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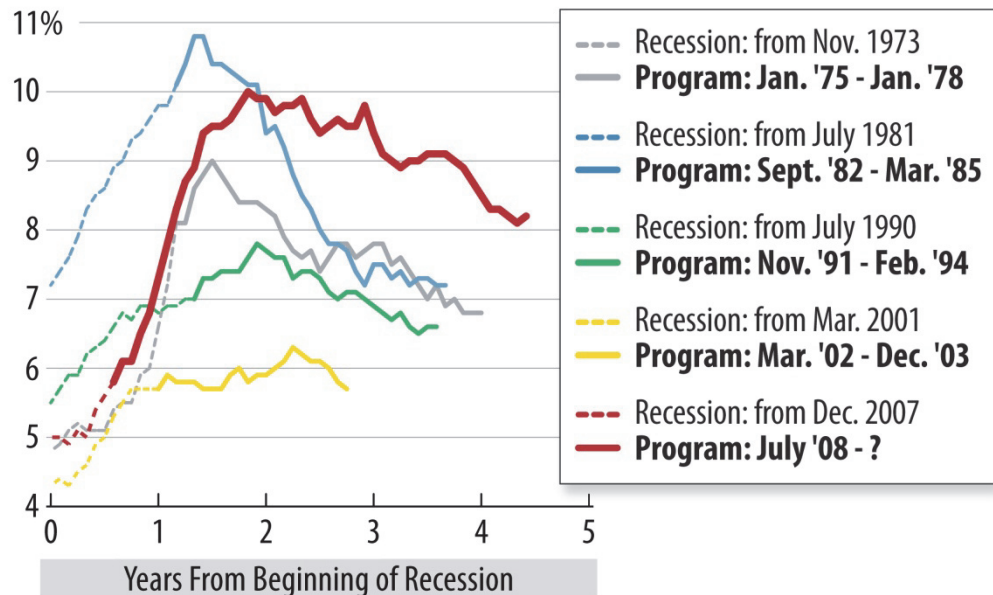
STATEMENT BY CHAD STONE, CHIEF ECONOMIST, ON THE MAY EMPLOYMENT REPORT

Today's disappointing employment report shows that the labor market remains far below full strength. The unemployment rate edged up to 8.2 percent and forecasters expect it to remain near 8 percent by the end of the year, which has important implications for the current temporary federal unemployment insurance (UI) program. Since policymakers created the first such program in 1958, they have never allowed it to end when unemployment topped 7.2 percent — and they certainly should not start this year.

Unemployment Rate Remains Much Higher Than When Previous Temporary Unemployment Insurance Programs Ended

Solid lines show the unemployment rate when federal unemployment insurance programs are in place and dashed lines indicate when they are not.

Unemployment rate



Sources: Bureau of Labor Statistics and Department of Labor Employment and Training Administration

(more)

Unemployment has been higher for longer than in any previous recession since the 1930s (and would be higher still if a substantial number of people had not stopped looking for work for now because they view their current prospects of finding a job as dim). Nevertheless, support for UI has waned among lawmakers at a time when the economy will continue to need the support that it provides and when long-term unemployment remains at unprecedented levels. Before topping 40 percent in the recent slump, the percentage of the unemployed who have been looking for work for more than six months had never exceeded the 26 percent reached in June 1983 in data going back to 1948.

Private employers have added jobs for 27 straight months, but the economy still lacks the strength to generate the kind of job growth (200,000 to 300,000 jobs a month or more on a sustained basis) that would restore normal employment in a reasonable time frame. As policymakers focus on the challenges ahead at year end, due to expiring tax cuts and spending provisions plus scheduled across-the-board spending cuts — all at a time when the fragile recovery will still need nurturing — they should remember that UI is one of our most cost-effective measures for supporting the economy.

UI injects new spending into the economy quickly. It doesn't add to the long-run budget deficit because UI claims fall as the economy strengthens, and policymakers have always let temporary programs expire. But, we're not there yet, with an overall unemployment rate that tops 8 percent and an extremely high long-term unemployment rate.

About the May Jobs Report

Job growth was disappointing in May and it remains very difficult to find a job.

- Private and government payrolls combined rose by just 69,000 jobs in May. Private employers added 82,000 jobs, while government employment fell by 13,000. Federal and state employment each fell by 5,000 jobs and local government employment fell by 3,000.
 - This is the 27th straight month of private-sector job creation, with payrolls growing by 4.3 million jobs (a pace of 158,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 3.8 million jobs over the same period, or 139,000 a month. The loss of 502,000 government jobs over this period was dominated by a loss of 377,000 local government jobs.
 - Despite the 27 months of private-sector job growth, there were still 5.0 million fewer jobs on nonfarm payrolls in May than when the recession began in December 2007 and 4.6 million fewer jobs on private payrolls. Payroll job growth has averaged just 96,000 over the last three months, a substantial step backwards from the pace of job creation in the three months before that. May's 69,000 jobs added is the smallest such figure in a year. The number of jobs created in March and April was also revised down.
 - The unemployment rate edged up to 8.2 percent in May, and the number of unemployed Americans rose slightly to 12.7 million. The unemployment rate was 7.4 percent for whites (3.0 percentage points higher than at the start of the recession), 13.6 percent for African Americans (4.6 percentage points higher than at the start of the recession), and 11.0 percent for Hispanics or Latinos (4.7 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. The labor force did, however, increase in
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May, reversing April's decline. The number of people with a job rose by 422,000 and the number of people looking for a job rose by 220,000. (These numbers come from a different survey, which shows more month-to-month volatility than the payroll job growth numbers.)

- The labor force participation rate (the percentage of people aged 16 and over working or looking for work) edged up to 63.8 percent but before the current economic slump, labor force participation had not been this low 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 May.
- 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 — was 14.8 percent in May, down from its all-time high of 17.4 percent in October 2009 in data that go back to 1994, but still 6.0 percentage points higher than at the start of the recession. By that measure, over 23 million people are unemployed or underemployed.
- Long-term unemployment remains a significant concern. Over two-fifths (42.8 percent) of the 12.7 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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