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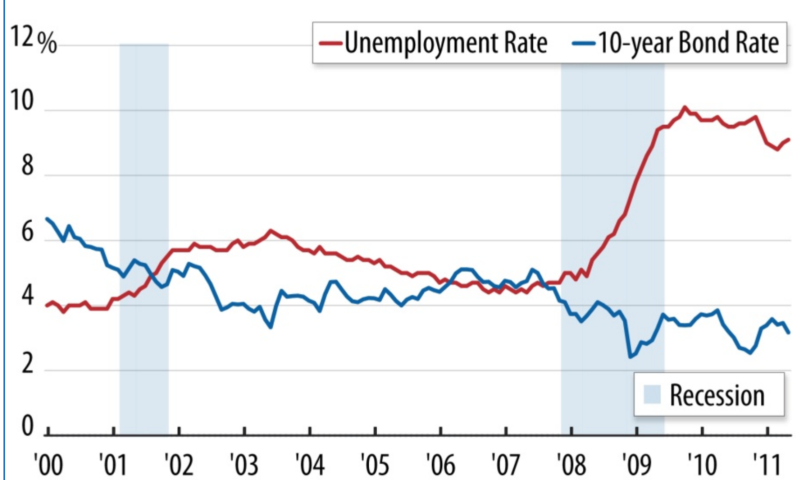
STATEMENT BY CHAD STONE, CHIEF ECONOMIST, ON THE MAY EMPLOYMENT REPORT

Today's employment report should be a wake-up call to policymakers who continue to say the budget deficit is a more immediate threat to the economy than the jobs deficit. Nearly two years after the economy technically turned the corner from recession to recovery, job growth was disappointing in May and unemployment remained high. At the same time, interest rates are very low (see chart), indicating that financial markets are far more concerned in the near term about a sluggish recovery than about deficits, debt, or inflation.

High Unemployment and Low Interest Rates Suggest Financial Markets More Concerned with Recovery Prospects than Debt or Inflation



Sources: Bureau of Labor Statistics, Federal Reserve, and National Bureau of Economic Research.

You wouldn't know that from the current debate in Washington, which is focused largely on the size of budget cuts that must accompany legislation to raise the federal debt ceiling in order to secure the votes of enough members of Congress. Lawmakers must raise the debt ceiling so that the United States does not default on its obligations arising from tax and spending legislation that was previously enacted. If implemented now, those budget cuts would drain purchasing power from the economy at a time when the recovery is already losing momentum and forecasters expect another quarter of sluggish growth.

Adding insult to injury, a number of states have cut or are thinking about cutting the number of weeks of unemployment insurance (UI) they will provide to newly unemployed workers, while congressional Republicans have proposed legislation that would allow states to prematurely *end* federal benefits for the long-term unemployed. UI is one of the most effective means of boosting demand in a weak economy, and cutting UI benefits will be a drag on an already flagging economic recovery.

About the May Jobs Report

Job growth slowed sharply in May, and other indicators show that the labor market remains in a deep slump.

- Private and government payrolls rose by 54,000 jobs in May. Private employers on net added 83,000 jobs, while local government employment fell by 28,000 jobs (state government employment fell by 2,000, and federal government employment rose by 1,000).

  This is the 15th straight month of private-sector job creation, with payrolls growing by 2.1 million jobs (a pace of 143,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 1.8 million jobs over the same period, or 120,000 a month. Growth of 200,000 to 300,000 jobs a month or more is typical in strong economic recoveries, so the mere 54,000 total nonfarm jobs added in May is quite disappointing.

- In May, despite 15 months of private-sector job growth, there were still 6.9 million fewer jobs on nonfarm payrolls than when the recession began in December 2007, and 6.7 million fewer jobs on private payrolls.

- The unemployment rate edged up from 9.0 percent to 9.1 percent in May, and the number of unemployed rose to 13.9 million. The unemployment rate was 8.0 percent for whites (3.6 percentage points higher than at the start of the recession), 16.2 percent for African Americans (7.2 percentage points higher than at the start of the recession), and 11.9 percent for Hispanics or Latinos (5.6 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 (people 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 for the fifth straight month, the lowest it has been since 1984. So far this year, labor force growth has merely kept up with population growth and many potential workers remain on the sidelines while job prospects remain weak.

- The share of the population with a job, which plummeted in the recession from 62.5 percent in December 2007 to levels last seen in the mid-1980s, was 58.4 percent in May and has not been above 58.5 percent in 12 months. Prior to the current slump, the last time it was lower was August 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 15.8 percent in May, not much below its all-time high of 17.4 percent in October 2009 in data that go back to 1994. By that measure, almost 25 million people are unemployed or underemployed.

- Long-term unemployment remains a significant concern. Over two-fifths (45.1 percent) of the 13.9 million people who are unemployed — 6.2 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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