

Board of Directors

Friday, April 4, 2008

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**STATEMENT BY CHAD STONE, CHIEF ECONOMIST,
ON THE MARCH EMPLOYMENT REPORT**

Today's disappointing employment report makes one thing clear: Congress should quickly enact temporary extended unemployment insurance benefits, both to support the slumping economy and to provide needed assistance to workers who have been looking for work for more than half a year and have exhausted their regular unemployment benefits.

The report shows that the labor market weakened further in March, and additional deterioration is likely in the months ahead. As Federal Reserve Chairman Bernanke said earlier this week, "[S]urveys indicate that employers have scaled back hiring plans and that jobseekers are experiencing greater difficulties finding work...[I]n light of the sluggishness of economic activity and other indicators of a softer labor market, I expect [the unemployment rate] to move somewhat higher in coming months."

Of particular concern, labor market conditions are now worse than on the eve of the last recession in March 2001 — especially for the long-term unemployed, the group that would benefit from a temporary extension of UI benefits. Compared with March 2001:

- The unemployment rate is higher (5.1 percent, compared with 4.3 percent), and most forecasters expect it to rise further in coming months.
- The percentage of the unemployed who are *long-term* unemployed (i.e., have been looking for a job for more than half a year and are still out of work) is much higher (16.7 percent, compared with 11.1 percent in March 2001).
- The long-term unemployment rate is nearly twice as high.
- Labor force participation is lower. Moreover, 4.7 million people who are not in the labor force say they want to work (10 percent more than in 2001). Many of them would presumably be looking seriously for a job if they thought they had better prospects of finding one, in which case the unemployment rate would be higher.

Weakness and the prospect of further deterioration in the labor market are sources of concern not only for the long-term unemployed and their families but for the economy as a whole. So far this year, private employers have shed almost 300,000 jobs, and total payroll employment (including government jobs) is down by 232,000. The Labor Department's most comprehensive 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 — is nearly two percentage points higher than at the start of the last recession. The share of the population with a job is at its lowest point in three years. 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.

Congress did not include a temporary extension of unemployment benefits in the recent stimulus package. Quick action would help the people hardest hit by the weakening economy and boost the economy with one of the fastest acting and most effective forms of stimulus available.

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