

Slow and steady: payroll employment grew moderately in 2012

Although nonfarm payroll employment ended the year 3.4 million below the series' peak, the number of jobs increased by 2.2 million in 2012; employment growth took place in most major industries, and the 2012 nonfarm payroll gains kept pace with the previous year's advances

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According to data from the Current Employment Statistics (CES) survey,¹ employment growth in 2012 totaled 2.2 million and was spread among most major industries, some of which had more substantial gains than others. During the year, nonfarm payroll employment continued to trend upward, averaging an increase of 183,000 per month, similar to the growth in 2011. (See chart 1.) This article examines several of the notable movements that occurred during the year.

By December 2012, 34 months after the end of one of the most severe employment downturns in history, the U.S. economy had recovered 5.4 million of the 8.7 million decline in nonfarm payroll employment that had taken place from January 2008 to February 2010. (See chart 2.) To put the latest employment recovery into perspective, the most recent employment downturn² lasted 25 months, and nearly 3 years after the employment series' most recent trough, the U.S. economy had recovered only 62 percent of the net employment loss from peak to trough. None of the previous five employment downturns were as long in length, had as large a decline in jobs, nor were followed by a recovery that required as many months. The downturn of June 1990, for example, lasted 17 months, and a full recovery was reached 21 months after the employment

trough. (See table 1 and chart 3.)

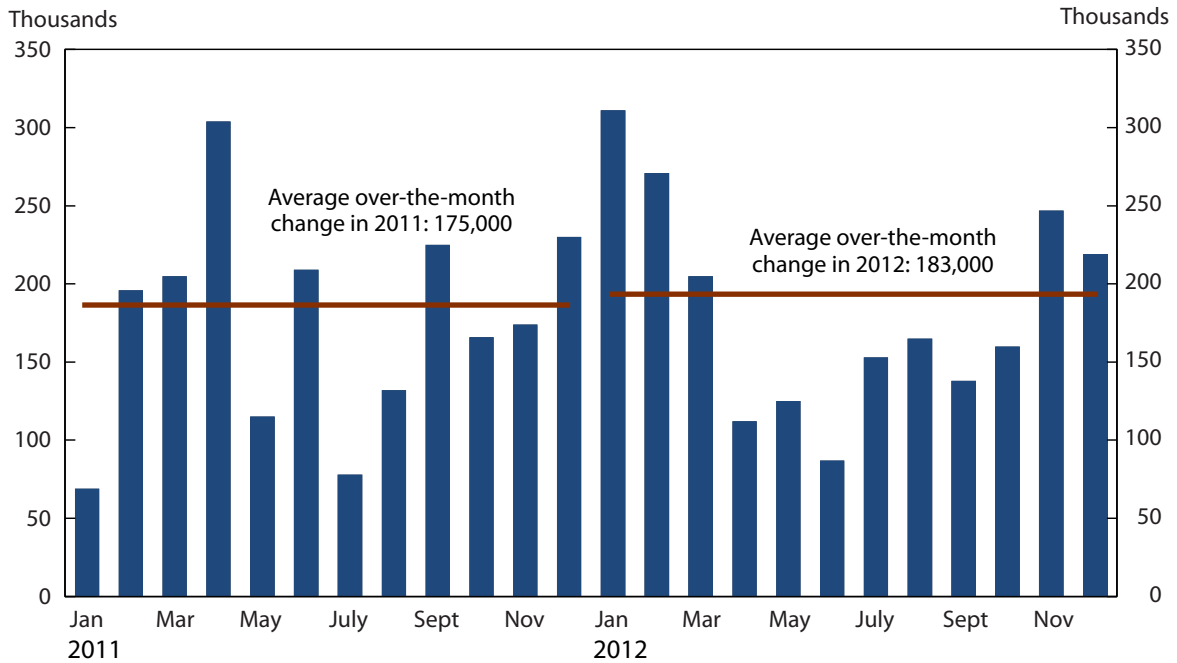
Other indicators, hours, and earnings

Like nonfarm payroll employment, the majority of the other economic indicators were largely positive in 2012. Gross domestic product rose by 2.2 percent in 2012, with the strongest growth occurring in the third quarter of the year.³ The Conference Board's leading and coincident economic indexes both grew modestly in 2012.⁴ Average weekly hours of production and non-supervisory employees in manufacturing, a component of the leading economic index, increased by 0.2 hour between December 2011 and December 2012; they reached a high point in February 2012 and ended the year at that level.⁵ On the other hand, average weekly hours for production and non-supervisory employees on total private payrolls were unchanged on net over the same 12-month period.⁶

Temporary help services employment, often used as a leading indicator of total nonfarm job growth, grew by 7.3 percent over the year, substantially faster than the total private employment growth rate of 2.1 percent. Average hourly earnings of employees in the private sector grew by 2.1 percent in 2012, the highest rate of growth over a calendar year since 2008. Overall, the

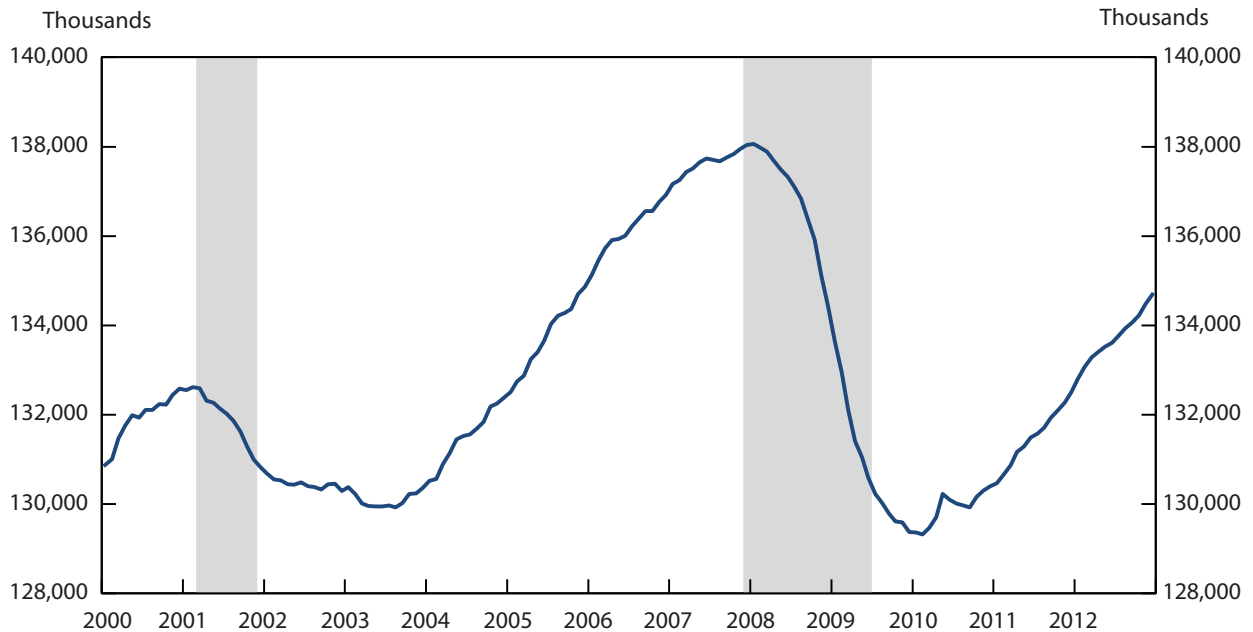
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Chart 1. Over-the-month change in total nonfarm employment, seasonally adjusted, January 2011–December 2012



SOURCE: U.S. Bureau of Labor Statistics.

Chart 2. Total nonfarm employment, seasonally adjusted, January 2000–December 2012



NOTE: Shaded areas represent recessions as determined by the National Bureau of Economic Research.
SOURCE: U.S. Bureau of Labor Statistics.

Table 1. Total nonfarm employment decrease, by downturn and number of months to recover

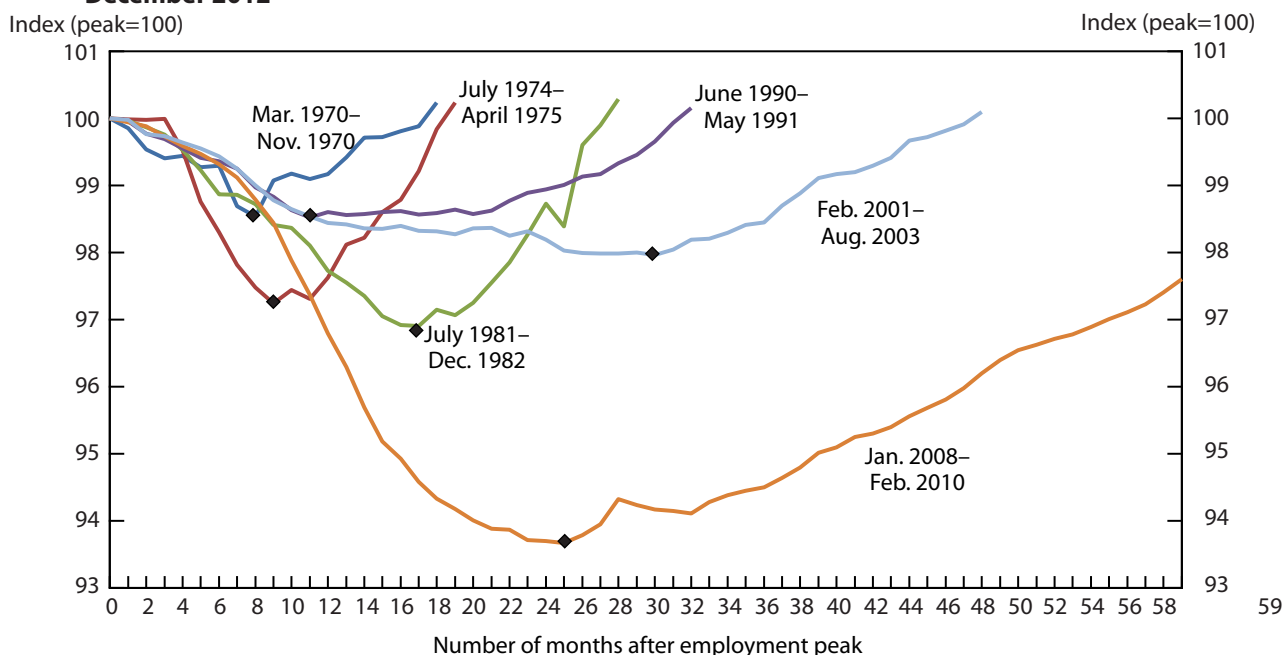
Peak-to-trough period ¹	Jobs lost during downturn, in thousands	Number of months to recover jobs lost
March 1970–November 1970	1,044	10
July 1974–April 1975	2,171	10
July 1981–December 1982	2,838	11
June 1990–May 1991	1,626	21
February 2001–August 2003	2,698	18
January 2008–February 2010	8,736	34 ²

¹ These are employment peak-to-trough periods, not the business cycle peaks and troughs determined by the National Bureau of Economic Research.

² December 2012 marks 34 months of ongoing recovery, 3.4 million jobs short of full recovery.

SOURCE: U.S. Bureau of Labor Statistics.

Chart 3. Total nonfarm employment indexed to employment peaks, seasonally adjusted, March 1970–December 2012



NOTE: The black diamond indicates the employment trough for each series. To the left of each trough is the employment downturn (peak-to-trough period), and to the right of each trough are the months of recovery.

SOURCE: U.S. Bureau of Labor Statistics.

majority of economic indicators showed moderate growth in 2012, posting gains similar to those in total nonfarm employment.

Strong employment growth

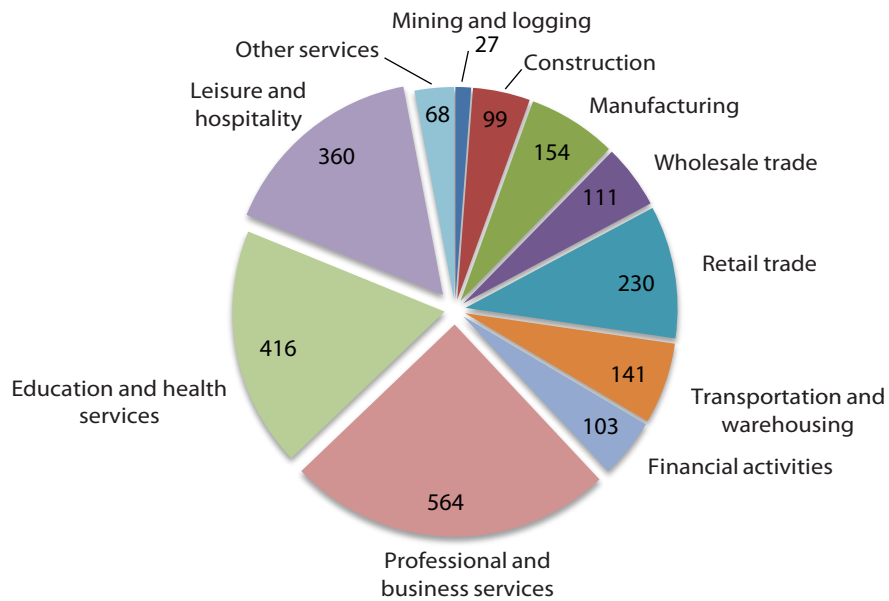
Nearly all the major industries in the private sector experienced job growth in 2012 as they continued to build upon the growth trends seen in 2011. Over the 12-month period ending in December 2012, the diffusion index for total private employment was 75.6. An index value of 50 or more indicates that more industries are adding than losing jobs. The dispersion of job growth in 2012 across

industries was improved slightly over 2011 and was markedly improved compared with the low of 12.8 reached in August 2009.

While job growth occurred in a majority of detailed industries in 2012, more than 60 percent of the employment growth in 2012 came from three major industry sectors—professional and business services, leisure and hospitality, and education and healthcare. (See chart 4.) These three major sectors account for approximately 22 percent of the industries that make up the diffusion index. The year 2012 was the second consecutive one during which no net job losses occurred in any of the private-sector industries. Employment in the information and

Chart 4. Distribution of private sector employment gains, seasonally adjusted, December 2011–December 2012

Thousands



NOTE: Employment in the information and utilities sectors was essentially unchanged in 2012.
SOURCE: U.S. Bureau of Labor Statistics.

utilities sectors was essentially unchanged in 2012.⁷

Employment growth in professional and business services continued in 2012. This sector added 564,000 jobs, an average of 47,000 per month, accounting for a quarter of the total nonfarm over-the-year job growth. Job growth in professional and business services was propelled by gains in temporary help services, computer system design and related services, and management and technical consulting services.

Continued job growth in computer systems design and related services and in management and technical consulting services contributed 25 percent of the employment gain seen in the professional and business services sector.

Temporary help services makes up 14 percent of the employment in the professional and business services sector yet was responsible for more than 30 percent of the employment gains. Traditionally, the trend in temporary help services employment has led the employment trend in total nonfarm employment. (See chart 5.) Temporary help services added 174,000 jobs in 2012, continuing the similarly strong growth the industry had experienced in the previous year. However, the rate of employment growth lessened towards the end of 2012. Growth over the past 2 years placed temporary help services at 90 percent recovery of the 911,000 jobs lost during the indus-

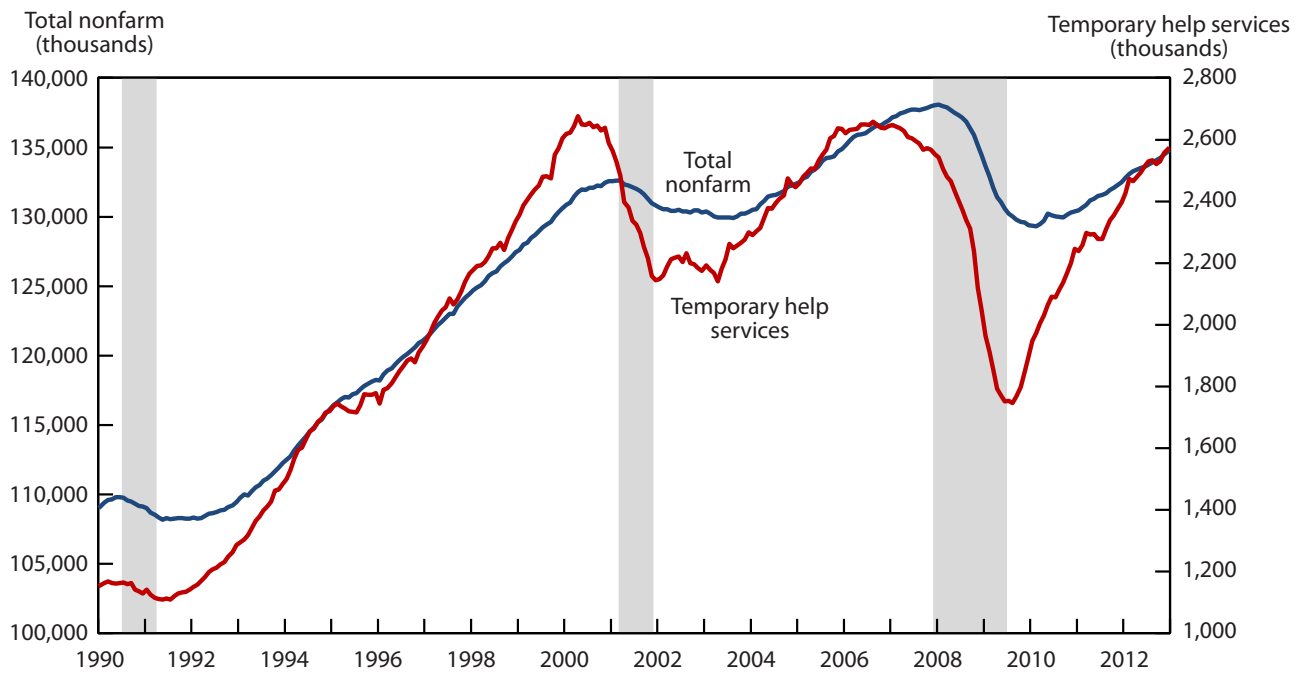
try's last downturn (August 2006 to August 2009).

Major indicators related to industries within professional and business services, such as International Strategy and Investment's temporary help survey, showed similar signs of growth during the year.⁸ The Conference Board Help Wanted Online data series, a leading indicator of labor demand, ended 2012 with in excess of 500,000 more help-wanted job postings than were posted at the end of 2011; in December 2012, there were 4.9 million help-wanted advertisements posted.⁹ Professional and business services had shed 1.7 million jobs between December 2007 and August 2009. The industry had fully recovered the jobs lost as 2012 came to a close.

The leisure and hospitality sector experienced consistent job gains in 2012 that were similar to the job growth experienced in 2011; 360,000 jobs were added in 2012. (See chart 6.) As of January 2012, the industry had recovered all of the 616,000 jobs lost during the December 2007–December 2009 contraction, and employment continued expanding throughout 2012.

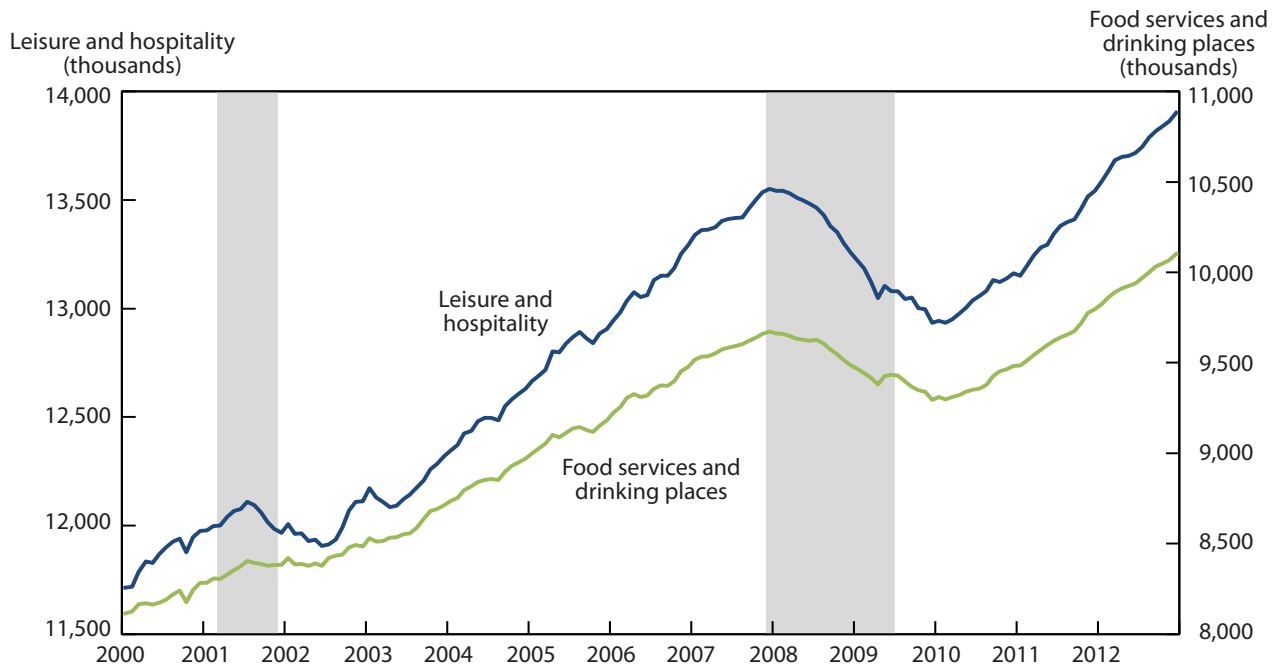
Similar to previous years, nearly all of the job growth in leisure and hospitality occurred in food services and drinking places, which grew by 300,000 jobs over the year. Employment in other components of leisure and hospitality—arts, entertainment, and recreation, and

Chart 5. Total nonfarm and temporary help services employment, seasonally adjusted, January 1990–December 2012



NOTE: Shaded areas represent recessions as determined by the National Bureau of Economic Research.
SOURCE: U.S. Bureau of Labor Statistics.

Chart 6. Leisure and hospitality and food services and drinking places employment, seasonally adjusted, January 2000–December 2012



NOTE: Shaded areas represent recessions as determined by the National Bureau of Economic Research.
SOURCE: U.S. Bureau of Labor Statistics.

accommodation—changed little over the year. The employment gains experienced in food services and drinking places in 2012 were reflective of major indicators for the industry. The National Restaurant Association’s Restaurant Performance Index, which measures sales, traffic, labor, and capital expenditures, continued to trend upward for the second consecutive year.¹⁰ Also, food services and drinking places sales, as published by the U.S. Census Bureau, ended the year up 7.7 percent over the December 2011 level.¹¹

Employment in education and health services continued to register healthy gains, which totaled 416,000 in 2012. Most of the employment gains came from the health care industry, which added 321,000 jobs during the 12 months that ended in December 2012. The over-the-year health care industry employment increase was concentrated in selected ambulatory health care services, as shown by this tabulation:

Industry	Employment change
Ambulatory health care services	208,000
Offices of physicians	56,000
Outpatient care centers	39,000
Home health care services	78,000
Hospitals	73,000
Nursing and residential care facilities	39,000

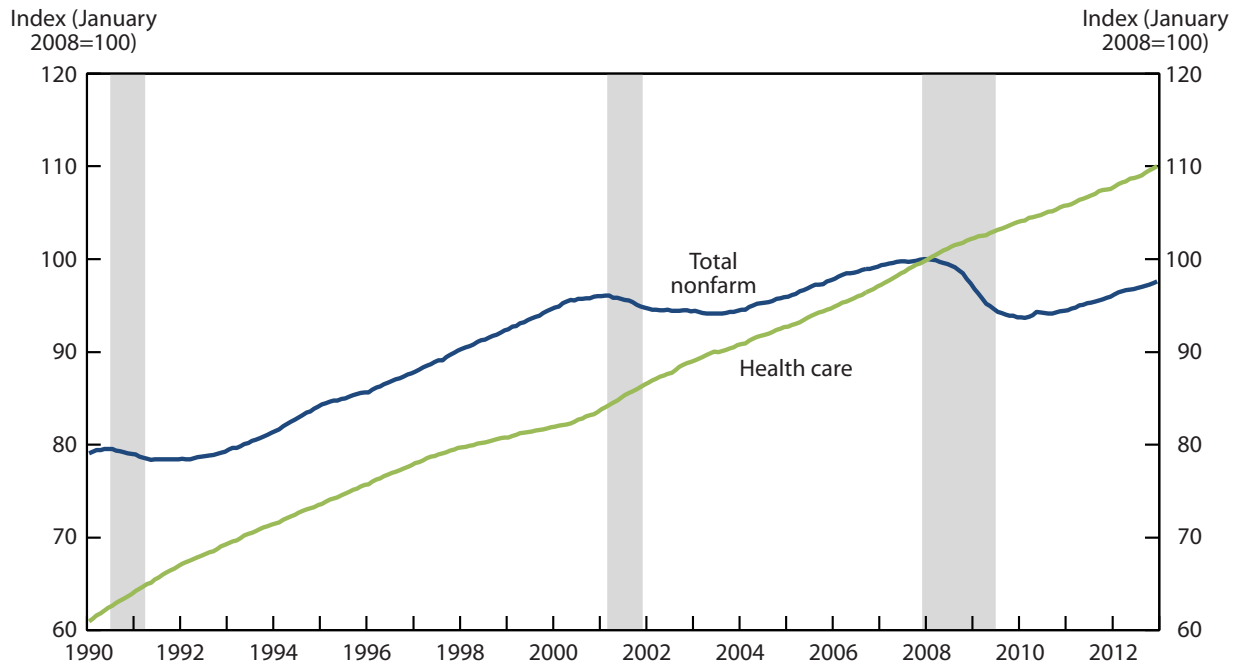
Within health care, employment in ambulatory care grew at the most rapid pace, 3.4 percent. Job growth was largely concentrated in three components: offices of physicians, outpatient care centers, and home health care services. Hospitals and nursing and residential care also added jobs in 2012, but at a slower pace than other industries within the health care services sector.

Historically, health care services employment has tended to be fairly recession proof; the industry has experienced strong and continuous employment growth since 1990 (the first year for the employment series) and has grown steadily even during the last three recessionary periods. (See chart 7.) Job gains in the industry are highly correlated with the aging baby boomer¹² population as well as advancements in medical technologies, which can drive up demand for new procedures.¹³ The positive employment trend in health care services is the most consistent among all major sectors.

Moderate employment growth

In 2012, retail trade employment increased by 230,000 in the third consecutive year of job gains. Employment gains in retail trade generally correlate positively with

Chart 7. Indexed total nonfarm and health care employment, seasonally adjusted, January 1990–December 2012



NOTE: Shaded areas represent recessions as determined by the National Bureau of Economic Research.
SOURCE: U.S. Bureau of Labor Statistics.

retail sales, which increased by 4.7 percent in 2012.¹⁴ Although consumer confidence ended the year 2.0 points stronger than in December 2011,¹⁵ the Confidence Index oscillated for the majority of 2012, indicating that while the retail industry continued to recover, consumers were still cautious.

Half of the 2012 employment growth in the retail trade industry occurred in clothing and clothing accessories stores and in food and beverage stores. The employment gain in clothing and clothing accessories stores was spread across most of the components, with the gain in family clothing stores being the largest. Of the 53,000 increase in food and beverage stores employment in 2012, 82 percent was from an increase in grocery store jobs.

Staying consistent with its job growth trend from the previous year, motor vehicle and parts dealers posted an over-the-year gain of 31,000 jobs. Vehicle sales increased by 1.4 million units over the same period, with dealers selling upwards of 15 million vehicles in 2012¹⁶ despite gas prices averaging more than \$3.80 per gallon.¹⁷

Since the most recent retail trade employment trough in December 2009, employment in the industry expanded by an average of 1.5 percent annually. Despite this consistent growth, retail trade employment remained 572,000

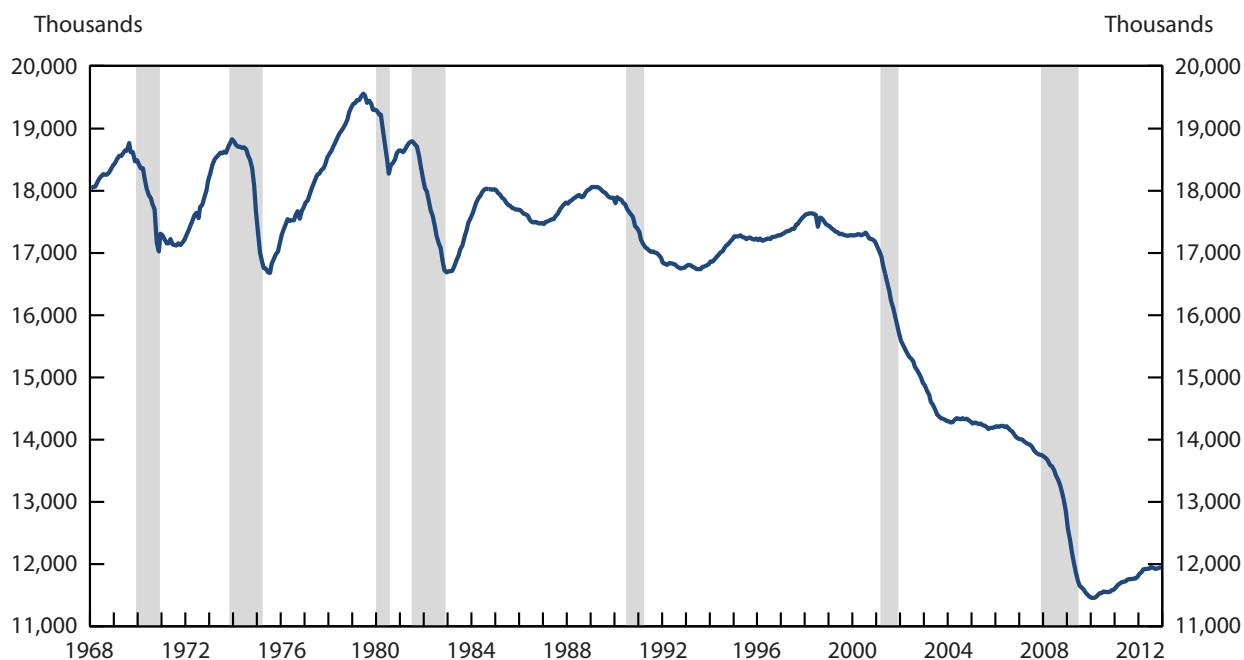
below its most recent employment peak (which was in November 2007) as 2012 came to a close.

Manufacturing indicators continued to signal improvement during 2012. New orders for manufactured goods increased by 3 percent over the year,¹⁸ and industrial production rose by 2.2 percent over the year.¹⁹ Although employment showed little net change after July, manufacturing had another year of modest employment gains in 2012 with an increase of 154,000. Average employment growth for the sector, 13,000 per month, was slightly weaker than the previous year's average gain of 17,000 per month. Since the 1970s, manufacturing employment has rarely fully recovered from its downturns. (See chart 8.) Manufacturing lost 3 million jobs during its most recent downturn (August 2004 to February 2010) and through December 2012 had recovered 491,000 of them.

In 2012, motor vehicle and parts manufacturing added 45,000 jobs as increased demand fueled vehicle sales and expanded the production of motor vehicles. Showing a trend similar to that of the prior 2 years, fabricated metal products also turned in sizable employment growth in 2012, increasing by 48,000.

Transportation and warehousing employment increased by 141,000 over the year. The American Trucking

Chart 8. Manufacturing employment, seasonally adjusted, January 1968–December 2012



NOTE: Shaded areas represent recessions as determined by the National Bureau of Economic Research.
SOURCE: U.S. Bureau of Labor Statistics.

Association's Truck Tonnage Index, used as an indicator of shipping activity in the United States, increased by 2.3 percent in 2012.²⁰ Overall, transportation and warehousing posted a job gain in 2012, but as the year came to a close, employment was still 67,000 below its most recent employment peak in April 2008. The majority of the 2012 employment increase occurred in truck transportation (up by 49,000) and in warehousing and storage (up by 30,000).

Couriers and messenger services ended 2012 with sizable job gains in November and December as a result of stronger-than-usual seasonal hiring. Strong seasonal layoffs in early 2013, however, largely offset the year-end strength in this industry.

Construction employment continued to trend upward, gaining 99,000 jobs in 2012 after increasing by 144,000 in 2011. The majority of the job growth in 2012 came in the last 3 months of the year. In 2012, specialty trade contractors provided more than half the growth in the construction industry, adding 56,000 jobs. Construction had lost 2.3 million jobs from April 2006 to January 2011. By December 2012, however, the construction sector had recovered 276,000 jobs.

Economic indicators pointed to improvement in construction during 2012. Housing units authorized by building permits were 30.3 percent higher than in 2011, while housing starts increased by 28.1 percent over the year.²¹ Construction expenditures, a measure of the total dollar value of construction work done in the country, continued its steady increase for the second consecutive year.²² At the end of October 2012, Superstorm Sandy made landfall on the East Coast, consequently causing billions of dollars in damage to the economy.²³ This storm most likely contributed to employment growth through increased repair and rebuilding efforts that continued through the end of the year. The Remodeling Market Index increased in the fourth quarter to levels last seen in 2005.²⁴

As a result, sectors in construction showed strength as well. The bulk of construction job gains occurred in residential specialty trade construction (gaining 41,000 jobs), which registered increases every month beginning in August 2012, while nonresidential specialty trade construction employment grew moderately (up by 15,000).

Continued job losses in government

Government employment continued to decline in 2012

with a loss of 76,000 jobs. Job losses in government were split between federal jobs and local government jobs. State government employment was essentially unchanged with no major movements in its components, as shown by the following tabulation of the over-the-year change in employment:

<i>Industry</i>	<i>Employment change</i>
Total government	-76,000
Federal.....	-42,000
State	-2,000
Local	-32,000

Within federal government, the U.S. Postal Service continued to experience financial difficulties, and 2012 marked its fifth straight year of employment declines,²⁵ losing 16,000 jobs during the year. The U.S. Postal Service has lost more than 17 percent of its entire workforce since 2008.

Local government employment—which had declined by 575,000 by the end of 2012 after reaching a peak in July 2008—experienced a slower rate of job loss in 2012: the average decline was 3,000 per month in 2012, down from 16,000 per month in 2011 and 20,000 per month in 2010. This improvement stems from slowing job losses in both components of local government. In 2010, jobs losses in local government excluding education averaged 10,000 per month and then slowed the following year before holding fairly steady in 2012. Job losses in local government education averaged 10,000 per month in 2010 and 12,000 per month in 2011 before slowing to 3,000 per month in 2012.

MORE THAN 2.2 MILLION PRIVATE PAYROLL JOBS were added in 2012, while job losses in government decelerated. The 2012 employment increase accounted for 41 percent of the jobs recovered since the employment trough in February 2010. However, as of December 2012, employment was still 3.4 million below its January 2008 peak.

Several sectors continued their upward employment trends in 2012. Professional and business services sector and the leisure and hospitality sector both recovered to their prerecessionary employment levels. Health care employment continued to expand. Employment gains in other industries increased, although at a more moderate pace than those three sectors. Manufacturing, wholesale trade, and retail trade all ended 2012 with gains. Government, on the other hand, continued to shed jobs over the year. □

Notes

¹The Current Employment Statistics (CES) program is a monthly survey of about 145,000 businesses and government agencies, representing approximately 557,000 individual worksites. For more information on the program's concepts and methodology, see "Technical notes to establishment survey data," <http://www.bls.gov/ces/#technical>. To access CES data, see "Current Employment Statistics—CES (national)," <http://www.bls.gov/ces>. The CES data used in this article are seasonally adjusted unless otherwise noted.

²An employment downturn is defined as the period after an employment series has peaked until the series eventually reaches an employment trough.

³To access GDP data, see "National economic accounts" (Bureau of Economic Analysis), <http://www.bea.gov/national/index.htm#gdp>.

⁴The Conference Board is a global, independent, business, membership and research association. To access the Board's coincident and leading index data, updated at least daily, see "Global business cycle indicators" (New York: The Conference Board), <http://www.conference-board.org/data/bcicountry.cfm?cid=1>.

⁵Aggregate weekly hours are the product of employment and average weekly hours. The index is calculated by dividing the monthly aggregates by the annual average of aggregate weekly hours for 2007.

⁶Aggregate weekly payrolls are the product of employment, aggregate weekly hours, and average hourly earnings. The index is calculated by dividing aggregate weekly payrolls by the annual average of aggregate payrolls for 2007.

⁷The change in employment the information and utilities industries was statistically not different from zero in 2012.

⁸International Strategy and Investment is a global, independent, membership and research association. To access International Strategy and Investment surveys, data, and research, see <http://www.isigrp.com/main/index.html>.

⁹To access The Conference Board's Help Wanted Online Index, see <http://www.conference-board.org/data/helpwantedonline.cfm>.

¹⁰For the National Restaurant Association's Restaurant Performance Index, a monthly analysis of the restaurant industry's economic strength (Washington, D.C.: National Restaurant Association), see <http://www.restaurant.org/News-Research/Research/Restaurants-The-Economy/Restaurant-Performance-Index>.

¹¹To access data on monthly sales for retail and food services, see "Advance monthly sales of retail and food services" (U.S. Census Bureau, released monthly), http://www.census.gov/retail/marts/www/marts_current.pdf.

¹²The baby-boom generation includes people born from mid-1946 to 1964. The baby boomers came about through a dramatic increase in birth rates following World War II and form one of the largest generations in U.S. history. For more information, see Howard Hogan, Deborah Perez, and William Bell, "Who (really) are the first baby boomers?"

Joint Statistical Meetings Proceedings, Social Statistics Section (Alexandria, VA: American Statistical Association, 2008), pp. 1,009–1,016.

¹³See *Long-term budget outlook* (Congressional Budget Office, June 2009), <http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/102xx/doc10297/06-25-ltbo.pdf>.

¹⁴To access data on retail sales data, see "Advance monthly retail trade report" (U.S. Census Bureau, released monthly), <http://www.census.gov/retail>.

¹⁵To access data on consumer confidence, see "Consumer measures" (New York: The Conference Board), <http://www.conference-board.org/data/consumerdata.cfm>.

¹⁶To access new-vehicle sales data, see "New vehicle sales" on Motor Intelligence website (Woodcliff Lake, NJ: Autodata Corporation), http://www.motorintelligence.com/m_frameset.html.

¹⁷To access gas price data, see "Retail gasoline historical prices" (U.S. Department of Energy), <http://www.eia.gov/petroleum/gasdiesel/>.

¹⁸From "Manufacturers' shipments, inventories, and orders" (U.S. Census Bureau, January 28, 2013), <http://www.census.gov/manufacturing/m3/>.

¹⁹From "Industrial production and capacity utilization," Federal Reserve Statistical Release G.17 (U.S. Federal Reserve, January 16, 2013), <http://www.federalreserve.gov/releases/g17/current>.

²⁰To access data on the Truck Tonnage Index (Arlington, VA: American Trucking Association, released monthly), see <http://www.truckline.com/pages/article.aspx?id=1084%2F8e1c7279-ed27-4c03-b189-cccc26bbb12>.

²¹To access data on new residential construction (housing starts and building permits), see "New residential construction" (U.S. Census Bureau), <http://www.census.gov/construction/nrc/pdf/newresconst.pdf>.

²²To access data on construction spending, see "Construction spending" (U.S. Census Bureau), <http://www.census.gov/construction/c30/c30index.html>.

²³See "Superstorm Sandy LiDAR damage assessment to change disaster recovery," (U.S. Department of Transportation, Research and Innovative Technology Administration, February 2013 release), http://www.rita.dot.gov/utc/sites/rita.dot.gov/utc/files/utc_spotlights/pdf/spotlight_0213.pdf.

²⁴To access data on the Remodeling Market Index, see monthly National Association of Home Builders "Remodeling Market Index" news release, http://www.nahb.org/news_details.aspx?sectionID=136&newsID=15714.

²⁵See "United States Postal Regulatory Commission, form 10-Q" (U.S. Postal Service, *Quarterly financial report*, Feb. 8, 2013), <http://about.usps.com/who-we-are/financials/financial-conditions-reports-reports/fy2013-q1.pdf>.