Center on Budget and Policy Priorities

202-408-1080

center@cbpp.org

www.cbpp.org

CBPP STATEMENT

Special Series: **Economic Recovery Watch**

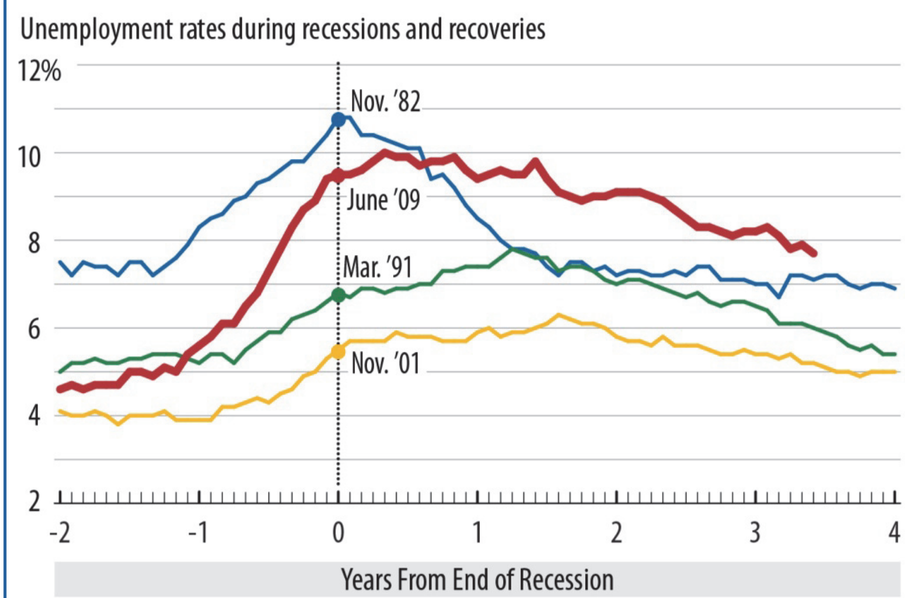
For Immediate Release:
Friday, December 7, 2012

Contact:
Michelle Bazie, 202-408-1080,
bazie@cbpp.org

Statement by Chad Stone, Chief Economist, On the November Employment Report

Beyond the surprising news that Hurricane Sandy had little effect on overall job creation and unemployment, today's report paints a familiar picture of moderate job creation and stubbornly high unemployment (see chart). Though unemployment fell, that's because the labor force shrank, not because employment opportunities expanded.

Unemployment Rate Stubbornly High



Source: CBPP calculations from Bureau of Labor Statistics

Policymakers could create a much rosier outlook for jobless workers and the economy generally if they would swiftly negotiate a deal that avoids the "fiscal cliff" and raises the debt limit at the same time. The deal also should include a set of measures, including an extension of federal emergency unemployment insurance (UI) for another year, that help the recovery gain strength while deficit-reduction measures phase in.

That trifecta of policies — avoiding the "fiscal cliff," raising the debt limit, and bolstering the economy — is what Moody's Analytics Chief Economist Mark Zandi has called "fiscal nirvana," and it may be very difficult to achieve politically.

That said, the "fiscal cliff" — the tax cuts that are due to expire and the across-the-board spending cuts that are due to start, all in early January — is really a slope. The economy will not immediately plunge into recession if they all take place; their impact will build over time but will be relatively modest in the first month or so. While there are some short-term risks to the economy if the White House and Congress do not strike a deal by the end of this year, those effects can be relatively quickly reversed if policymakers strike a sound deal early in 2013.

Similarly, a deal that does not include an extension of federal emergency UI and provide other short-term stimulus measures would not just be cruel to jobless workers, it would make the recovery slower than it has to be. But the real danger to the economy would arise from another round of brinksmanship over raising the debt ceiling. Unlike the damage from going past the beginning of the year before mitigating the effects of the "fiscal cliff," the damage from the U.S. government defaulting on its obligations, even briefly, would be serious and lasting.

About the November Jobs Report

Job growth was moderate in November and the unemployment rate remained below 8 percent, although labor force participation declined.

- Private and government payrolls combined rose by 146,000 jobs in November. Private employers added 147,000 jobs, while government employment fell by 1,000. Federal employment fell by 5,000 and local government employment fell by 2,000, while state government employment rose by 6,000.

- This is the 33rd straight month of private-sector job creation, with payrolls growing by 5.1 million jobs (a pace of 155,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 4.6 million jobs over the same period, or 140,000 a month. Total government jobs fell by 509,000 over this period, dominated by a loss of 370,000 local government jobs.

- These data do not reflect the preliminary estimate of "benchmark" revisions to the payroll jobs count that will be incorporated into the official data in February. The preliminary estimate of the revisions would raise total payroll employment in March 2012 by 386,000 jobs (0.3 percent) and private employment by 453,000 (0.4 percent), while lowering government employment by 67,000 (0.3 percent).

- Despite the 33 months of private-sector job growth, there were still 4.1 million fewer jobs on nonfarm payrolls and 3.7 million fewer jobs on private payrolls in November than when the recession began in December 2007. Including downward revisions to September and October, job growth averaged 139,000 jobs a month in the past three months — well short of the 200,000 to 300,000 jobs a month that would mark a robust jobs recovery. (All figures exclude the preliminary revisions discussed in the previous bullet.)

- The unemployment rate ticked down to 7.7 percent in November, and the number of unemployed Americans dropped to 12.0 million. However, these decreases reflected people leaving the labor force rather than people finding jobs. The unemployment rate was 6.8 percent for whites (2.4 percentage points higher than at the start of the recession), 13.2 percent for African Americans (4.2 percentage points higher than at the start of the recession), and 10.0 percent for Hispanics or Latinos (3.7 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. After two months of modest improvement, the labor force participation rate (the share of people aged 16 and over who are working or actively looking for work) declined to 63.6 percent in November. Prior to this year, it had not been so low since the early 1980s.

- The labor force fell by 350,000 people in November. The number of people with a job fell by 122,000, and unemployment fell by 229,000, leading to the fall in the unemployment rate. (These numbers come from a different survey from the one used to estimate payroll job growth.)

- 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, was 58.7 percent in November.

- 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 14.4 percent in November. That's down from its all-time high of 17.2 percent in November 2009 (in data that go back to 1994) but still 5.6 percentage points higher than at the start of the recession. By that measure, roughly 23 million people are unemployed or underemployed.

- Long-term unemployment remains a significant concern. Two-fifths (40.1 percent) of the 12.0 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.

# # #