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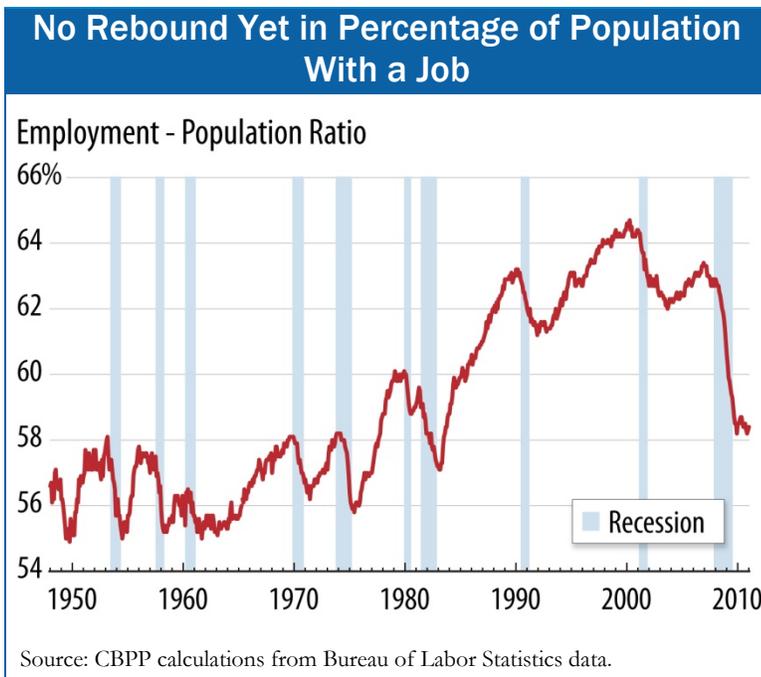
STATEMENT BY CHAD STONE, CHIEF ECONOMIST, ON THE JANUARY EMPLOYMENT REPORT

Today's jobs report is another in the recent string of such monthly reports showing modest job creation. The unemployment rate dropped surprisingly to 9 percent, but it remains very high. While labor market conditions are brighter than two years ago when the economy was hemorrhaging jobs, the job market remains in a deep slump for people who want to work but can't find jobs. It would not be helped by the drag on both the economy and job creation from House Republican efforts to cut domestic spending immediately.

Due to depressed labor force participation and high unemployment, the percentage of people aged 16 and older with a job stands at 58.4 percent – 4.3 percentage points lower than the 62.7 percent at the start of the recession in December 2007 (see chart). If this employment-to-population ratio were the same 62.7 percent it was in late 2007, over 10 million more people would be working.

The economy is growing, but not fast enough to quickly close the large gap between what the economy is capable of producing at full employment and what it is actually producing. The Congressional Budget Office (CBO) projects that, under its assumption of economic growth averaging about 3.4 percent a year (it was 3.2 percent in the fourth quarter of 2010), it will take until 2016 for the unemployment rate to fall to 5.3 percent. Even that slow return to higher employment will require job growth averaging 200,000 a month.

The Federal Reserve has policies in place that would support economic activity and job growth in line with CBO's forecast, and we may begin to see stronger job growth in



coming months. On the fiscal policy side, the tax-cut and unemployment insurance deal that President Obama and Congress enacted at the end of 2010 is also giving the recovery a boost.

House Republicans, however, would move in the opposite direction, slamming on the brakes by immediately cutting federal discretionary spending. An immediate spending cut would be the wrong way to go when the economy still needs a boost.

About the January Jobs Report

This month's report includes revisions to the previous two years of payroll employment data that result in modest reductions in the level of private and total nonfarm payroll employment from those previously reported as well as changes in the pattern of monthly job change. In addition, the household survey results for January reflect updated population estimates. Because the updating of population estimates makes the January data non-comparable with earlier data, the report also includes selected earlier data adjusted for the new population estimates).

- Private and government payrolls, which may have been held down by severe winter weather in some areas, rose by just 36,000 jobs in January. Private employers on net added 50,000 jobs, while local government employment fell by 10,000 jobs (state government employment and federal employment each fell by 2,000).
- This is the 11th straight month, of private-sector job creation, with payrolls growing by 1.3 million jobs (a pace of 114,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 1 million jobs over the same period, or 93,000 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 or more is typical in strong economic recoveries.
- In January, there were 7.7 million fewer jobs on nonfarm payrolls than there were when the recession began in December 2007, and 7.6 million fewer jobs on private payrolls.
- The unemployment rate fell to 9.0 percent in January, and the number of unemployed was 13.9 million.
- It is not unusual for the monthly job growth reported by employers and the employment information in the Labor Department's household survey to tell somewhat different stories. One reason for the discrepancy between the modest growth in payroll jobs and the decline in the unemployment rate is that there was essentially no growth in the labor force. The labor force participation rate (the share of the population aged 16 and over working or looking for work) remained depressed at 64.2 percent, the lowest it has been since 1984.
- As discussed above, the share of the population with a job, which plummeted in the recession to levels last seen in the mid-1980s was 58.4 percent; prior to the current slump, the last time it was lower was August 1983.
- 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 16.1 percent in January, 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 (43.8 percent) of the 13.9 million people who are unemployed — 6.2 million people — have been looking for work for 27 weeks or longer. These long-term unemployed represent 4.1 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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