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CBPP STATEMENT

Special Series: **Economic Recovery Watch**

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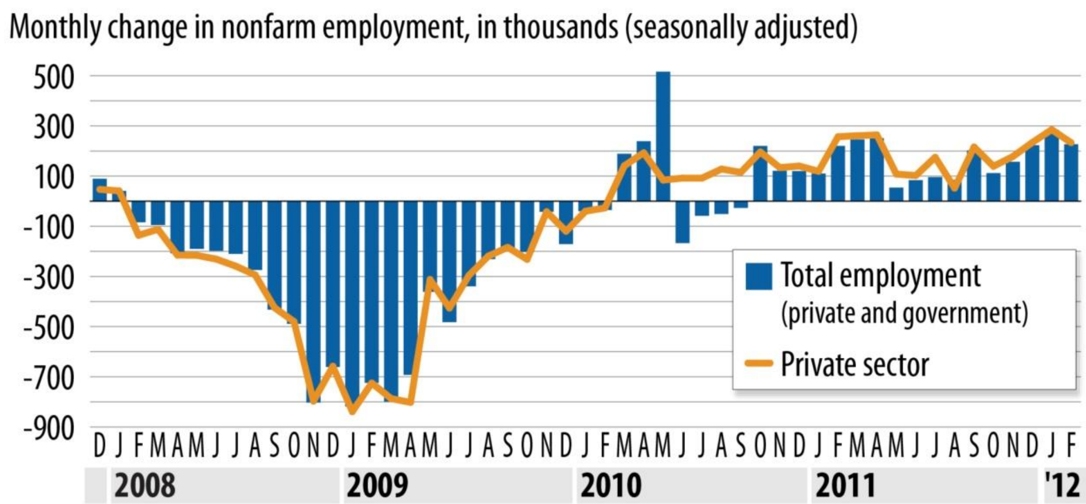
STATEMENT BY CHAD STONE, CHIEF ECONOMIST, ON THE FEBRUARY EMPLOYMENT REPORT

Today brought another solid monthly employment report. Nevertheless, the economic recovery still has a long way to go to erase the lingering effects of the Great Recession and restore full employment and a healthy labor market. Moreover, economic forecasters expect only modest economic growth over the coming year, which could limit job creation.

Private and government employers combined added 227,000 jobs in February and, as the chart below shows, private employers added jobs for the 24th straight month. The unemployment rate, which fell 0.2 percentage point in each of the last three months, held steady at 8.3 percent.

Private Payrolls Have Grown Every Month for Two Straight Years



Source: Bureau of Labor Statistics

With last month's extension of the payroll tax cut and emergency federal unemployment insurance through December, policymakers have done all that they likely will do this year on the fiscal policy side to support the recovery. Indeed, the House will likely pass a budget that, if implemented, would add further spending cuts in 2013 to those already mandated by last year's Budget Control Act — which would put a further drag on the recovery.

That leaves responsibility for nurturing the recovery and job market to the Federal Reserve, which has a dual mandate to pursue stable prices *and* maximum employment. Fortunately, the Fed has pushed short term rates about as low as they can go and is pursuing additional measures to reduce longer term rates and further expand money and credit. Unfortunately, misplaced fears of inflation among some members of the Fed's monetary policy making committee appear to be constraining its willingness to pursue more aggressive policies to push the economy toward full employment faster than it seems to be going on its own.

Though policymakers should be pleased that the economy is adding jobs at a solid pace, they should not grow complacent. At February's pace, it would take almost two years before payroll employment is back to its pre-recession level — and much longer to return to full employment. (The Congressional Budget Office projects that the unemployment rate will not fall to 5.5 percent until 2018.) A truly robust jobs market recovery would generate employment gains of 300,000 jobs a month or more.

About the February Jobs Report

Job growth was solid in February, but the job market has a long way to go to regain full strength.

- Private and government payrolls combined rose by 227,000 jobs in February. Private employers added 233,000 jobs. A rebound in education hiring stanched overall job losses in state and local government, but excluding education jobs, state and local employment fell by 6,600 jobs.

  This is the 24th straight month of private-sector job creation, with payrolls growing by 3.9 million jobs (a pace of 164,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 3.5 million jobs over the same period, or 144,000 a month. The loss of 485,000 government jobs over this period was dominated by a loss of 347,000 local government jobs.

- In February, despite 24 months of private-sector job growth, there were still 5.3 million fewer jobs on nonfarm payrolls than when the recession began in December 2007 and 4.9 million fewer jobs on private payrolls. Growth of 200,000 to 300,000 nonfarm payroll jobs or more a month is typical in strong economic recoveries and will be necessary to close the jobs gap and restore full employment in any reasonable period of time. Payroll job growth has started to move into that range, but gains at least as large as we saw in February need to be sustained.

- The unemployment rate stayed at 8.3 percent in February after dropping 0.2 percentage points in each of the previous three months, and the number of unemployed Americans remained 12.8 million. The unemployment rate was 7.3 percent for whites (2.9 percentage points higher than at the start of the recession), 14.1 percent for African Americans (5.1 percentage points higher than at the start of the recession), and 10.7 percent for Hispanics or Latinos (4.4 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, and we have yet to see a sustained return to labor force participation (people aged 16 and over working or actively looking for work) that would mark a strong jobs recovery. Growth in the labor force was encouraging in February, as the labor force participation rate edged up to 63.9

percent. Except for January's 63.7 percent, however, that is the lowest it has been since 1983.

- 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 been below 60 percent since early 2009, edged up to 58.6 percent in February.

- Finding a job remains very difficult. 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 14.9 percent in February, down from its all-time high of 17.4 percent in October 2009 in data that go back to 1994, but still 6.1 percentage points higher than at the start of the recession. By that measure, almost 24 million people are unemployed or underemployed.

- Long-term unemployment remains a significant concern. Over two-fifths (42.6 percent) of the 12.8 million people who are unemployed — 5.4 million people — have been looking for work for 27 weeks or longer. These long-term unemployed represent 3.5 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.

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