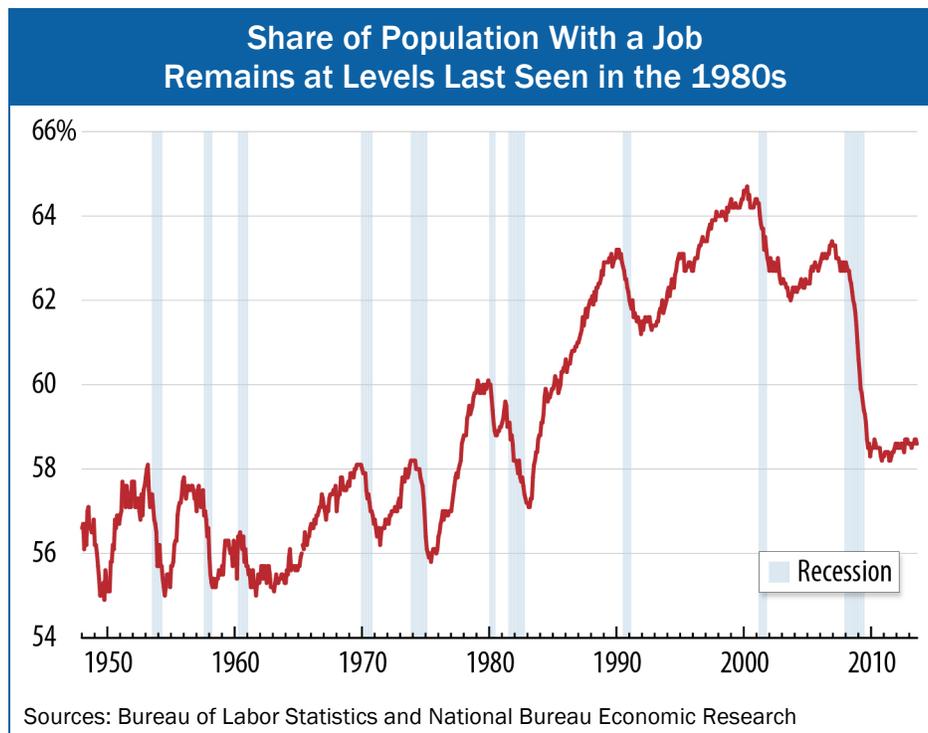


Statement by Chad Stone, Chief Economist, On the August Employment Report

Today's disappointing jobs report shows that labor market conditions continue to improve only at a glacial pace compared with what's needed to restore employment to normal levels. Unemployment remains too high and the share of the population with a job remains depressed at levels last seen in the 1980s (see chart). Under these conditions, it's disappointing that the Federal Reserve will likely begin tapering off its asset purchases (known as "quantitative easing"); it's absolutely appalling that lawmakers have not enacted a balanced alternative to the sequestration budget cuts that would take effect only when the economy is stronger.



In August, the employment-population ratio for people aged 16 and older was 58.6 percent, 4.1 percentage points lower than at the December 2007 start of the recession. Part of that decline reflects higher unemployment. At 7.3 percent, the unemployment rate was 2.3 percentage points higher than in December 2007. But, part of it also reflects a decline in labor force participation, as people are waiting for labor market conditions to improve before they look for work.

Finally, part of it reflects the changing age-structure of the population, with the baby boom generation starting to reach age levels that typically have lower labor force participation rates and employment-

population ratios. Nevertheless, the August employment-population ratio of 75.9 percent for people aged 25 to 54 — the prime working-age population — was also much lower (3.8 percentage points) than in December 2007.

Restoring employment to normal levels in a reasonable period of time requires stronger economic growth and faster job creation. The economic boost from the 2009 Recovery Act peaked in 2010 and, with its emphasis on immediate deficit reduction through spending cuts and tax increases, fiscal policy at both the federal and state and local levels has hampered the recovery ever since. Monetary policy has supported the recovery but, with interest rates close to zero, the Federal Reserve has had to use unconventional methods to try to encourage businesses and households to spend more.

Whatever the Fed's next steps, it shows no inclination to *expand* those efforts. If lawmakers want to restore normal employment more quickly, they need to step up to the plate and replace the sequestration budget cuts with a balanced package of tax and spending changes that phase in more slowly so that they don't weaken the recovery but that also build up more rapidly in later years — putting deficits and debt on a better long-term trajectory. Better yet, they should enact a package that provides up-front stimulus as well as substantial phased-in deficit reduction.

About the August Jobs Report

Job growth in August was moderate, and the drop in the unemployment rate reflected more people leaving the workforce, not more people finding jobs. A robust jobs recovery remains elusive.

- Private and government payrolls combined rose by 169,000 jobs in August and job growth in June and July was revised down by a total of 74,000 jobs. Private employers added just 152,000 jobs in August, while government employment rose by 17,000. Federal government employment was unchanged, state government employment fell by 3,000, and local government increased by 20,000.
- This is the 42nd straight month of private-sector job creation, with payrolls growing by 7.5 million jobs (a pace of 177,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 6.8 million jobs over the same period, or 162,000 a month. Total government jobs fell by 639,000 over this period, dominated by a loss of 366,000 local government jobs.
- Despite 42 months of private-sector job growth, there were still 1.9 million fewer jobs on nonfarm payrolls and 1.4 million fewer jobs on private payrolls in August than when the recession began in December 2007. August's job growth would be considered acceptable in an economy that had already largely recovered from the recession, but it is well below the sustained job growth of 200,000 to 300,000 a month that would mark a robust jobs recovery. Job growth in 2013 has averaged 180,000 a month but has not topped 200,000 since February.
- The unemployment rate was 7.3 percent in August, and 11.3 million people were unemployed. In August, the unemployment rate was 6.4 percent for whites (2.0 percentage points higher than at the start of the recession), 13.0 percent for African Americans (4.0 percentage points higher than at the start of the recession), and 9.3 percent for Hispanics or Latinos (3.0 percentage points higher than at the start of the recession).

- The recession drove many people out of the labor force, and lack of job opportunities in the ongoing jobs slump has kept many potential jobseekers on the sidelines. That situation worsened in August, as the labor force (people working or actively looking for work) shrank by 312,000. The number of unemployed fell by 198,000 and the number of employed fell by 115,000. The labor force participation rate (the share of people aged 16 and over who are working or actively looking for work) fell to 63.2 percent in August, 0.4 percentage points lower than it was at the start of the year and the lowest it has been since 1978.
- 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 and has remained below 60 percent since early 2009, edged down to 58.6 percent in August.
- The Labor Department's most comprehensive alternative unemployment rate measure — which includes people who want to work but are discouraged from looking (those marginally attached to the labor force) and people working part time because they can't find full-time jobs — was 13.7 percent in August. That's down from its all-time high of 17.1 percent in late 2009 and early 2010 (in data that go back to 1994) but still 4.9 percentage points higher than at the start of the recession. By that measure, roughly 22 million people are unemployed or underemployed.
- Long-term unemployment remains a significant concern. Nearly two-fifths (37.9 percent) of the 11.3 million people who are unemployed — 4.3 million people — have been looking for work for 27 weeks or longer. These long-term unemployed represent 2.8 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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