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CBPP STATEMENT
Special Series: **Economic Recovery Watch**

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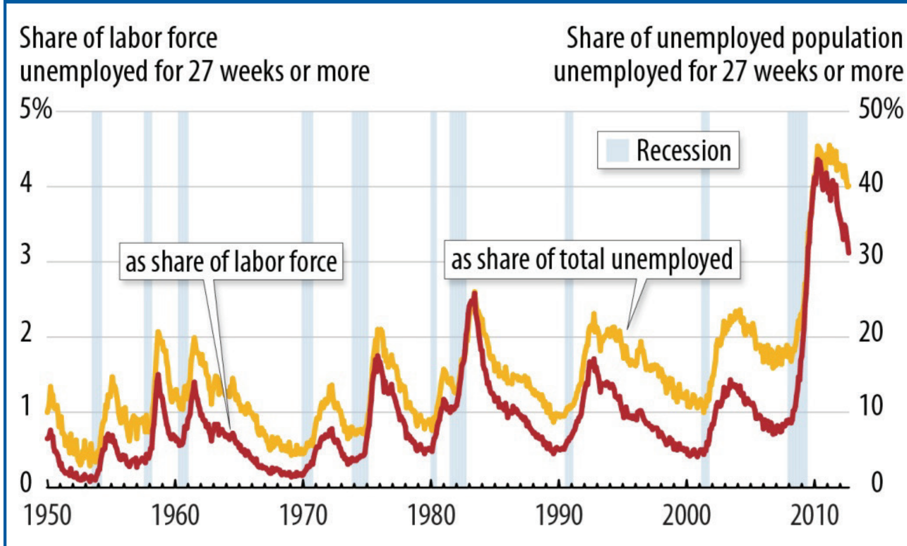
STATEMENT BY CHAD STONE, CHIEF ECONOMIST, ON THE SEPTEMBER EMPLOYMENT REPORT

Today's jobs report sent mixed signals about the overall job market but left no doubt that long-term unemployment remains a significant problem — making clear that policymakers must not let emergency federal unemployment insurance (UI) expire at the end of the year.

Two-fifths of the unemployed in September (4.8 million people) had been looking for work for 27 weeks or longer; that long-term unemployment accounted for 3.1 percentage points of the overall 7.8 percent unemployment rate (see chart). Yet emergency federal UI, which provides additional weeks of benefits to the long-term unemployed (i.e., benefits beyond the 26 weeks of regular UI in most states), is scheduled to expire on December 31.

Long-Term Unemployment Remains Near Historic Highs



Source: Bureau of Labor Statistics and National Bureau of Economic Research

The drop in the unemployment rate to 7.8 percent accompanied by a rise in labor force participation is a good sign — if it's a harbinger of further improvement. But the continued sluggish growth in payroll employment — only 114,000 jobs added in September — suggests that it's premature to think long-term unemployment will fall quickly.

Policymakers have enacted emergency federal UI in every major recession since 1958, and they have never allowed any of these previous programs to expire before the unemployment fell to 7.2 percent or lower.

UI is one of the most cost-effective policies available for boosting economic growth and employment in a weak economy, and emergency federal UI has been an important source of support since mid-2008 for both unemployed workers and their families *and* the economy. Phased-in cuts this year in the maximum number of weeks of benefits, which policymakers enacted in February, have already weakened that support, and it will end altogether if policymakers allow the program to expire at the end of this year.

With economic growth continuing to disappoint and unemployment expected to remain around 8 percent into next year, the Federal Reserve has already embarked on a new round of securities purchases (QE3) to lower interest rates and stimulate growth. But, as Federal Reserve Chairman Ben Bernanke said at the QE3 press conference September 13, the Fed can't fix things on its own. Policymakers must address the changes in taxes and spending that are scheduled for the end of the year (the so-called "fiscal cliff") so they do not harm the economy. While addressing the fiscal cliff, policymakers surely should continue emergency federal UI.

About the September Jobs Report

Job growth was weak in September but the unemployment rate dropped below 8 percent.

- Private and government payrolls combined rose by 114,000 jobs in September. Private employers added 104,000 jobs, while government employment rose by 10,000 — a reversal of the pattern so far in this recovery in which government job losses have been a drag on job creation. Federal employment rose by 4,000 jobs and state government employment rose by 13,000, but local government employment fell by 7,000.

- This is the 31st straight month of private-sector job creation, with payrolls growing by 4.7 million jobs (a pace of 152,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 4.3 million jobs over the same period, or 137,000 a month. Total government jobs fell by 470,000 over this period, dominated by a loss of 336,000 local government jobs. Government employment in July and August was revised upward in today's report.

- Despite the 31 months of private-sector job growth, there were still 4.5 million fewer jobs on nonfarm payrolls and 4.1 million fewer jobs on private payrolls in September than when the recession began in December 2007. Job growth averaged 146,000 jobs a month in the past three months — an improvement over the previous three but still not the 200,000 to 300,000 jobs a month that would mark a robust jobs recovery.

- The unemployment rate dropped from 8.1 to 7.8 percent in September, and the number of unemployed Americans fell to 12.1 million. The unemployment rate was 7.0 percent for whites (2.6 percentage points higher than at the start of the recession), 13.4 percent for African Americans (4.4 percentage points higher than at the start of the recession), and 9.9 percent for Hispanics or Latinos (3.6 percentage points higher than at the start of the recession).

- The recession and lack of job opportunities drove many people out of the labor force, and we have yet to see a sustained return to labor force participation (people aged 16 and over working or actively looking for work) that would mark a strong jobs recovery. Today's report, however, was encouraging on this front. The labor force grew by 418,000 in September; the number of people with a job rose by 873,000, and the number of unemployed workers fell by 456,000. (These numbers come from a different survey, which shows more month-to-month volatility than the payroll job growth numbers.)

- The labor force participation rate (the percentage of people aged 16 and over working or looking for work) edged up to 63.6 percent in September. Prior to recent months, labor force participation had not been this low since the early 1980s.

- 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, rose to 58.7 percent in September.

- 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 14.7 percent in September. That's down from its all-time high of 17.2 percent in October 2009 in data that go back to 1994, but still 5.9 percentage points higher than at the start of the recession. By that measure, roughly 23 million people are unemployed or underemployed.

- As discussed, long-term unemployment remains a significant concern. Two-fifths (40.1 percent) of the 12.1 million people who are unemployed — 4.8 million people — have been looking for work for 27 weeks or longer. These long-term unemployed represent 3.1 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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