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**Special Series: Economic Recovery Watch**

Updated February 24, 2012

## **NEW CBO REPORT FINDS UP TO TWO MILLION PEOPLE STILL OWE THEIR JOBS TO THE RECOVERY ACT**

By Michael Leachman and Chris Mai

A new Congressional Budget Office (CBO) report estimates that the American Recovery and Reinvestment Act (ARRA) increased the number of people employed by between 300,000 and 2 million jobs in December.<sup>1</sup> In other words, between 300,000 and 2 million people employed in December owed their jobs to the Recovery Act. This estimate, by Congress' non-partisan economic and budget analysts, is more comprehensive than the 200,000 jobs that ARRA recipients reported in January, CBO explains.

ARRA succeeded in its primary goal of protecting the economy during the worst of the recession. The CBO report finds that ARRA's impact on jobs peaked in the third quarter of 2010, when up to 3.6 million people owed their jobs to the Recovery Act. Since then, the Act's job impact has gradually declined as the economy recovers and certain provisions expire. More than 90 percent of ARRA funds were spent by December, according to CBO.

While the report focuses primarily on the fourth quarter of 2011, CBO also includes new projections of the Recovery Act's jobs impact through 2012. It projects that in the current quarter (the first quarter of 2012), there are 200,000 to 1.5 million more people employed because of ARRA.

### **ARRA Also Boosted Worker Hours, CBO Finds**

In addition to saving and creating jobs, ARRA has increased the number of hours worked, CBO has concluded. That is, without ARRA, many full-time workers would have been reduced to part-time status and fewer would have worked overtime. The combination of the increase in jobs and the increase in hours means that ARRA boosted the number of full-time-equivalent jobs by between 400,000 and 2.6 million as of December, the report estimates. CBO finds that this figure peaked in the third quarter of 2010, and stands at up to 1.9 million full-time equivalent jobs in the current quarter.<sup>2</sup>

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<sup>1</sup> Congressional Budget Office, "Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output From October 2011 Through December 2011," February 2012, available at <http://www.cbo.gov/sites/default/files/cbofiles/attachments/02-22-ARRA.pdf>.

<sup>2</sup> Ibid.

Among ARRA's most effective provisions for saving and creating jobs, according to CBO's estimates, are direct purchases of goods and services by the federal government, transfer payments to states (such as extra Medicaid funding), and transfer payments to individuals (such as increased food stamp benefits and additional weeks of unemployment benefits). CBO's estimates indicate that tax cuts are less effective job producers, and tax cuts for higher-income people have very low bang for the buck.

## **CBO's Jobs Estimates More Comprehensive than Earlier Recipient Reports**

In January, the Recovery Accountability and Transparency Board released new jobs figures based on reports by recipients of most ARRA grants, loans, and contracts. Recipients reported that ARRA funds preserved or created 200,000 full-time-equivalent jobs as of the fourth quarter of 2011. As the new CBO report explains, however, the recipient reports "do not provide a comprehensive estimate of [ARRA's] impact on U.S. employment."

Specifically, *the recipient reports covered only about one in five ARRA dollars spent during the fourth quarter of 2011* and did not include some of ARRA's most effective job-creating provisions, such as increased Medicaid support for states and additional support for unemployed workers and food stamp recipients. The reports also did not include the jobs that ARRA grants, loans, and contracts generated *indirectly* by increasing overall economic activity. On the other hand, CBO notes, some of the jobs that recipients reported may have existed without ARRA.

CBO emphasizes that its estimate of 300,000 to 2 million more people employed as of December addresses the limitations of using recipient reports to estimate ARRA's impact on jobs. CBO's estimate, which is based on data about how similar policies have affected output and employment in the past, is similar to those of other leading economic forecasters. For example, Mark Zandi of Moody's Economy.com, Macroeconomic Advisers, and IHS/Global Insight all estimate that ARRA added between about 2.1 million and 2.6 million jobs in the second quarter of 2011, according to a survey by the Council of Economic Advisers.<sup>3</sup>

## **Conclusion**

CBO's analysis finds that ARRA has significantly boosted both the number of people employed and the number of hours worked. ARRA protected the economy during the worst of the recession, and nearly three years after its enactment, it is still saving and creating jobs. Without it, up to two million more workers in December would have been either unemployed or struggling to get by on less income.

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<sup>3</sup> Council of Economic Advisers, *The Economic Impact of the American Recovery and Reinvestment Act of 2009, Eighth Quarterly Report*, December 9, 2011, p. 13, available at [http://www.whitehouse.gov/sites/default/files/cea\\_8th\\_arra\\_report\\_final\\_draft.pdf](http://www.whitehouse.gov/sites/default/files/cea_8th_arra_report_final_draft.pdf). The CEA notes that some of these private sector forecasts have not been updated for the latest spending and tax reduction data.