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CBPP STATEMENT

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STATEMENT BY CHAD STONE, CHIEF ECONOMIST, IN RESPONSE TO TODAY'S EMPLOYMENT REPORT

Today's employment report provides fresh evidence both that the economy is slowing and that Congress should include a temporary extension of unemployment insurance benefits in its fiscal stimulus package.

The percentage of the unemployed who have been looking for a job for more than half a year and are still out of work — the group that extended unemployment benefits target — is mounting. In January, 18.3 percent of the unemployed had been looking for a job for at least 27 weeks. (Unemployment benefits are cut off after 26 weeks in most states.) At the start of the last recession in March 2001, in contrast, the long-term unemployed made up only 11.1 percent of all unemployed workers.

The percentage of the unemployed who have been out of work this long is unusually high for this point in the business cycle. So is the percentage of the total labor force consisting of long-term unemployed workers.

This is a source of concern not only for these families but for the economy as a whole. Job creation ground to a halt this month, and the Department of Labor's alternative unemployment rate measure — which includes people who want to work but are discouraged from looking as well as people working part time because they can't find full-time jobs — rose to its highest level since September 2005. When workers lose their jobs and then exhaust their unemployment benefits before they can find new jobs, they cut their consumption, deepening the economic downturn.

A temporary extension of unemployment insurance benefits would help the people hardest hit by the weakening economy and would boost the economy with one of the fastest acting and most effective forms of stimulus available. Unlike tax rebates, which can't begin to go out until mid-May, extended unemployment benefits could start reaching workers and boosting consumption within 30 days.

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