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CBPP STATEMENT

Special Series: Economic Recovery Watch

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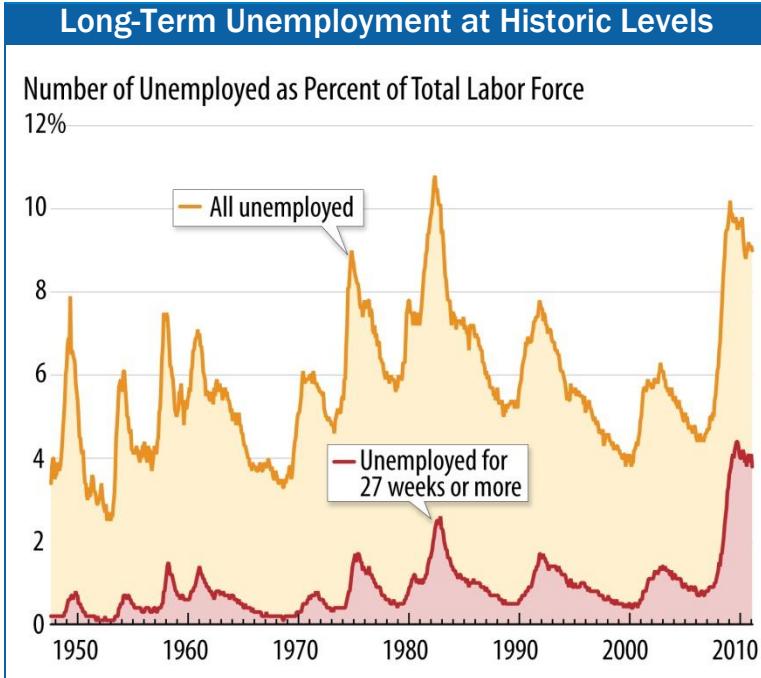
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**STATEMENT BY CHAD STONE,
CHIEF ECONOMIST,
ON THE OCTOBER EMPLOYMENT REPORT**

Today's employment report shows that jobs remain scarce, especially for the long-term unemployed. More than two-fifths of the unemployed have been looking for a job for more than six months (see chart) — and, according to a recent Pew Economic Policy Group Report, nearly a third of the unemployed have been looking for a job for more than a year. Under these conditions, policymakers would be both heartless and economically unwise to let federal emergency unemployment insurance (UI) benefits expire at the end of this year.

The economy faces a long slog back to full employment, according to most forecasters, especially in light of policymakers' reluctance to enact policies to stimulate economic activity. Federal Reserve decisionmakers took no further action at their meeting this week, despite releasing projections that the unemployment rate will range from 7.8 to 8.2 percent in 2013 and from 6.8 to 7.7 percent in 2014. The President's American Jobs Act proposals, including extending federal emergency UI benefits for another year, have met stiff resistance in Congress.

Allowing UI to expire would impose further hardship on long-term unemployed workers who are already hard-pressed to find a job. It would also remove a valuable tool for strengthening the recovery; the Congressional Budget Office (CBO) and other analysts rank UI as one of the most effective supports for economic activity in a weak economy. Congress has never let federal emergency UI benefits expire when the unemployment rate was higher than 7.2 percent — a far cry from today's 9 percent.



Sources: Bureau of Labor Statistics.

Congress is legitimately concerned with the long-term budget deficit, but policymakers should not let that concern eclipse efforts to address the immediate problem of a huge *jobs* deficit. Both Federal Reserve Chairman Ben Bernanke and CBO Director Douglas Elmendorf have testified that there is no contradiction between implementing policies to boost economic growth now and implementing policies to impose fiscal restraint that take effect several years from now, when the economy is stronger.

About the October Jobs Report

Job growth was modest in October, and the labor market remains in a deep slump.

- Private and government payrolls combined rose by 80,000 jobs in October. Private employers added 104,000 jobs. The decline of 24,000 government jobs reflected a loss of 2,000 federal jobs, 20,000 state government jobs, and 2,000 local government jobs.
- This is the 20th straight month of private-sector job creation, with payrolls growing by 2.8 million jobs (a pace of 138,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 2.3 million jobs over the same period, or 114,000 a month. Growth of 200,000 to 300,000 jobs a month or more is typical in strong economic recoveries, so the modest pace of just 90,000 jobs per month over the last six months is deeply disappointing.
- In October, despite 20 months of private-sector job growth, there were still 6.5 million fewer jobs on nonfarm payrolls than when the recession began in December 2007, and 6.1 million fewer jobs on private payrolls.
- The unemployment rate edged down to 9.0 percent in October, and the number of unemployed was 13.9 million. The unemployment rate was 8.0 percent for whites (3.6 percentage points higher than at the start of the recession), 15.1 percent for African Americans (6.1 percentage points higher than at the start of the recession), and 11.4 percent for Hispanics or Latinos (5.1 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. The labor force participation rate remained 64.2 percent in October, about where it was at the start of the year, and remains at levels last seen in 1984.
- 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, was 58.4 percent in October and has not been above 58.5 percent for the last year and a half.
- 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 — was 16.2 percent in October, not much below its all-time high of 17.4 percent in October 2009 in data that go back to 1994. By that measure, nearly 25 million people are unemployed or

underemployed.

- As discussed above, long-term unemployment remains a significant concern. Over two-fifths (42.4 percent) of the 13.9 million people who are unemployed — 5.9 million people — have been looking for work for 27 weeks or longer. These long-term unemployed represent 3.8 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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