Center on Budget and Policy Priorities

820 First Street, NE, Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

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

For Immediate Release:
Friday, November 5, 2010

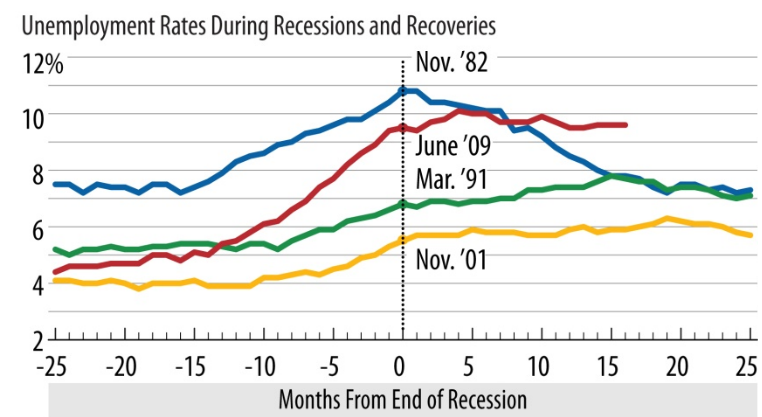
Contact:
Keri Fulton, 202-408-1080, fulton@cbpp.org

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

Today's employment report contains much better news on job creation than expected, but it does not change the underlying fact that the economic recovery remains weak and the economy needs a boost. For the tenth straight month, the private sector created jobs, but the pace of job creation has to pick up much more to lower the unemployment rate (see chart).

This week the Federal Reserve acted on its concerns about the sluggish recovery and high unemployment by stepping down harder on the monetary policy accelerator, purchasing \$600 billion of longer-term Treasury securities in order to lower longer-term interest rates. Congress should not impede these measures by slamming on the fiscal policy brakes.

No Recovery for the Unemployment Rate



Source: CBPP calculations from Bureau of Labor Statistics data.

That's what would happen, however, if lawmakers let the federal emergency unemployment insurance (UI) measures enacted in the recession expire as scheduled at the end of this month. These measures provide additional weeks of federally funded UI benefits to workers who exhaust their 26 weeks of regular state UI before they can find a job.

UI benefits provide important financial assistance to unemployed workers and their families, but they also support higher levels of consumer spending, which boosts economic activity and job creation. Among the 11 fiscal policy measures that the Congressional Budget Office analyzed for increasing economic growth and employment in the next year or two, CBO put aid to the unemployed at the top of the list.

At a time when 41.8 percent of the unemployed have been looking for work for 27 weeks or longer, cutting back UI benefits to 26 weeks in most states would impose additional hardship on large numbers of the unemployed and their families. And it would endanger an already fragile economic recovery and cause substantial job losses. Congress has provided federal emergency UI benefits in every major recession since the 1950s, and has continued those benefits until the economy was back on track and job prospects were improving. We're not there yet. October's unemployment rate of 9.6 percent is 2.4 percentage points higher than the highest rate (7.2 percent) at which benefits ended in any previous program.

About the October Jobs Report

- Private and government payrolls rose by 151,000 jobs in October. Private employers on net added 159,000 jobs, but those gains were partly offset by a decline in government jobs (primarily local government jobs).

- So far this year, private payrolls have expanded by 1.1 million jobs, a pace of 111,500 jobs a month, while total nonfarm employment (private plus government jobs) has grown by 874,000, or 87,400 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 is typical in strong economic recoveries.

- In October, there were 7.5 million fewer jobs on nonfarm payrolls than there were when the recession began in December 2007, and 7.4 million fewer jobs on private payrolls.

- The unemployment rate remained 9.6 percent in October, and the number of unemployed remained 14.8 million.

- The job growth reported by employers was not reflected in the Labor Department's household survey, which showed that labor force participation declined in October and the number of people with a job fell. In the aggregate, people who lost their jobs appear to have left the labor force. The share of the population working or looking for work (the labor force participation rate) declined to 64.5 percent, its lowest level since 1984. The share of the population with a job, which plummeted in the recession to levels last seen in the mid-1980s, fell to 58.3 percent, its lowest level since December 2009.

- It remains very hard 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 17.0 percent in October, not much below its all-time high of 17.4 percent in October 2009 in data that go back to 1994.

- Long-term unemployment remains a significant concern. Over two-fifths (41.8 percent) of the 14.8 million people who are unemployed — 6.2 million people — have been looking for work for 27 weeks or longer. These long-term unemployed represent 4 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.

# # #