

Board of Directors

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

Today's employment report provides no comfort to those who want to work but can't find a job, especially those who have exhausted their regular unemployment insurance benefits or soon will. Congress should quickly enact temporary extended unemployment benefits both to support the slumping economy and to provide needed assistance to those workers.

Private employers reduced their payrolls for the fifth consecutive month in April, and more than one in every six unemployed workers has been looking for a job for more than six months, the report shows. As the Federal Reserve said this week in announcing its most recent rate cut: "Household and business spending has been subdued and labor markets have softened further." Under these circumstances, work is scarce and more and more of the unemployed will run out of unemployment benefits before they can find a new job.

This week's report on the gross domestic product shows that economic growth is grinding to a halt at a time when labor market conditions are significantly worse than they were at the start 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 (5.0 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 (17.8 percent, compared with 11.1 percent in March 2001).
- Labor force participation is lower. Moreover, 4.8 million people who are not in the labor force say they want to work (11 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.
- The share of the population with a job is 1.6 percentage points lower. If that share were the same as in March 2001, 3.7 million more people would have jobs.

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 over 300,000 jobs, and total payroll employment (including government jobs) is down by 260,000. 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 — edged up in April and, at 9.2 percent, is nearly two percentage points higher than at the start of the last recession. 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 February 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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