Center on Budget and Policy Priorities
202-408-1080
center@cbpp.org
www.cbpp.org

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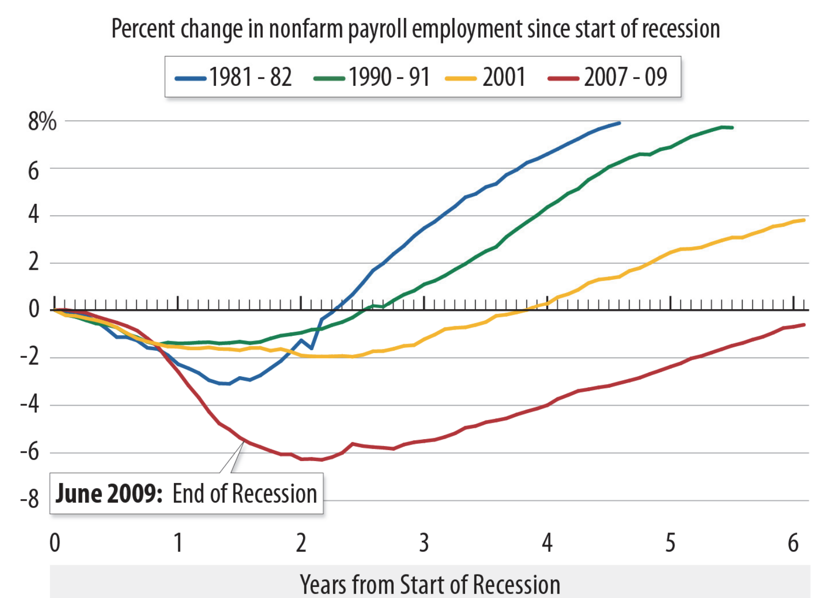
Contact:
Michelle Bazie, 202-408-1080, bazie@cbpp.org

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

Today's jobs report offers mixed views of the job market, with employers reporting only modest additions to their payrolls but households reporting large employment gains. The usually more reliable payroll survey portrays a labor market that is healing only slowly from the Great Recession and subsequent protracted jobs slump (see chart). Time will tell if the more volatile household employment numbers presage better times. In any case, today's report does not justify Congress's reluctance to reinstate emergency federal jobless benefits.

The litany of job market scars from the Great Recession is familiar: modest job growth that has not yet pushed payroll employment above its pre-recession peak nor reduced unemployment to close to what it would be in a healthy economy; weak labor force participation (a smaller share of the population working or looking for work) that along with elevated unemployment has kept the share of the population with a job close to where it plunged in the recession; and, of course, an unprecedented amount of long-term unemployment this far into a recovery.

Job Losses Were Far Larger and More Protracted in the Great Recession Than in Earlier Downturns



Source: CBPP calculations from Bureau of Labor Statistics data.

The Emergency Unemployment Compensation (EUC) program, which expired in late December and which Congress refuses to restore, would provide needed financial assistance to workers who have lost their jobs through no fault of their own and not found work before their regular state jobless benefits run out. Because those who would receive emergency benefits need the money and would spend it quickly, the program would also provide a worthwhile boost to the economic recovery at a time when it needs one. Because EUC is a temporary program it does not compromise policymakers' ability to address longer-term budget deficits.

The Congressional Budget Office reported this week that it does not expect the job market to return to reasonably normal conditions until late 2017 or to be fully healed until even later. It was too soon to let EUC expire, and it's too soon to leave it that way.

About the January Jobs Report

Payroll job growth in January was disappointing; households, in contrast, reported large gains in employment. Payroll job growth is generally considered the more reliable measure of job growth because the household data are more volatile from month to month. Interpretation of today's report is further complicated by a number of technical changes to the data.

Historical payroll employment data have been revised to reflect the annual benchmark adjustment for March 2013, a reclassification of industries included in the survey, and updated seasonal adjustment factors. Unemployment and other household survey data for January 2014 reflect updated population estimates and are not directly comparable to earlier data, which have not been revised to incorporate those estimates.

- Private and government payrolls combined rose by just 113,000 jobs in January and the Bureau of Labor Statistics revised job growth in November and December upward by a total of 34,000 jobs. Private employers added 142,000 jobs in January, while government employment fell by 29,000. Federal government employment fell by 12,000, state government by 6,000, and local government by 11,000.

- This is the 47th straight month of private-sector job creation, with payrolls growing by 8.5 million jobs (a pace of 181,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 7.8 million jobs over the same period, or 167,000 a month. Total government jobs fell by 655,000 over this period, dominated by a loss of 414,000 local government jobs.

- Despite 47 months of private-sector job growth, there were still 851,000 fewer jobs on nonfarm payrolls and 288,000 fewer jobs on private payrolls in January than when the recession began in December 2007. January's job growth (even with the revisions to earlier months) was well below the sustained job growth of 200,000 to 300,000 a month that would mark a robust jobs recovery. Job growth averaged 194,000 a month last year, but only 94,000 in the December and January of this year.

- The unemployment rate was 6.6 percent in January, and 10.2 million people were unemployed. The unemployment rate was 5.7 percent for whites (1.3 percentage points higher than at the start of the recession), 12.1 percent for African Americans (3.1 percentage points higher than at the start of the recession), and 8.4 percent for Hispanics or Latinos (2.1 percentage points higher than at the start of the recession).

- The recession drove many people out of the labor force, and lack of job opportunities in the ongoing jobs slump has kept many potential jobseekers on the sidelines. January bucked that pattern. After accounting for the change in population estimates described earlier, the labor force (people aged 16 or over working or actively looking for work) grew by 499,000 in January, the number of people with a job rose by 616,000, and the number of unemployed fell by 117,000. As a result, the labor force participation rate (the share of people aged 16 and over in the labor force) edged up to 63.0 percent in January. That's still 0.6 percentage points lower than a year ago. Prior to 2013, that is the lowest since 1978.

- 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 58.8 percent in January, slightly above its 2013 average of 58.6 percent.

- 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 — fell to 12.7 percent in January. That's down from its all-time high of 17.2 percent in April 2010 (in data that go back to 1994) but still 3.9 percentage points higher than at the start of the recession. By that measure, about 20 million people are unemployed or underemployed.

- Long-term unemployment remains a significant concern. Well over a third (35.8 percent) of the 10.2 million people who are unemployed — 3.6 million people — have been looking for work for 27 weeks or longer. These long-term unemployed represent 2.3 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, early in the recovery from the 1981-82 recession. By the end of the first year of the recovery from that recession, the long-term unemployment rate had dropped below 2 percent.

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