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STATEMENT BY CHAD STONE, CHIEF ECONOMIST, ON THE MAY EMPLOYMENT REPORT

Today's disappointing employment report should lead the White House to reconsider its opposition to extending unemployment insurance benefits for workers who have been unable find a new job.

A temporary extended benefits program for workers who exhaust their regular unemployment insurance (UI) benefits would support the slumping economy and provide much needed assistance to workers who have searched for work for a long time without finding it and who continue to search in a tough job market. The Senate included an extension of UI benefits in the Iraq supplemental appropriations bill it approved last month, but the President is threatening to veto the bill over this and other provisions.

Regardless of whether the economy is technically in a recession, growth has been so sluggish that job prospects are poor — especially for the long-term unemployed, the group that would benefit from a temporary UI extension. Private employers cut their payrolls for the sixth straight month in May, and nearly one in five unemployed workers (18.3 percent) has been looking for a job for more than six months, the report shows. This confirms the latest quarterly industry survey by the National Association of Business Economists (NABE), taken in April, which saw weakening employment conditions, "with fewer firms hiring and more firms reducing payrolls." Economic forecasters surveyed in the latest NABE Outlook for May 2008 see unemployment rising into 2009.

The official unemployment rate of 5.5 percent has finally begun to reflect the extent of weakness in the job market long shown by other indicators. The Labor Department's most comprehensive alternative unemployment rate measure — which includes people who want to work but are discouraged from looking and people working part time because they can't find full-time jobs — stood at 9.7 percent in May. In addition, labor force participation never rebounded in the recovery from the 2001 recession: 4.8 million people who are not in the labor force say they want to work. Many of them would presumably be looking seriously for a job if they thought they had a better chance of finding one.

But so far this year, private employers have shed almost 400,000 jobs, and total payroll employment (including government jobs) is down by well over 300,000. The share of the population with a job is 1.7 percentage points lower than at the start of the last recession in March 2001. Were that share the same as in March 2001, 4 million more people would be working.

Weakness and the prospect of further labor market deterioration are sources of concern not only for the long-term unemployed and their families but for the economy as a whole. Congress can remedy the situation by sending the President a bill that would help the people hardest hit by the sluggish economy and boost the economy at the same time with one of the fastest acting and most effective forms of stimulus available.

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