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CBPP STATEMENT
Special Series: **Economic Recovery Watch**

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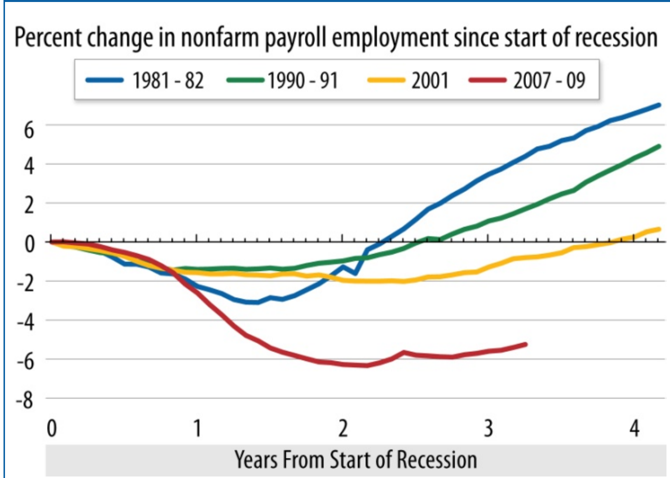
STATEMENT BY CHAD STONE, CHIEF ECONOMIST, ON THE MARCH EMPLOYMENT REPORT

Today's employment report shows that the economy is creating jobs at a solid pace. But it also reminds us that without even stronger job growth, it will take years to erase the large jobs deficit that the 2007-2009 recession created (see chart) and to lower the unemployment rate to an acceptable level. Immediate sharp cuts in government spending of the kind that some policymakers are seeking will make it even harder to restore a healthy job market.

Jobs Deficit Remains Much Larger Than in Recent Recessions



Source: CBPP calculations from Bureau of Labor Statistics data.

We have to create over 7.2 million jobs just to get payroll employment back to its level at the start of the recession in December 2007. At March's rate of 216,000 jobs a month, that would take almost three years. It would take even longer to get back to full employment, given population growth in the years since the start of the recession.

What happens to the unemployment rate over the coming year will depend not only on how fast the economy creates jobs but also on how fast people return to the labor force to look for work. Low labor force participation has allowed the unemployment rate to fall recently despite relatively modest job growth, but if people start returning to the labor force looking for work, the economy will have to create jobs at a faster pace for them to find jobs and for the unemployment rate to keep falling.

Unfortunately, the economy seems to be losing momentum, not gaining it. We need economic growth of 3½ to 4 percent a year to close the jobs deficit in any reasonable amount of time. The economy grew at a 3.1 percent annual rate in the fourth quarter and likely grew less than that in the first quarter of this year. The problems are inadequate demand for goods and services and excess productive capacity. Perversely, some policymakers are insisting that, in the name of deficit reduction, the White House and Congress should make immediate large cuts in spending, which will reduce demand and impede efforts to create more jobs, while simultaneously calling for permanent extensions of President Bush's tax cuts, which will have no impact on job creation when it matters most while impeding efforts to reduce the long-term budget deficit.

About the March Jobs Report

Job growth was solid in March, but other indicators show that the labor market remains in a deep slump.

- Private and government payrolls rose by 216,000 jobs in March. Private employers on net added 230,000 jobs, while local government employment fell by 15,000 (federal government employment rose by 1,000 jobs and state employment was unchanged).

- This is the 13th straight month of private-sector job creation, with payrolls growing by 1.8 million jobs (a pace of 138,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 1.5 million jobs over the same period, or 115,000 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, and only in the last two months have we moved into the bottom of that range.

- In March, despite 13 months of private-sector job growth, there were still 7.2 million fewer jobs on nonfarm payrolls than there were when the recession began in December 2007, and 7.0 million fewer jobs on private payrolls.

- The unemployment rate edged down to 8.8 percent in March, and the number of unemployed was 13.5 million. The unemployment rate was 7.9 percent for whites (3.5 percentage points higher than at the start of the recession), 15.5 percent for African Americans (6.5 percentage points higher than at the start of the recession), and 11.3 percent for Hispanics or Latinos (5.0 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 the return to labor force participation (working or actively looking for work) that marks a strong jobs recovery. 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. Recent declines in the unemployment rate would be more encouraging if they were accompanied by a rising labor force participation rate.

- The share of the population with a job, which plummeted in the recession to levels last seen in the mid-1980s, was 58.5 percent in March. Prior to the current slump, the last time it was lower was October 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 15.7 percent in March, not much below its all-time high of 17.4 percent in October 2009 in data that go back to 1994. By that measure, more than 24 million people are unemployed or underemployed.

- Long-term unemployment remains a significant concern. Over two-fifths (45.5 percent) of the 13.5 million people who are unemployed — 6.1 million people — have been looking for work for 27 weeks or longer. These long-term unemployed represent 4.0 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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