

National and District Overview

Focusing on St. Louis Employment

By **Howard J. Wall**

The St. Louis labor market tends to experience the same short-run ups and downs as the United States as a whole, except more so. The experience of the past few years, which included a short, manufacturing-based recession followed by a long bumpy recovery, provides a good illustration of the tendency for the national situation to be magnified in St. Louis.

Total nonfarm payroll employment in the St. Louis metropolitan area fell steadily after March 2001—the official start of the recession as determined by the National Bureau of Economic Research. Employment in St. Louis bottomed out in August 2003 at 3.2 percent below its level at the start of the recession. U.S. employment also hit bottom in August 2003, but at only 2.1 percent below its March 2001 peak. Employment in St. Louis and the country as a whole has since risen steadily, though job growth in St. Louis has been more rapid. By July of this year, 82 percent of the jobs lost in St. Louis had been recovered. In contrast, the national economy had replaced 57 percent of the jobs lost between March 2001 and August 2003.

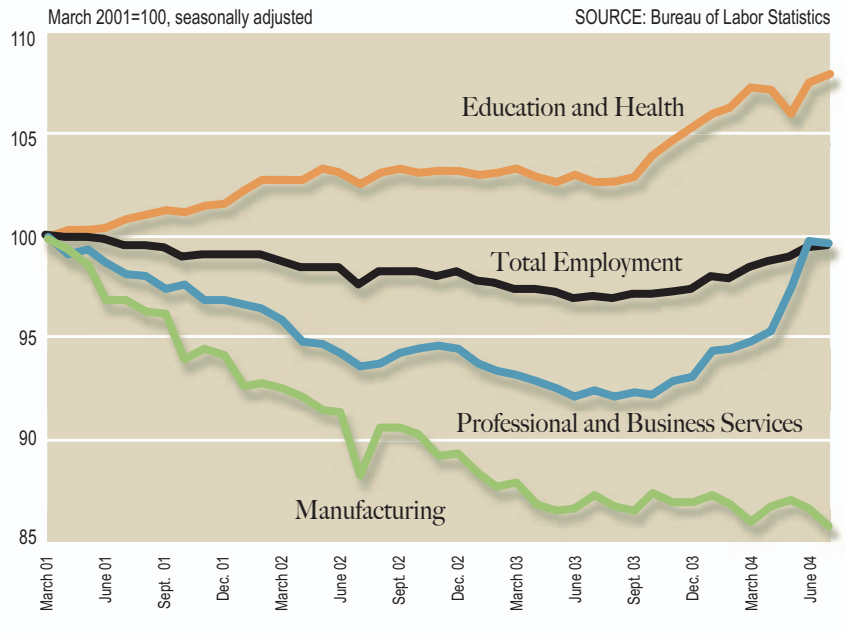
Recession-Sensitive Sectors

The two sectors hit hardest by the recession were “manufacturing” and “professional and business services,” which is linked closely to manufacturing. Between March 2001 and August 2003, manufacturing employment in St. Louis fell by more than 14 percent. This drop was less severe than the 16 percent drop in manufacturing employment at the national level.

The St. Louis experience was buoyed by the fact that, compared with the country as a whole, it has a larger share of jobs in motor vehicles and motor vehicle parts, both of which saw relatively modest job losses. In addition, the large aerospace products and parts subsector in St. Louis did not see the heavy job losses that were reported elsewhere following the sharp drop in demand for commercial aircraft. This is because aerospace firms in St. Louis are more focused on noncommercial products.

Manufacturing has been recovering nationally and locally for nearly a year, in the sense that employment has stabilized at or near its long-run situation of zero growth. In St. Louis, the manufacturing

Employment in the St. Louis Metropolitan Area



recovery has been reflected in the turnaround of the professional and business services sector, which has been expanding rapidly. This sector has been the main source of job growth over the past year in St. Louis, accounting for about 43 percent of the increase in employment between August 2003 and July 2004. By July 2004, the level of employment in this sector had nearly reached its pre-recession level. Although employment in professional and business services has also grown rapidly at the national level, this sector has been somewhat less important for overall U.S. job growth, accounting for just less than one-third of the increase over the period.

Recession-Resistant Sectors

An oft-neglected feature of the recent recession and recovery is that some sectors experienced job growth throughout the recession and recovery. In particular, education and health services saw job gains through much of the period, both nationally and in St. Louis. In July 2004, St. Louis employment in this sector was 8 percent higher than it had been in March 2001. At the same time, employ-

ment in education and health services at the national level grew steadily, adding more than 1.4 million jobs, an increase of 9 percent. For St. Louis, though, job gains in this sector were mostly in health services rather than in education, whereas at the national level, health and education both saw steady employment growth.

Where Things Stand

The labor-market recovery has become firmly entrenched in the St. Louis area, and most of the jobs lost during and following the recession have been replaced. If employment growth continues at the rate experienced in the first seven months of the year, St. Louis will reach its March 2001 employment level by October of this year. For St. Louis, the dark side of the recession was that it experienced relatively more job losses than did the nation as a whole. The bright side, however, is that, so far, the recovery in St. Louis has been stronger.

Howard J. Wall is an assistant vice president and economist at the Federal Reserve Bank of St. Louis.