Center on Budget and Policy Priorities

202-408-1080

center@cbpp.org

www.cbpp.org

CBPP STATEMENT

Special Series: Economic Recovery Watch

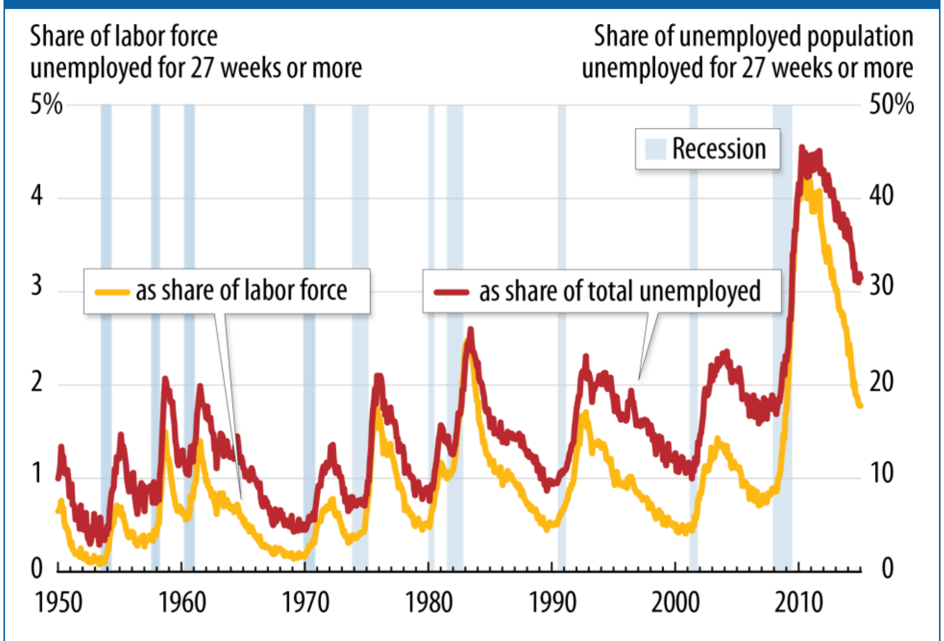
For Immediate Release:
Friday, February 6, 2015

Contact:
Regan Lachapelle, 202-408-1080,
Lachapelle@cbpp.org

Statement by Chad Stone, Chief Economist, on the January Employment Report

Today's strong jobs report shows continuing labor market improvement but also continuing significant "slack" — people who are not working but want to be, or people who want to work full time but can only find part-time jobs. Prominent among those struggling to find work are the roughly three-in-ten jobless workers who've been looking for a job for 27 weeks or longer (see chart).

Long-Term Unemployment Remains High



Sources: Bureau of Labor Statistics and National Bureau of Economic Research.

These workers no longer receive unemployment insurance (UI) benefits, since most states offer 26 or fewer weeks of regular state UI and the emergency federal program enacted in the Great Recession to provide additional weeks expired at the end of 2013. The 2.8 million long-term unemployed are still actively looking for work and, thus, counted as part of the labor force. Numerous others would like a job — and would likely have one in a more robust labor market — but they're not in the labor force because they think they have scant prospects of finding work.

To be sure, labor markets are much stronger than in October 2009, when unemployment peaked at 10.0 percent. Nevertheless, January's 5.7 percent unemployment rate is still 0.7 percentage points higher than at the start of the recession in December 2007.

More significantly, the long-term unemployment rate is 0.9 percent higher than when the recession began; the Labor Department's most comprehensive alternative unemployment rate measure, which includes not only the unemployed but also people who want to work but are not currently looking and people who are working part time because they can't find full-time work, is 2.5 percentage points higher than when the recession began; and the employment-population ratio, or the share of the population aged 16 and over with a job, is 3.4 percentage points *lower* than when the recession began. The aging of the population is one reason for that last figure, but the employment-population ratio for prime-age workers (aged 25-54) is itself 2.5 percentage points lower than at the start of the recession.

Ongoing labor market slack is particularly hard on the long-term unemployed, whose skills tend to erode while they remain jobless and who often seem stigmatized for being out of work so long when they apply for a job. It's unfortunate that federal UI benefits for the long-term unemployed expired at the end of 2013; it's even more unfortunate that in recent years, several states have made it harder for people who lose their job through no fault of their own to qualify for any UI, and eight states have cut the maximum number of weeks of UI they provide below the customary 26 weeks.

President Obama has acknowledged these problems by including a set of major UI proposals in his new budget request that would both shore up UI financing for the long term and reform the federal Extended Benefits program to make additional weeks of UI available automatically in states with high or rapidly rising unemployment rates. The proposal also would provide incentives for states to offer a maximum of at least 26 weeks of benefits. Twelve states and the District of Columbia currently have unemployment rates of at least 6.5 percent, which under the proposed reforms would give the long-term unemployed in those states an additional 13 weeks of federal emergency benefits if they exhaust their state benefits before finding a job.

About the January Jobs Report

Employers reported strong payroll job growth in January. In the separate household survey, the unemployment rate edged up to 5.7 percent, but that reflected strong growth in labor force participation rather than a worsening job market.

Interpretation of today's report is complicated by a number of technical changes to the data. The Bureau of Labor Statistics (BLS) has revised historical payroll employment data from April 2013 forward to reflect the annual benchmark adjustment for March 2014 and has revised its seasonal adjustment of data further back. Also, unemployment and other household survey data for January 2015 reflect updated population estimates and are not directly comparable to earlier data, which BLS has not revised to incorporate those estimates.

- Private and government payrolls combined rose by 257,000 jobs in January and BLS revised job growth in the previous two months upward by a total of 147,000 jobs (some of that due to the annual benchmark adjustment). Private employers added 267,000 jobs in January, while overall government employment fell by 10,000. Federal government employment fell by 6,000, state government by 3,000, and local government by 1,000.

- This is the 59th straight month of private-sector job creation, with payrolls growing by 11.8 million jobs (a pace of 200,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 11.2 million jobs over the same period, or 190,000 a month. Total government jobs fell by 585,000 over this period, dominated by a loss of 368,000 local government jobs.

- The job losses incurred in the Great Recession have been erased. There are now 3.0 million more jobs on private payrolls and 2.5 million more jobs on total payrolls than at the start of the recession in December 2007. Because the working-age population has grown since then, the number of jobs remains well short of what is needed to restore full employment. But growth like that of the last three months (an average monthly gain of 336,000 jobs) bodes well for closing that gap.

- Average hourly earnings on private nonfarm payrolls rose by 12 cents in January to $24.75. Over the last 12 months they have risen by 2.2 percent. For production and non-supervisory workers, average hourly earnings rose by 7 cents to $20.80, or 2.0 percent higher than a year earlier.

- The unemployment rate edged up to 5.7 percent in January, and 9.0 million people were unemployed. The unemployment rate was 4.9 percent for whites (0.5 percentage points higher than at the start of the recession), 10.3 percent for African Americans (1.3 percentage points higher than at the start of the recession), and 6.7 percent for Hispanics or Latinos (0.4 percentage points higher than at the start of the recession).

- The recession drove many people out of the labor force, and the ongoing lack of job opportunities kept many potential jobseekers on the sidelines and not counted in the official unemployment rate. Household data are subject to substantial month-to-month swings, and interpreting the January data is further complicated by the effect of the new population adjustments described above. That said, labor force growth in January was encouraging. Taking out the effect of the population adjustment, the labor force grew by 703,000 in January, employment rose by 435,000, and unemployment rose by 267,000, accounting for the uptick in the unemployment rate. It's common that when renewed confidence brings people back into the labor market, many jobseekers do not find work immediately.

- The labor force participation rate (the share of the population aged 16 and over in the labor force) rose to 62.9 percent in January, just shy of the 63.0 percent a year earlier. The sharp decline in labor force participation during the much of the recovery appears over, but prior to recent years, the labor force participation rate hasn't been this low since the 1970s and continued strong growth in participation will be needed to restore normal labor market health.

- 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, edged up to 59.3 percent in January. It was 58.8 percent a year ago.

- 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 — edged up to 11.3 percent in January. That's well down from its all-time high of 17.1 percent in April 2010 (in data that go back to 1994) but still 2.5 percentage points higher than at the start of the recession. By that measure, about 18 million people are unemployed or underemployed. The rate was 12.7 percent a year ago (about 20 million people).

- As discussed, long-term unemployment remains a significant concern. More than three in ten (31.5 percent) of the 9.0 million people who are unemployed — 2.8 million people — have been looking for work for 27 weeks or longer. These long-term unemployed represent 1.8 percent of the labor force. These figures were 35.6 percent and 2.3 percent a year ago. 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, early in the recovery from the 1981-82 recession. A year after peaking at 2.6 percent, however, the long-term unemployment rate had dropped to 1.4 percent, well below the current rate.

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