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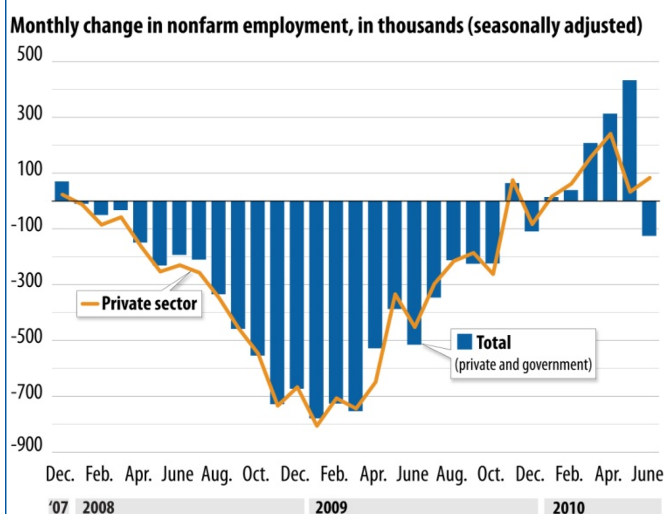
STATEMENT BY CHAD STONE, CHIEF ECONOMIST, ON THE JUNE EMPLOYMENT REPORT

The good news in today's jobs report is that the private sector continued adding jobs in June — though, as expected, the economy lost jobs overall due to the scheduled reduction in temporary census jobs (see chart). The bad news is that private sector job creation must be much stronger going forward— at least 200,000 to 300,000 jobs per month — to bring people back into the labor force and lower the unemployment rate at the same time. Unfortunately, hopes that Congress will enact effective jobs measures are fading fast as too many lawmakers seem to think that their immediate priority should be the budget deficit rather than the jobs deficit.

Private-Sector Employers Adding Jobs in 2010 but at a Slow Pace



Source: Bureau of Labor Statistics

Efforts to pass an adequate jobs bill unraveled in recent weeks, and Congress did not pass even minimal measures before leaving for its July 4th recess to help unemployed workers who are exhausting their benefits and states struggling to close their gaping budget shortfalls. That not only means more hardship for many individuals, but also additional obstacles for an economic recovery that is struggling to gather steam.

Unemployed workers won't have as much money to spend and will cut back their purchases. States will have to raise taxes, lay off workers, cancel contracts and scale back programs even more than they otherwise would. Reduced spending by unemployed workers, newly laid-off state employees, and state contractors who lose business will be a significant drag on the recovery and will impede job growth. Temporary unemployment insurance benefits and state fiscal relief are two of the most effective measures to stimulate economic growth and job creation. A smaller program, the TANF (Temporary Assistance for Needy Families) emergency fund, is one of the most cost-effective job-creating programs we have.

Yet they all languish in legislative limbo because many lawmakers believe that Congress must offset such measures with tax increases or spending cuts to keep the budget deficit from increasing. This is seriously misguided. Not only is the impact of these temporary measures on the long-term budget deficit minimal, but requiring contemporaneous deficit offsets would reduce or undo the job-creating effects of the measures they are paying for.

Congress needs to act quickly when lawmakers return from recess to renew unemployment insurance benefits and extend state fiscal assistance and TANF emergency funds. Today's jobs report shows that the economy can use all the help it can get to stimulate a faster pace of job creation.

About the June Jobs Report

The labor market remains mired in a deep slump with weak underlying job growth, many more people looking for work than there are new jobs being created, and a disturbingly high unemployment rate.

- Private and government payrolls combined fell by 125,000 jobs in June. Private payrolls rose by 83,000 jobs, while government payrolls fell by 208,000. Government reductions were dominated by the scheduled elimination of 225,000 temporary jobs associated with the decennial census, but state and local payrolls also shrank by 2,000 and 8,000 jobs, respectively (non-Census federal employment rose slightly). There are 7.5 million fewer jobs on nonfarm payrolls than there were when the recession began in December 2007 and 7.9 million fewer jobs on private payrolls.

- So far this year, private sector job creation has averaged 99,000 jobs per month.

- The unemployment rate edged down to 9.5 percent in June, the lowest it has been since last July, and the number of unemployed fell slightly to 14.6 million. Unfortunately, the decline in unemployment was due to people leaving the labor force rather than an increase in the number of people with jobs.

- The labor force participation rate (the percentage of people with a job or actively looking for a job) has now declined for two straight months and is back to where it was at the start of the year—and 1.3 percentage points lower than it was at the start of the recession.

- The number of people with a job (which is estimated from a different survey from the one used to estimate payroll employment) fell slightly in June. As a result, the percentage of the population with a job edged down to 58.5 percent. Both the labor force participation rate and the percentage of the population with a job remain near lows that were last seen in the 1980s.

- 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 — edged down to 16.5 percent in June. While that figure is below the peak of 17.4 percent reached in October 2009, it is still quite high.

- Long-term unemployment remains a significant concern. Over two-fifths (45.5 percent) of the

14.6 million people who are unemployed — 6.8 million people — have been looking for work for 27 weeks or longer. These long-term unemployed represent 4.4 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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