

820 First Street, NE
Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

Robert Greenstein
Executive Director

Iris J. Lav
Deputy Director

Board of Directors

David de Ferranti, Chair
The World Bank

Henry J. Aaron
Brookings Institution

Ken Apfel
University of Maryland

Barbara B. Blum
Columbia University

Marian Wright Edelman
Children's Defense Fund

James O. Gibson
Center for the Study of Social Policy

Beatrix Hamburg, M.D.
Cornell Medical College

Frank Mankiewicz
Hill and Knowlton

Richard P. Nathan
Nelson A Rockefeller Institute of Government

Marion Pines
Johns Hopkins University

Sol Price
Chairman, The Price Company (Retired)

Robert D. Reischauer
Urban Institute

Audrey Rowe
AR Consulting

Susan Sechler
German Marshall Fund

Juan Sepulveda, Jr.
The Common Experience/ San Antonio

William Julius Wilson
Harvard University

John Kramer
Founding Chair 1937-2006

STATEMENT BY CHAD STONE, CHIEF ECONOMIST, ON THE LABOR DEPARTMENT'S DECEMBER UNEMPLOYMENT REPORT

Today's report shows that the economy is entering 2008 with a weakening labor market. Employers expanded their payrolls by a meager 18,000 jobs in December, private payrolls actually shrank by 13,000 jobs, and the unemployment rate rose from 4.7 to 5.0 percent. These data are very disappointing, but even so they do not mean that the economy is currently in recession, and Congress should not rush to judgment on the need to enact a fiscal stimulus package that, if not carefully designed, could do more harm than good.

Today's report also is a strong reminder that before the next recession comes, Congress needs to strengthen the Unemployment Insurance (UI) system, which cushions the impact on consumers of the economy's ups and downs. The percentage of unemployed workers who have remained without a job for more than 26 weeks (the normal duration for regular unemployment benefits) and continue to search for work is considerably higher than on the eve of the last recession. In December 2007, 17.5 percent of all unemployed workers were long-term unemployed, compared with just 11.1 percent in March 2001.

The federal government has temporarily extended unemployment benefits in every recent recession, but often not until well after the need has become evident. Having an extended benefits program ready to go if labor market conditions deteriorate significantly would be a prudent contingent stimulus policy.

In addition, longstanding gaps in the UI system leave many workers ineligible even for regular UI benefits when they lose their jobs (and hence for any extended benefits in a recession). In October 2007, the House passed a long-overdue UI reform measure that would provide states with incentives to modernize their UI systems so more female, low-income, and part-time workers who lose their jobs through no fault of their own can qualify.

The House bill reflects recommendations made over a decade ago by a bipartisan, congressionally chartered commission. And it is fully paid for through a renewal of the federal UI surtax, a step President Bush called for in his last budget.

The Senate should act expeditiously on this or similar legislation when it returns this month, so these reforms are in place to reduce hardship in the next recession, whenever that occurs.

#

The Center on Budget and Policy Priorities is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. It is supported primarily by foundation grants.