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

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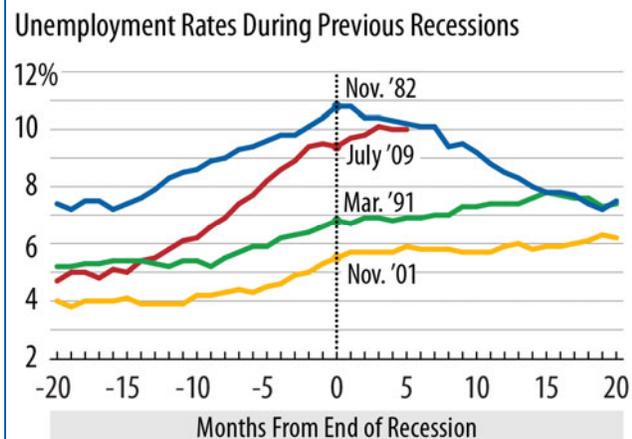
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Today's jobs report shows that, while the economy has apparently turned a corner and sharply rising unemployment and large monthly job losses may be behind us, the labor market remains extraordinarily weak and jobs remain very hard to find. In these circumstances, the case remains strong for Congress to renew the temporary assistance for unemployed workers scheduled to expire at the end of February and provide additional federal fiscal assistance to states in order to help jobless workers and speed the economic recovery.

Technically, the recession that began in December 2007 likely ended sometime this summer as the economy began growing again. But, the pace of growth has not been strong enough to reduce the unemployment rate, which has risen far higher than in the previous two recessions and far faster (though not quite as high) as in the deep 1981-82 recession. (See chart, which assumes that the current recession ended in July).

Unemployment Often Keeps Rising Even After Economy Begins to Recover



Sources: Bureau of Labor Statistics, National Bureau of Economic Research, and CBPP assumption that the current recession ended in July.

Post-World War II history suggests that deep recessions are followed by stronger labor market recoveries than more moderate recessions. The two most recent recessions, however, have been followed by long jobless recoveries in which the unemployment rate peaked long after the formal end of the recession. Forecasters expect the current recovery to follow such a pattern as well, unless policymakers take additional measures to boost aggregate demand and job creation.

The additional weeks of benefits and other assistance for unemployed workers in the recovery legislation that policymakers enacted early last year (and extended through February) have helped relieve hardship among the long-term

unemployed while also boosting economic activity and job creation. State fiscal relief, another important element of last year's recovery act, has had similar positive effects, helping to maintain vital public services and reduce layoffs of teachers, firefighters, and police officers. These measures consistently rank very high in economists' assessments of "bang-for-the-buck" impact in boosting demand and creating jobs; they should be at the top of the list as policymakers decide what measures to include in a new jobs package.

About the December Jobs Report

While the labor market is no longer deteriorating sharply, conditions remain harsh for job-seekers.

- Private and government payrolls combined shrank by 85,000 jobs in December. Revised data show a tiny gain of 4,000 jobs in November, ending the unbroken string of monthly job losses that began two years ago. Nevertheless, net job losses since the recession began in December 2007 total 7.2 million. (Private sector payrolls have shrunk by 7.3 million jobs over the period.) Each February, the Labor Department's Bureau of Labor Statistics revises its payroll employment statistics based on more complete information, and preliminary estimates indicate these revisions could add about another 800,000 job losses to these figures.
- Despite a larger-than-expected decline in December, the pace of job losses has slowed markedly — to an average of just 69,000 per month in the fourth quarter of 2009, compared with 691,000 jobs per month in the first quarter of 2009.
- The unemployment rate, which was 5.0 percent at the start of the recession, stood at 10.0 percent in December, unchanged from November. Many potential job-seekers left the job market or remained on the sideline, however, as labor force participation fell to 64.6 percent. It has not been lower since November 1984.
- Although the unemployment rate was unchanged, the decline in labor force participation resulted in the percentage of the population with a job falling to 58.2 percent. It has not been lower since July 1983.
- 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 — edged up to 17.3 percent in December. That figure is 8.5 percentage points higher than when the recession began and, with the exception of October (when it reached 17.4 percent), is the highest figure on record in data that go back to 1994.
- Two-fifths (39.8 percent) of the 15.3 million people who are unemployed have been looking for work for 27 weeks or longer. That's the highest percentage on record in data going back to 1948. Regular unemployment insurance benefits typically run out after 26 weeks.

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