

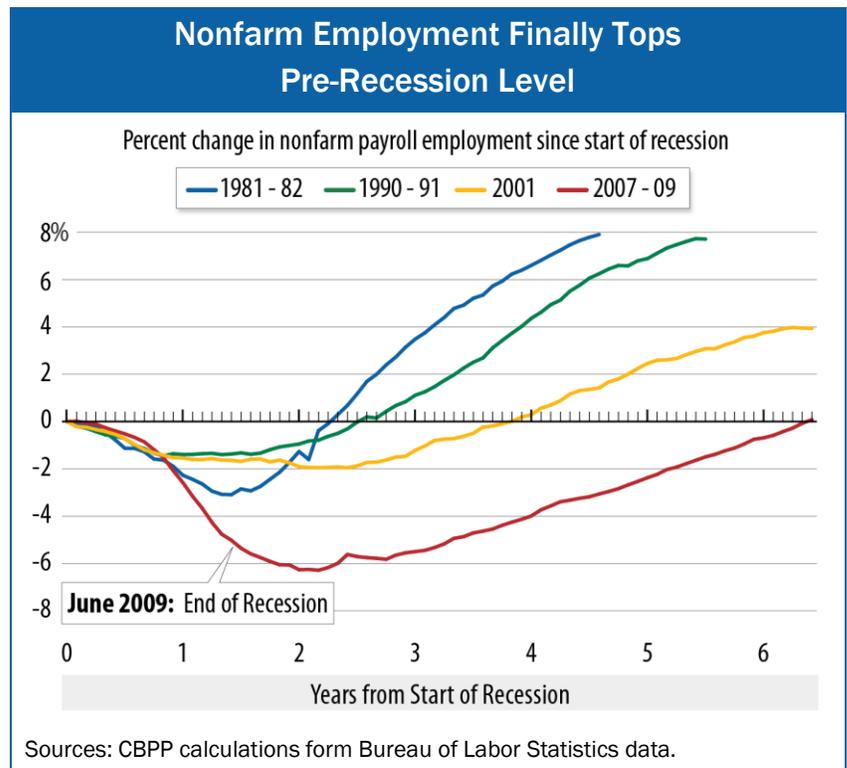
Statement by Chad Stone, Chief Economist, on the May Employment Report

More than six years after the Great Recession and the worst jobs slump since the 1930s began, today's jobs report shows that payroll employment has finally topped its level at the start of the recession (see chart). Still, with essentially no net job growth since December 2007 but a growing working-age population, many more people today want to work but don't have a job.

Not all of these people show up in the official unemployment rate. That's because some of them who want a job aren't actively looking for one, for any one of several reasons. Some are discouraged by their prospects of finding a job. Others have decided that, until job prospects improve, they could better spend their time staying home to care for young children rather than pay for child care, doing home repairs rather than pay someone to do them, or taking courses at the local community college to improve their future earnings prospects. These people are not classified as unemployed because they are not actively looking for work and therefore not in the labor force.

Stronger demand for goods and services and the faster job creation that will result from it is the key to lowering unemployment and enticing people back into the labor force. Hopeful signs suggest that the slide in labor force participation that has characterized this weak recovery may be ending, but we still have a long way to go before we return to full employment with normal labor force participation.

Stronger demand growth and faster job creation also may be the last best hope for the long-term unemployed (those looking for work for six months or longer), who research suggests don't look much different from other unemployed workers — except that they lost their job at a particularly bad time for



finding a new one and then faced discrimination by prospective employers for having been unemployed so long. Policymakers abandoned the long-term unemployed, first when they let emergency federal unemployment insurance (UI) expire at the end of last year and then when the House refused to even consider the bipartisan Senate compromise that would have extended those benefits through the end of last month.

Emergency UI not only provides needed financial support to jobless workers and their families, but also keeps long-term unemployed workers in the labor force looking for work rather than dropping out. On a bang-for-the-buck basis, it's also one of the best ways to stimulate demand and strengthen the job market. That policymakers let it lapse was a tragedy.

About the May Jobs Report

Employers reported solid payroll growth in May. In the separate household survey, the labor force grew moderately and the unemployment rate, labor force participation rate, and percentage of the population with a job were essentially unchanged.

- Private and government payrolls combined rose by 217,000 jobs in May but the Bureau of Labor Statistics revised job growth in the previous two months downward by a total of 6,000 jobs. Private employers added 216,000 jobs in May, while overall government employment rose by 1,000. Federal government employment fell by 5,000, state government fell by 5,000, and local government rose by 11,000.
- This is the 51st straight month of private-sector job creation, with payrolls growing by 9.4 million jobs (a pace of 184,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 8.8 million jobs over the same period, or 173,000 a month. Total government jobs fell by 599,000 over this period, dominated by a loss of 348,000 local government jobs.
- The job losses incurred in the Great Recession have been erased. There are now 620,000 more jobs on private payrolls and 113,000 more jobs on total payrolls than there were at the start of the recession in December 2007. Because the working-age population has grown over the past six and a half years, however, the number of jobs remains far short of the number of jobs needed to restore full employment. The pace of job creation so far this year (214,000 jobs a month) is the highest five-month average in over a year, and, if maintained, would gradually restore normal labor market conditions. Faster job growth would clearly be better, though.
- The unemployment rate held steady at 6.3 percent in May, and 9.8 million people were unemployed. The unemployment rate was 5.4 percent for whites (1.0 percentage points higher than at the start of the recession), 11.5 percent for African Americans (2.5 percentage points higher than at the start of the recession), and 7.7 percent for Hispanics or Latinos (1.4 percentage points higher than at the start of the recession).
- 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 and not counted in the official unemployment rate. Although the decline in labor force participation appears to have bottomed out, the labor force participation rate (the share of the population aged 16 and over either working or actively looking for work) remained at 62.8 percent in May. It hasn't been lower since 1978. The labor force grew by 192,000 in May, the number of employed by 145,000, and the number of unemployed by

46,000.

- 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 May, 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 — edged down to 12.2 percent in May. That's down from its all-time high of 17.2 percent in April 2010 (in data that go back to 1994) but still 3.4 percentage points higher than at the start of the recession. By that measure, about 19 million people are unemployed or underemployed.
- Long-term unemployment remains a significant concern. Roughly a third (34.6 percent) of the 9.8 million people who are unemployed — 3.4 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.

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