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Payroll Job Creation in the U.S.

On January 9, 2012, in *Economist Commentaries*, by Danielle Hale, Research Economist

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Payroll Job Creation in the U.S.: What's Possible, What's Typical, and How Long to Get Back to Normal?

- Recent news on December job creation showed that 200,000 non-farm jobs were added in December 2011. Including December's data, the economy is nearly one-third of the way to recovering the 8.8 million jobs that were lost during the recession (we've gained 2.7 million and have about 6.1 million more to go).
- While the job gain of 200,000 is good news since it's an improvement over average job creation in the recent period and adds workers collecting paychecks who can then spend money on things like housing, at this rate, it will take another two and a half years or so to get back to the number of payroll jobs on the books before the recession.
- Adding in the fact that a hundred thousand jobs or so are needed to keep up with population growth each month a job growth rate of about 200,000 means that it could take more than 5 years to get back to a labor market that feels more normal, with a pre-recession unemployment rate.
- Anyone who's been following the coverage of the Presidential primary campaign may recall that some candidates like to remind voters that in one extraordinary month, September 1983, the US economy under President Reagan created 1.1 million jobs. How typical is that? Well, since payroll jobs have been tracked (January 1939) it's the only instance of more than a million net payroll jobs added in a single month. There have been 2 other occasions of net payroll job increases of 750,000 or more: March 1946 and August 1952. There have been 30 months of job creation in excess of 450,000 (not consecutively) including, most recently, May 2010. This doesn't mean we couldn't have a huge addition of jobs, it just shows that they haven't happened frequently in the past.
- Additionally, monthly data is variable; for example, that September 1983 million job creation was preceded by a loss of 300,000 jobs the month before. What about the best 12 months in a row? In the best 12 consecutive months since 1939, the US added 5.2 million jobs from August 1940 to July 1941. The best 12 months in the post-war period were September 1983 to August 1984 when 4.9 million jobs were added.
- More recently, in the best 12 consecutive months in the last decade the US added 2.9 million payroll jobs, from April 2005 to March 2006. That works out to a little more than 240,000 jobs added per month. If the US economy were to grow at that rate instead of the current rate, we'd get back to the previous payroll peak in 2 years instead of 2 and a half years.
- Of course neither future trajectory is guaranteed, and in either case, a more normal labor market is still some time off, but just as compound interest can help savings grow over time, relatively small improvements in monthly job growth can help us get back to normal much faster.

