News Release
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HOW WILL UNEMPLOYMENT FARE FOLLOWING THE RECESSION?

Following past severe recessions in the United States, unemployment declined rapidly once the economy began to recover. This pattern was evident after the recessions of 1973-75 and 1982-83, but will it take hold in the aftermath of the most current recession?

In the article "How Will Unemployment Fare Following the Recession?" economist Edward Knotek and research associate Stephen Terry of the Federal Reserve Bank of Kansas City find evidence that employment might not improve as quickly as it has in previous economic recoveries following severe recessions. The article appears in the third quarter edition of the Bank's *Economic Review*.

Knotek and Terry write that the labor market has changed significantly since the early 1980s, and unemployment remained persistently high in the two recoveries since then. In addition, the current recession has been paired with a banking crisis. The United States has not faced many of these situations, but data from other countries' experiences with recessions combined with banking crises reveals that unemployment rises sharply and stays elevated for a prolonged period following these episodes.

Knotek and Terry's analysis of these factors suggests that U.S. unemployment will recover much more slowly from this recession compared with past severe downturns. This slow recovery raises important questions for monetary policymakers regarding the appropriate level of unemployment consistent with their goals.

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