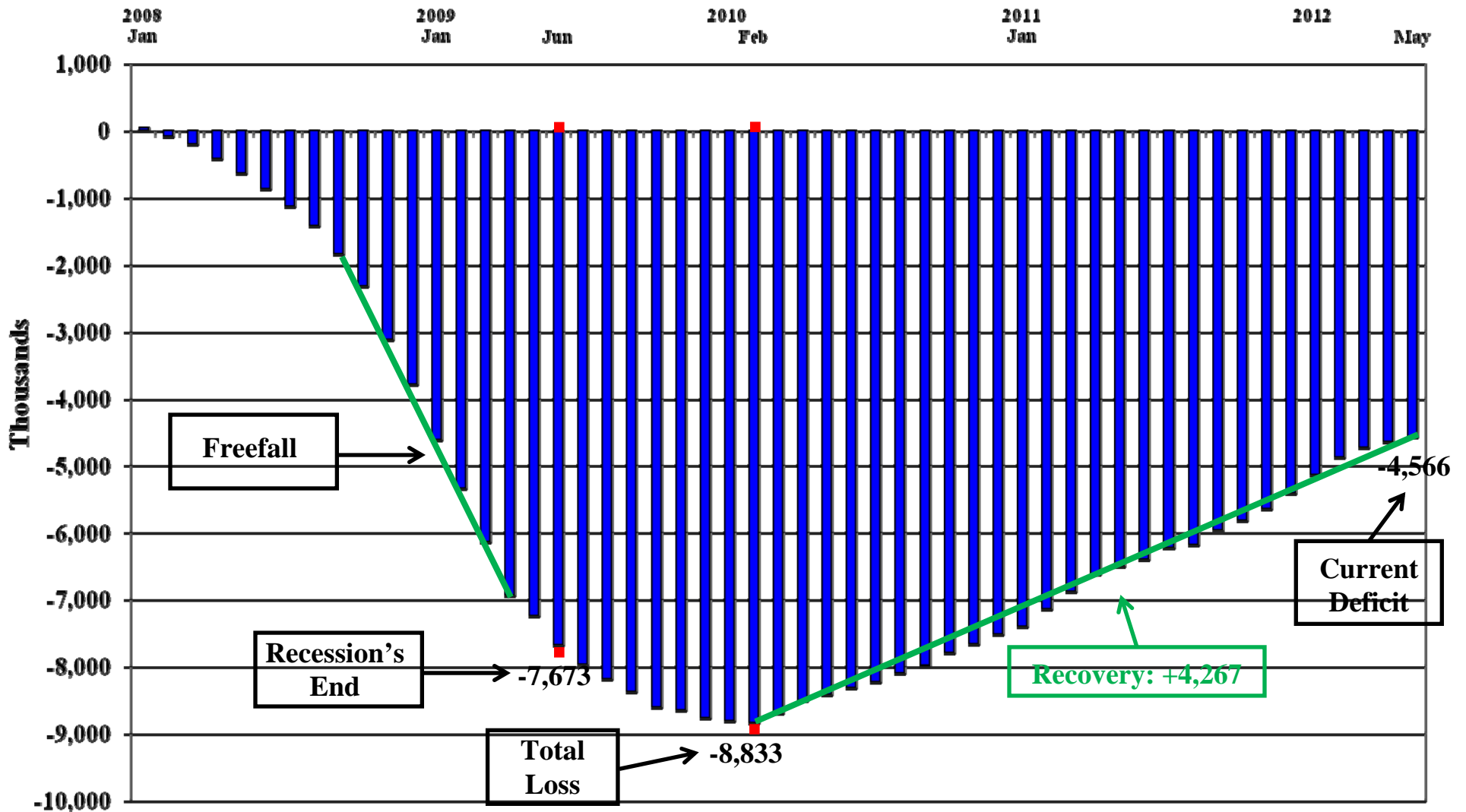
Conclusion

The positive news is the return of much stronger job growth in New Jersey, and the resumption of the state's historic national employment ranking. Nonetheless, New Jersey's employment deficit still remains daunting, as does that of the United States. Full recovery from the worst recession since the great Depression is still some time away. This will continue in particular to hamper the residential property markets of the state and its 565 municipalities (as of January 1, 2013, when the Princeton merger is effectuated). Full employment recovery will be needed for the state's housing market to fully stabilize and to initiate a property value rebound. The negative news is the 2012 faltering of the national economy that has the potential to put the state's recent progress at risk.

Chart 1

U.S. Private-Sector Employment

Cumulative Losses (thousands), Jan. 2008 – May 2012

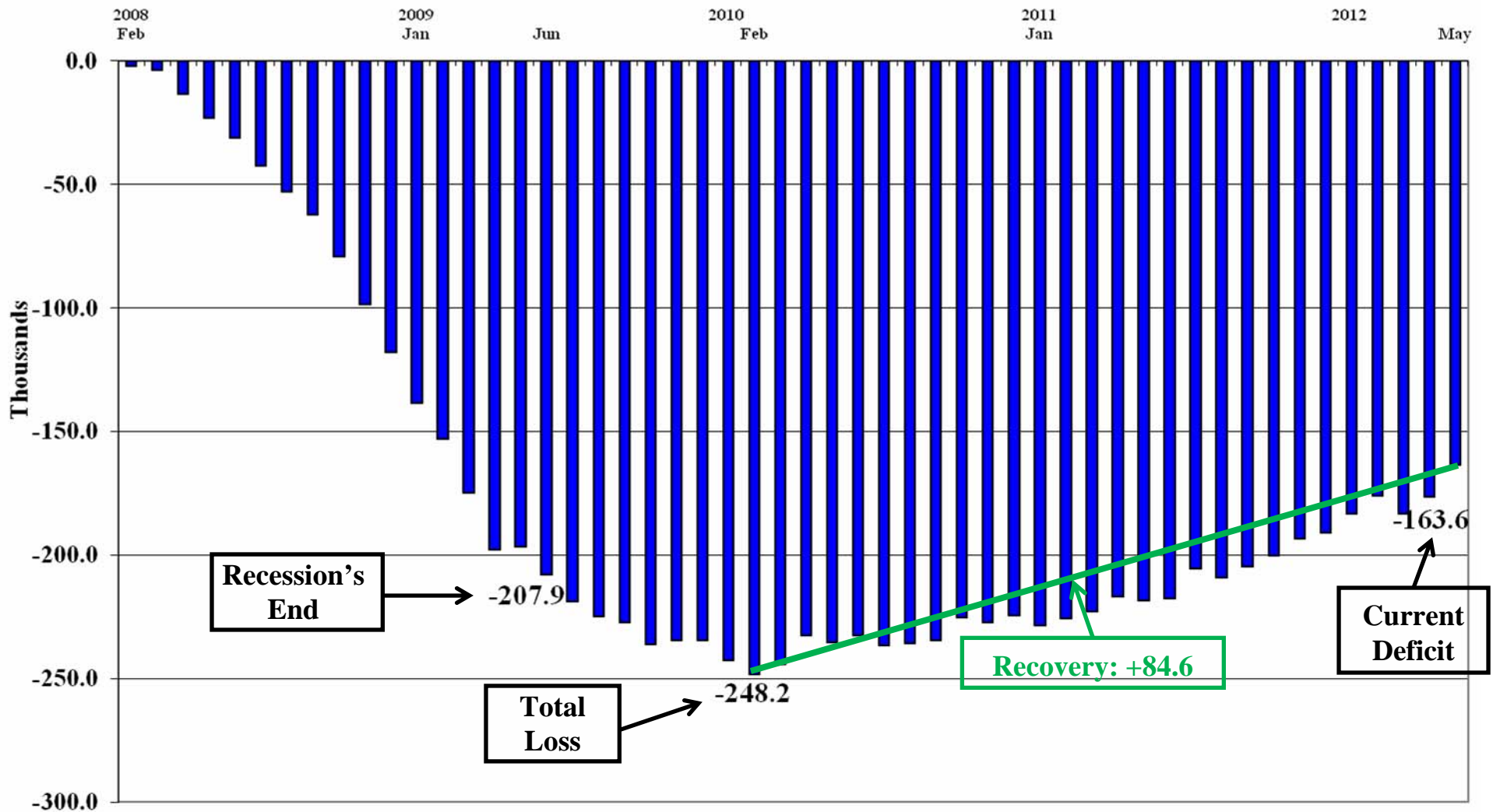


► Source: U.S. Bureau of Labor Statistics.

Chart 2

NJ Private Sector Employment

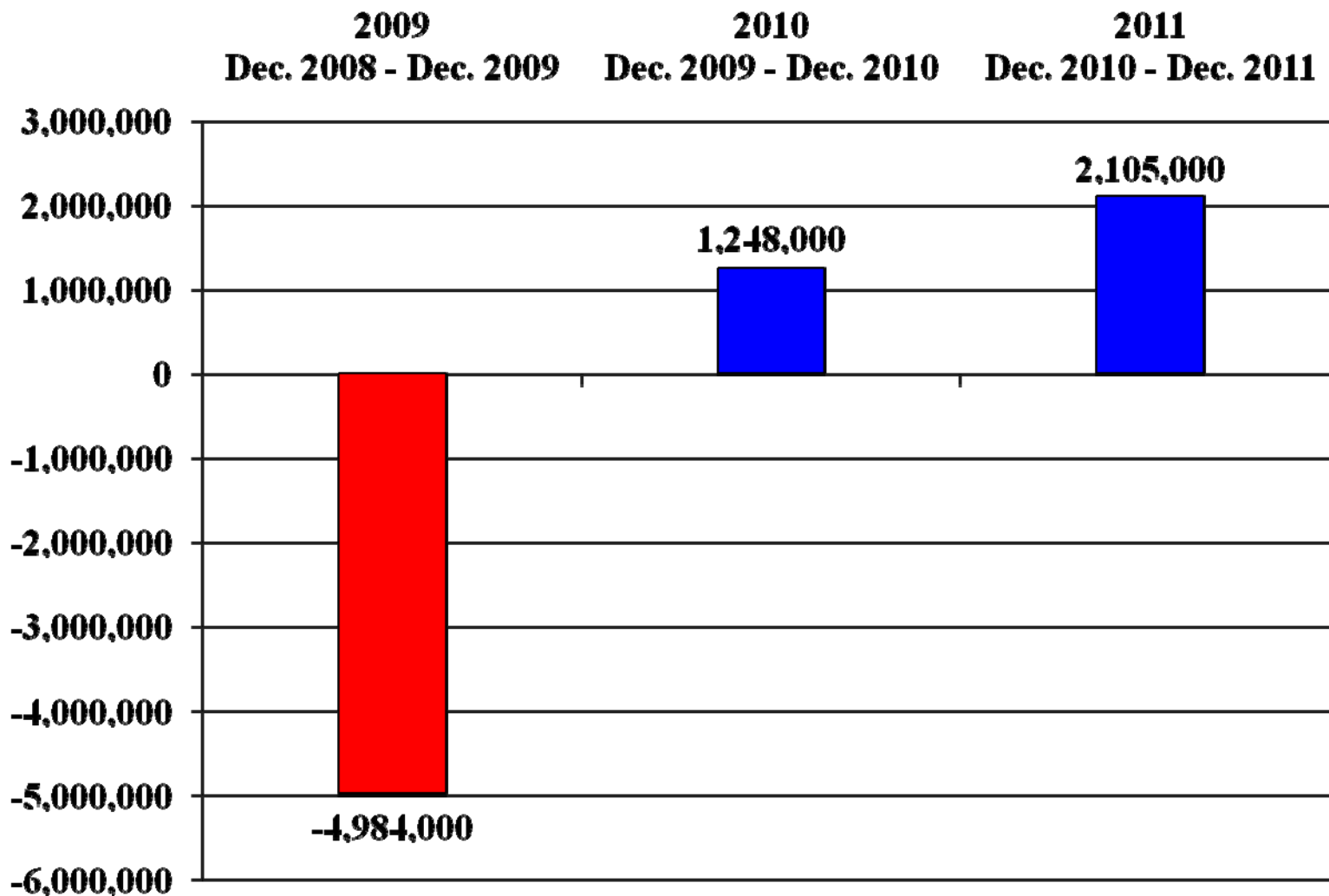
Cumulative Losses: Feb. 2008 – May 2012



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

Chart 3

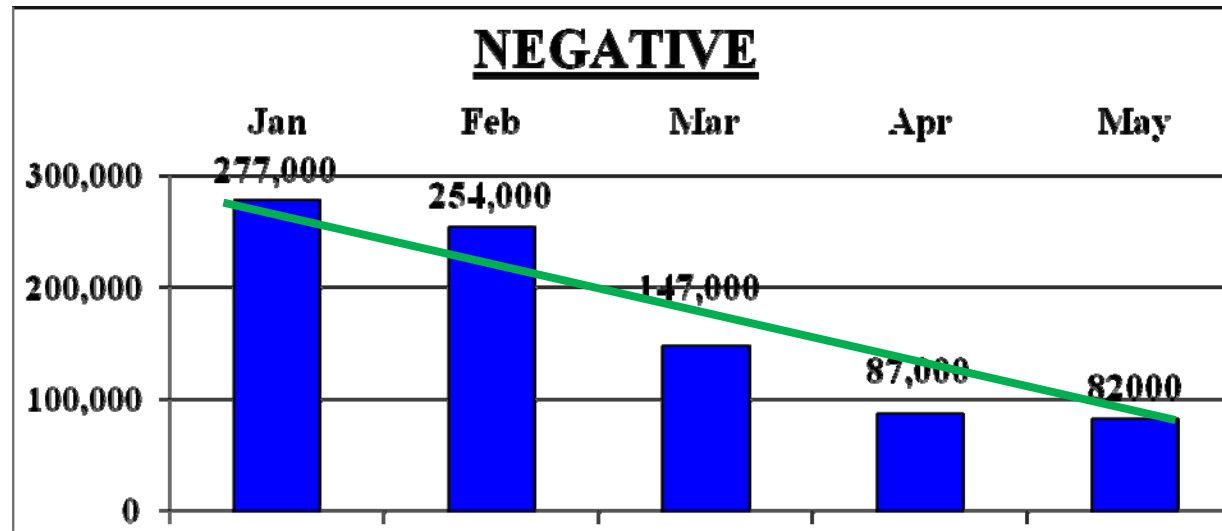
U.S. Private-Sector Employment Change 2009, 2010, 2011



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

Chart 4

U.S. Private-Sector Employment Change January – May, 2012



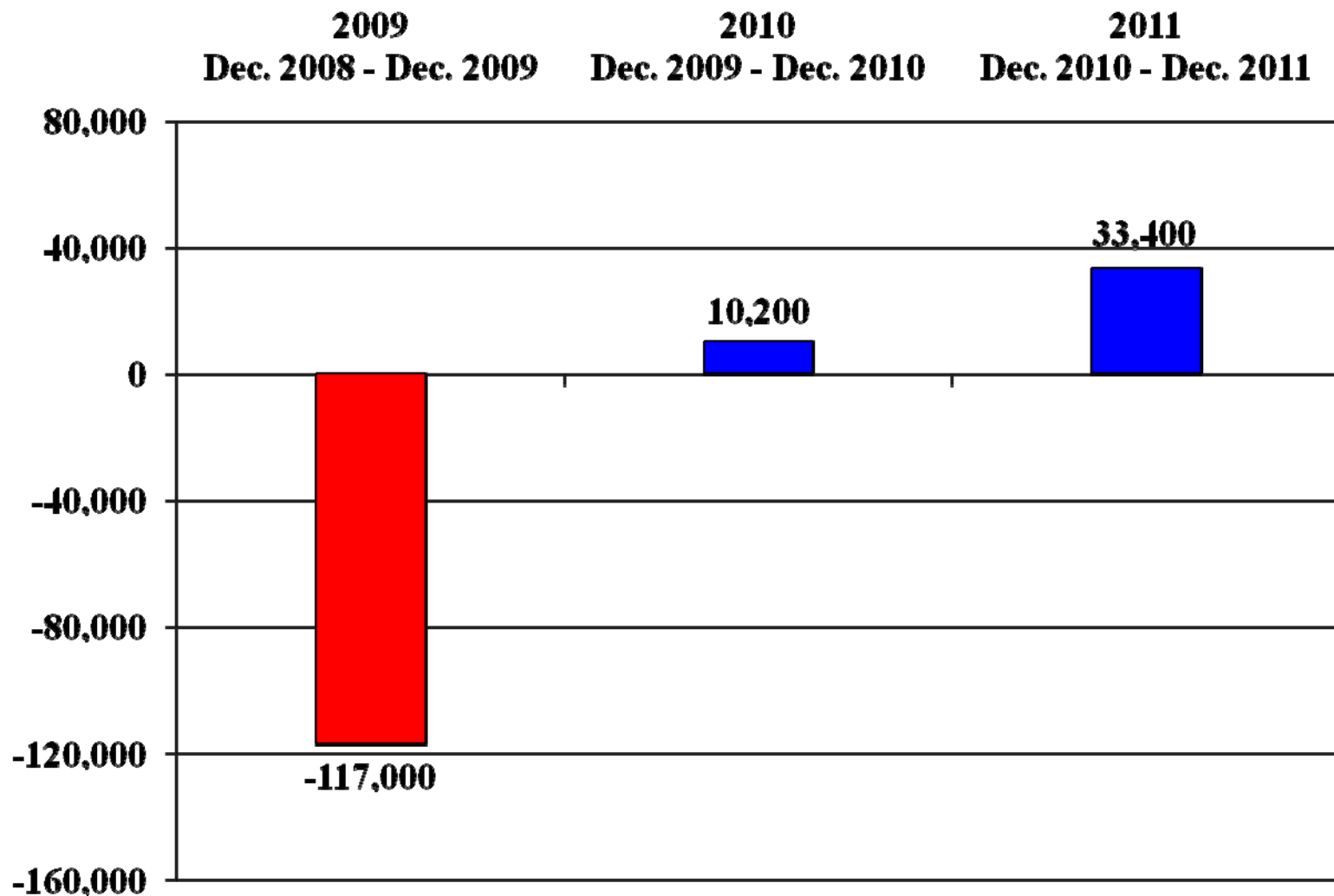
POSITIVE

2011 12-Month Gain:	2,105,000
2012 5-Month Gain:	847,000
2012 Annualized Gain:	2,032,800

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

Chart 5

New Jersey Private-Sector Employment Change 2009, 2010, 2011



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

Chart 6

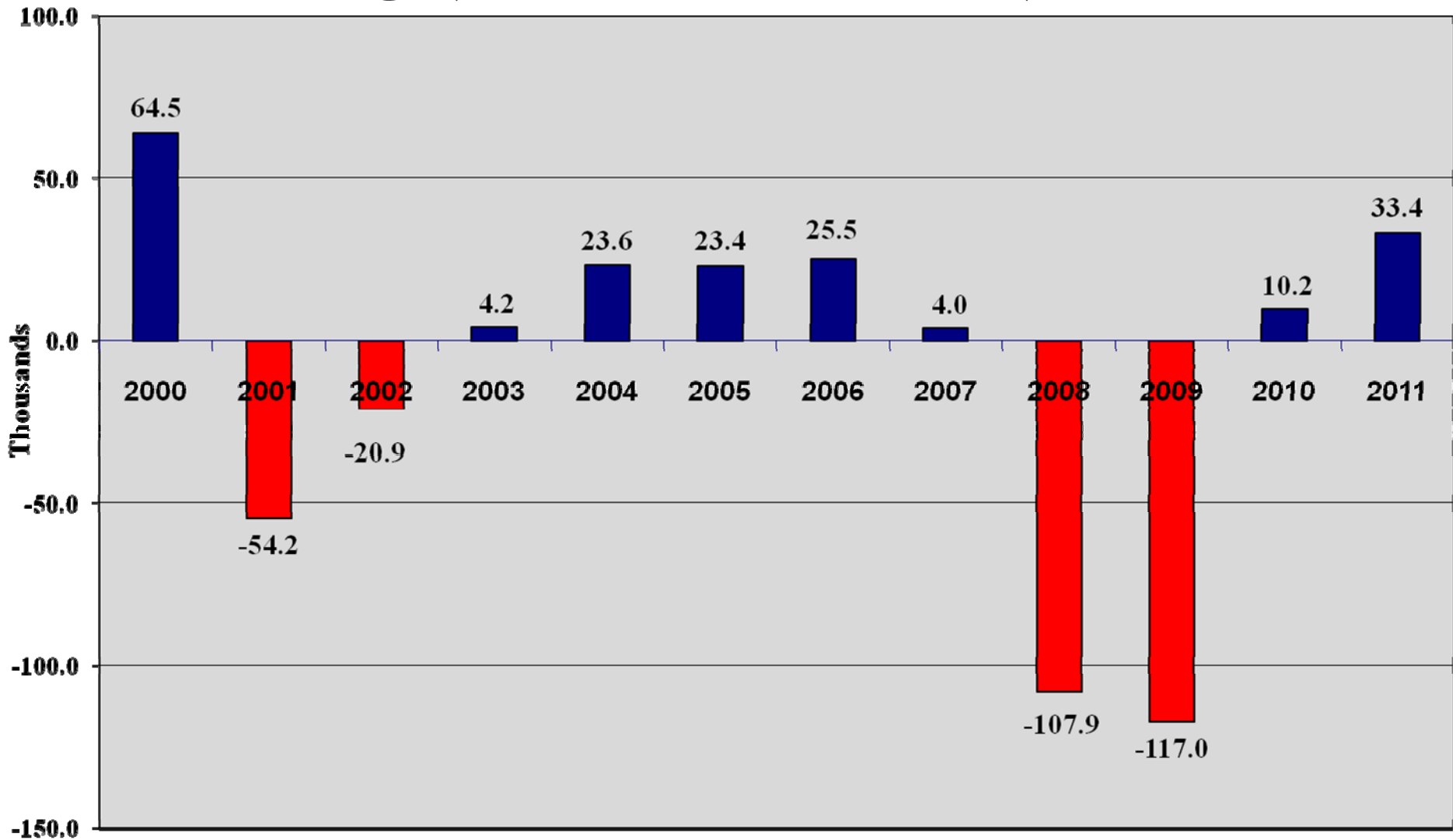
NJ Private Sector Employment Change: 2011 and 5-Month 2012 Annualized

▶ 2011 12-Month Gain:	33,400
▶ 2012 5-Month Gain:	27,500
▶ 2012 Annualized Gain:	66,000

▶ *Source:* U.S. Bureau of Labor Statistics.

Chart 7

New Jersey Private Sector Employment Change Annual Change (December to December), 2000-2011



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