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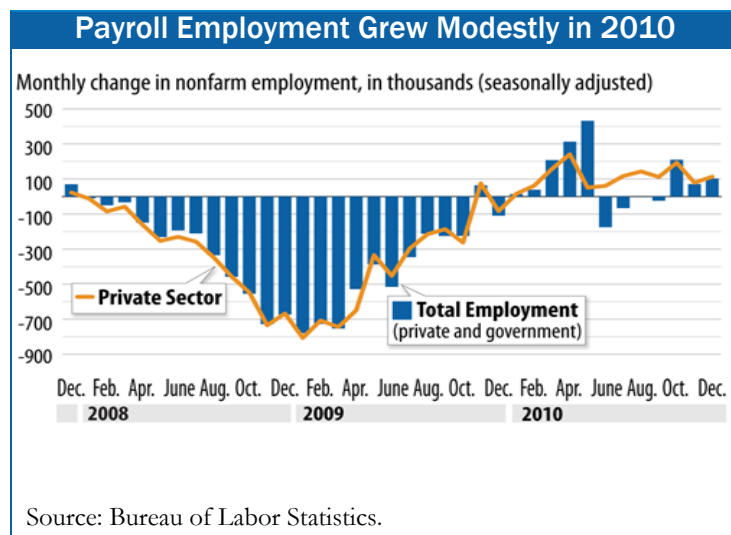
## STATEMENT BY CHAD STONE, CHIEF ECONOMIST, ON THE DECEMBER EMPLOYMENT REPORT

Today's jobs report shows that after two years of net job losses, payroll employment grew modestly in 2010, with private employers adding jobs every month (see chart). The drop in December's unemployment rate was welcome, but a key reason for it was people leaving the labor force rather than finding new jobs. The jobs deficit remains large, and we will need much faster job growth than we saw in 2010 to simultaneously bring people back into the labor force and reduce the unemployment rate to acceptable levels over the next few years.

The Great Recession of 2007-2009 created an enormous jobs deficit, drove up unemployment, and discouraged many people from even looking for work because their prospects of finding a job were so dismal. A return to full employment will require not only erasing the recession-driven jobs deficit but also generating enough jobs to account for population growth since the start of the recession and for people re-entering the labor force as job prospects improve.

Payroll employment grew, on average, less than 100,000 jobs a month in 2010. When the labor force is growing, that's not enough to reduce unemployment. We estimate that that rate of job growth would have to roughly *triple* between now and the end of 2015 just to restore labor market conditions – *five years from now* – to what they were at the start of the recession (roughly a 5 percent unemployment rate and higher labor force participation). A considerably faster return to reasonably high employment would take job growth closer to 400,000 a month.

Although the Federal Reserve remains committed to a low-interest-rate monetary policy conducive to economic growth, the new Congress will not likely provide any



additional fiscal support beyond the measures that President Obama and the last Congress enacted in the tax cut-unemployment insurance deal of December. In fact, House Republican proposals to slash domestic “discretionary” funding almost immediately would, if enacted, add to the drag that’s already on the economic recovery due to the winding down of federal 2009 Recovery Act spending (such as for infrastructure) and the sharply contractionary actions that state and local governments continue to take in the face of huge and ongoing budget shortfalls and the end of federal fiscal relief. These are heavy headwinds for an economic recovery that is still struggling to really take off. Immediate deep cuts in domestic appropriated programs would make the headwinds even stronger and cause substantial new job losses, which is just the opposite of what the economy needs.

### **About the December Jobs Report**

- Private and government payrolls rose by a smaller-than-expected 103,000 jobs in December. Private employers on net added 113,000 jobs, while local government employment fell by 20,000 jobs (state government employment was unchanged and federal employment grew by 10,000).
- So far this year, private employers have added jobs every month, expanding private payrolls by 1.3 million jobs (a pace of 112,000 jobs a month); total nonfarm employment (private plus government jobs) has grown by 1.1 million, or 94,000 a month. Job creation of 100,000 to 125,000 a month is necessary just to keep up with population growth and keep the unemployment rate from rising; growth of 200,000 to 300,000 jobs a month or more is typical in strong economic recoveries.
- In December, there were 7.2 million fewer jobs on nonfarm payrolls than there were when the recession began in December 2007, and 7.1 million fewer jobs on private payrolls.
- The unemployment rate fell to 9.4 percent in December, and the number of unemployed fell to 14.5 million.
- It is not unusual for the monthly job growth reported by employers and the employment information in the Labor Department’s household survey to tell somewhat different stories. One reason for the discrepancy between the modest growth in payroll jobs and the decline in the unemployment rate is that a substantial fraction of the drop in the number of unemployed reflected people leaving the labor force rather than finding a job. As a result, the labor force participation rate (the share of the population aged 16 and over working or looking for work) fell to 64.3 percent, the lowest it has been since 1984.
- The share of the population with a job, which plummeted in the recession to levels last seen in the mid-1980s, edged up to 58.3 percent; prior to the current slump, the last time it was lower was July 1983.
- It remains very difficult to find a job. 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 down to 16.7 percent in December, not much below its all-time high of 17.4 percent in December 2009 in data that go back to 1994.
- Long-term unemployment remains a significant concern. Over two-fifths (44.3 percent) of the

14.5 million people who are unemployed — 6.4 million people — have been looking for work for 27 weeks or longer. These long-term unemployed represent 4.2 percent of the labor force. Prior to 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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