Center on Budget and Policy Priorities

CBPP STATEMENT

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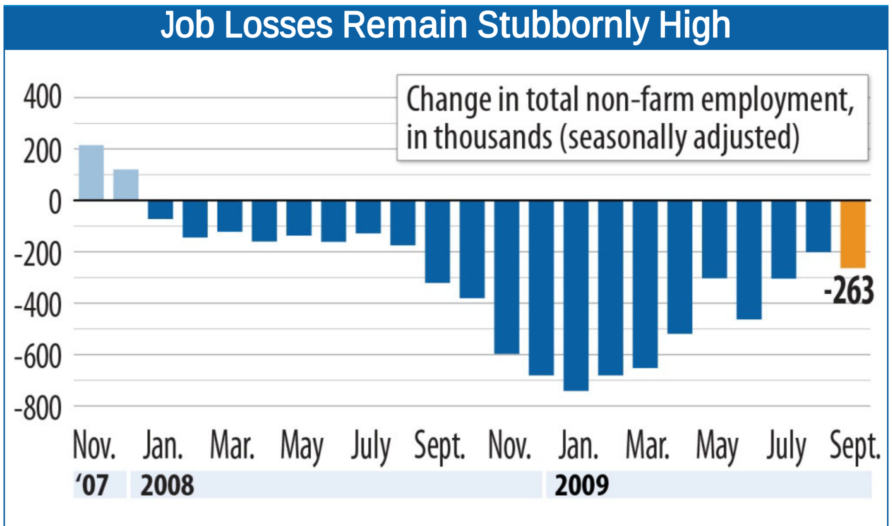
STATEMENT BY CHAD STONE, CHIEF ECONOMIST, ON THE SEPTEMBER EMPLOYMENT REPORT

Today's jobs report shows that employers will need stronger evidence of a reviving economy before they will start adding workers to their payrolls. Employers shed jobs for the 21st straight month in September (see graph) and the unemployment rate edged up to 9.8 percent.



Source: Bureau of Labor Statistics.

Forecasters expect the preliminary report on gross domestic product later this month to show that the economy began growing in the third quarter, indicating that, technically, the recession may have ended. But labor market conditions remain harsh for those struggling to find a job.

Evidence from the last two recessions supports Federal Reserve Chairman Bernanke's observation that "it's still going to feel like a very weak economy for some time as many people will still find that their job security and their employment status is not what they wish it was." In the 1990-91 recession, the unemployment rate did not peak until 15 months after the recession ended. In the 2001 recession, unemployment peaked 19 months after the end of the recession, and job losses did not bottom out for another two months after that.

Under these circumstances, the House was wise to pass legislation that would add extra weeks of emergency unemployment insurance benefits for workers in high-unemployment states who will exhaust their existing benefits before finding a job. Senate action is still necessary, and the Senate should act without delay. In addition, Congress should extend the emergency unemployment insurance benefits enacted in the economic recovery legislation, which are now scheduled to expire at the end of this year.

About the September Jobs Report

The recession began 22 months ago, in December 2007, and a host of data in today's report illustrate the ongoing weakness in the labor market.

- Although the pace of job losses has slowed since the start of the year, private and government payrolls combined have shrunk for 21 straight months, and net job losses since the start of the recession total 7.2 million. (Private sector payrolls have also shrunk by 7.2 million jobs over the period.)

- Nonfarm payrolls fell by a larger-than-expected 263,000 jobs in September. Private payrolls — that is, excluding losses of government jobs — fell by 210,000 jobs.

- The unemployment rate, which was 4.9 percent at the start of the recession, edged up from 9.7 percent in August to 9.8 percent in September, its highest rate since June 1983. The unemployment rate most likely would have been higher if 571,000 people had not left the labor force, pushing the labor force participation rate down to 65.2 percent, the lowest level since April 1986.

- With labor force participation falling in September and the unemployment rate rising, the percentage of the population with a job fell to 58.8 percent, its lowest level since November 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 — jumped to 17.0 percent in September. That figure is 8.3 percentage points higher than when the recession began, and it is the highest on record in data that go back to 1994.

- Over a third (35.6 percent) of the 15.1 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 (UI) benefits typically run out after 26 weeks.

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