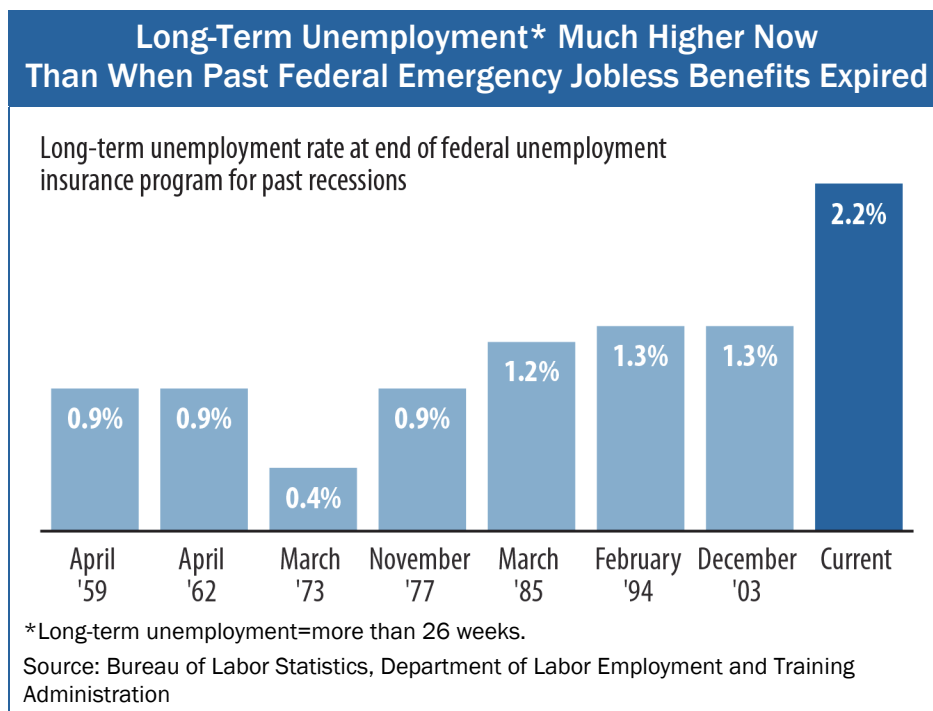


## Statement by Chad Stone, Chief Economist, on the April Employment Report

Today’s mixed jobs report shows a big jump in payroll employment but a sharp fall in labor force participation. The labor market is clearly much stronger than in the depths of the Great Recession but still far from the “maximum employment” goal that Congress has mandated the Federal Reserve to pursue. Long-term unemployment remains a particular concern, highlighting why Congress must restore federal emergency jobless benefits — which it allowed to lapse at the end of 2013 and has not restored even though long-term unemployment remains substantially higher than when *any* of the previous seven emergency programs expired (see chart).



Fed Chair Janet Yellen identifies “the extraordinarily large share of the unemployed who have been out of work for six months or more” as one key indicator (besides the still-high unemployment rate) that the labor market remains far from normal and that the Fed should keep pursuing its maximum employment goal aggressively. Over a third of the unemployed (35.3 percent in April) have been looking for work for 6

months or longer. Before the Great Recession this figure had never topped 26 percent, in data that go back to the late 1940s, and it reached that percentage in only one month in the 1980s.

The long-term unemployment rate (per the chart) is the share of the labor force (people aged 16 and older who are either working or actively looking for work) that's been actively looking for work for more than six months. At 2.2 percent in April, that rate is much lower than its 4.4 percent peak in April of 2010. Nevertheless, it remains higher than at any time before the Great Recession, except in the immediate aftermath of the deep 1981-82 recession, when it peaked at 2.6 percent. At that time, however, policymakers did not end emergency federal jobless benefits until March 1985, when long-term unemployment had dropped to 1.2 percent.

As Yellen notes, economists continue to debate why long-term unemployment remains high, but she cites evidence that the long-term unemployed look "basically the same as other unemployed people." That leads her to conclude that a stronger labor market could solve an important part of the long-term unemployment problem.

Lawmakers should test that proposition by restoring the Emergency Unemployment Compensation program that lapsed at the end of 2013. That's because EUC provides important financial support to the families of the long-term unemployed while they struggle to find work in a still-tough labor market, and it keeps them in the labor force looking for work, rather than dropping out in discouragement. It's also, on a bang-for-the-buck basis, one of the best ways to stimulate economic activity and strengthen the job market.

## About the April Jobs Report

Businesses reported strong payroll growth in April. The separate household survey, however, showed that all of the decline in the unemployment rate to 6.3 percent was due to a drop in labor force participation.

- Private and government payrolls combined rose by 288,000 jobs in April and the Bureau of Labor Statistics revised job growth in February and March upward by a total of 36,000 jobs. Private employers added 273,000 jobs in April, while overall government employment rose by 15,000. Federal government employment fell by 3,000, state government rose by 1,000, and local government rose by 17,000, with 12,000 of those in education.
- This is the 50<sup>th</sup> straight month of private-sector job creation, with payrolls growing by 9.2 million jobs (a pace of 184,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 8.6 million jobs over the same period, or 172,000 a month. Total government jobs fell by 599,000 over this period, dominated by a loss of 351,000 local government jobs.
- Most of the job losses incurred in the Great Recession have been erased. There are now 409,000 more jobs on private payrolls than there were at the start of the recession in December 2007. Total payroll employment is still 98,000 jobs short of where it was then, but that deficit should be erased next month. That would be a milestone on the way to a full jobs recovery, but population growth over the past several years means that, at a minimum, the economy will have to maintain the pace of job creation so far this year (214,000 jobs a month) to restore full employment in a timely manner.
- The unemployment rate fell from 6.7 to 6.3 percent in April, and 9.8 million people were unemployed. The unemployment rate was 5.3 percent for whites (0.9 percentage points higher than at

the start of the recession), 11.6 percent for African Americans (2.6 percentage points higher than at the start of the recession), and 7.3 percent for Hispanics or Latinos (1.0 percentage points higher than at the start of the recession).

- All of the decline in unemployment reflects a drop in the labor force (people aged 16 or over working or actively looking for work). The recession drove many people out of the labor force, and lack of job opportunities in the ongoing jobs slump kept many potential jobseekers on the sidelines. After some encouraging growth in the first three months of the year, the labor force fell by 806,000 in April. The number of people with a job fell by 73,000 and the number of unemployed fell by 733,000. The labor force participation rate (the share of the population aged 16 and over in the labor force) fell back to 62.8 percent in April, which prior to the end of last year was the lowest it has been since 1978 and lower than the 2013 average of 63.3 percent.
- 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, was 58.9 percent in April, 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 — dropped to 12.3 percent in April. That's down from its all-time high of 17.2 percent in April 2010 (in data that go back to 1994) but still 3.5 percentage points higher than at the start of the recession. By that measure, about 19 million people are unemployed or underemployed.
- As discussed above, long-term unemployment remains a significant concern. Over a third (35.3 percent) of the 9.8 million people who are unemployed — 3.5 million people — have been looking for work for 27 weeks or longer. These long-term unemployed represent 2.2 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, however, the long-term unemployment rate had dropped below 2 percent.

###

**The Center on Budget and Policy Priorities** is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. It is supported primarily by foundation grants.