Center on Budget and Policy Priorities

820 First Street, NE, Suite 510
Washington, DC 20002

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

center@cbpp.org
www.cbpp.org

CBPP STATEMENT
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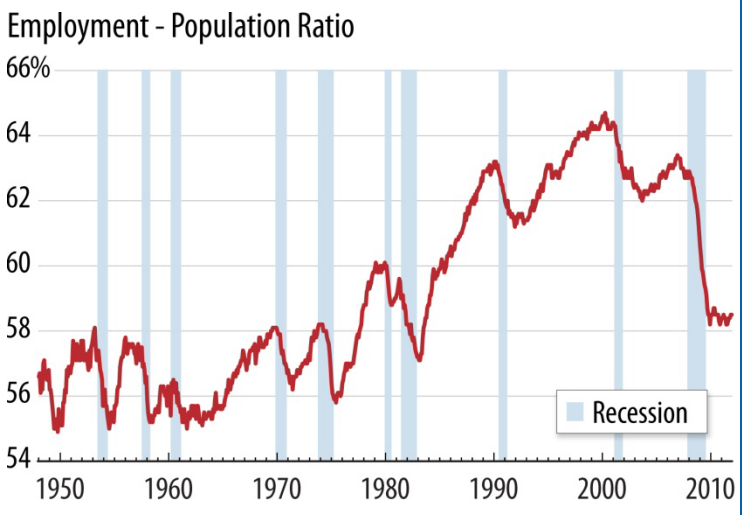
Contact
Michelle Bazie, 202-408-1080, bazie@cbpp.org

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

Today's employment report shows glimmers of hope for the job market, most notably the addition of 200,000 payroll jobs in December. Yet a strong jobs recovery remains elusive. The overall jobs deficit remains large, the labor force shrank for the second straight month, and the proportion of people aged 16 and over who have a job remains depressed (see chart). Jobs are still hard to find, especially for the long-term unemployed.

The job market is nowhere near healthy enough yet to justify a sharp curtailment of federal emergency unemployment insurance (UI) benefits, which give critical support not only to the record numbers of long-term unemployed workers but to the economy as well. Yet that's what will happen if, in the coming legislation to renew UI and the payroll tax cut for the rest of this year, policymakers include harmful provisions of the payroll-tax bill that the House passed last month.

Share of Population With a Job Remains Depressed



Sources: Bureau of Labor Statistics and National Bureau of Economic Research

Along with sharply curtailing the number of weeks of benefits, the House bill contained various "reforms," some of which would undermine UI's fundamental purpose since its establishment in the 1930s — to provide temporary financial assistance to workers who lose their jobs through no fault of their own while they search for a new job. For example, the bill would deny UI benefits to all workers who lack a high school diploma or GED certificate and are not enrolled in classes to get one — even though employers paid UI taxes on these workers' wages (and those taxes effectively came out of these workers' wages). It also would allow states to drug-test all UI applicants and condition eligibility on the results — a standard not used for other federal programs ranging from farm price supports to tax subsidies. Such provisions should have no place in legislation to extend UI and the payroll tax cut through the end of 2012.

Current economic conditions justify continuing federal emergency UI at the levels in place last year. As the economy improves, the maximum number of weeks of benefits will fall automatically as states' unemployment rates fall. Once a sustained jobs recovery is underway, creating 200,000 to 300,000 or more jobs per month, and the unemployment rate is falling significantly, federal emergency benefits should expire. But the highest unemployment rate at which past emergency UI programs have expired is 7.2 percent — 1.3 percentage points higher than December's 8.5 percent.

About the December Jobs Report

Job growth was solid in December, but the job market has a long way to go to regain full strength.

- Private and government payrolls combined rose by 200,000 jobs in December. Private employers added 212,000 jobs. The decline of 12,000 government jobs reflected a gain of 2,000 federal jobs, offset by a loss of 14,000 local government jobs (state government jobs were unchanged).

- This is the 22nd straight month of private-sector job creation, with payrolls growing by 3.2 million jobs (a pace of 143,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 2.7 million jobs over the same period, or 121,000 a month. The loss of 502,000 government jobs over this period was dominated by a loss of 381,000 local government jobs.

- In December, despite 22 months of private-sector job growth, there were still 6.1 million fewer jobs on nonfarm payrolls than when the recession began in December 2007 and 5.7 million fewer jobs on private payrolls. Growth of 200,000 to 300,000 nonfarm payroll jobs or more a month is typical in strong economic recoveries and will be necessary to close the jobs gap and restore full employment in any reasonable period of time. Even with December's gain of 200,000 jobs, average monthly growth in nonfarm payrolls has been just 142,000 jobs over the past six months.

- The unemployment rate dropped to 8.5 percent in December, and the number of unemployed Americans was 13.1 million. The unemployment rate was 7.5 percent for whites (3.1 percentage points higher than at the start of the recession), 15.8 percent for African Americans (6.8 percentage points higher than at the start of the recession), and 11.0 percent for Hispanics or Latinos (4.7 percentage points higher than at the start of the recession).

- The recession and lack of job opportunities drove many people out of the labor force, and we have yet to see a sustained return to labor force participation (people aged 16 and over working or actively looking for work) that would mark a strong jobs recovery. That situation did not improve in December. The labor force shrank by 50,000 people in December after falling by 120,000 in November. The labor force participation rate remained 64.0 percent in December, which is lower than it was a year ago when the unemployment rate was nearly a full percentage point higher, and it remains at levels last seen in 1984.

- The share of the population with a job, which plummeted in the recession from 62.7 percent in December 2007 to levels last seen in the mid-1980s, was 58.5 percent in December and has not been above that level for the last year and a half.

- Finding a job remains very difficult. 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 — was 15.2 percent in December, down from its all-time high of 17.4 percent in October 2009 in data that go back to 1994, but still 6.4 percentage points higher than at the start of the recession. By that measure, almost 24 million people are unemployed or underemployed.

- Long-term unemployment remains a significant concern. Over two-fifths (42.5 percent) of the 13.1 million people who are unemployed — 5.6 million people — have been looking for work for 27 weeks or longer. These long-term unemployed represent 3.6 percent of the labor force. Before this recession, the previous highs for these statistics over the past six decades were 26.0 percent and 2.6 percent, respectively, in June 1983.

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