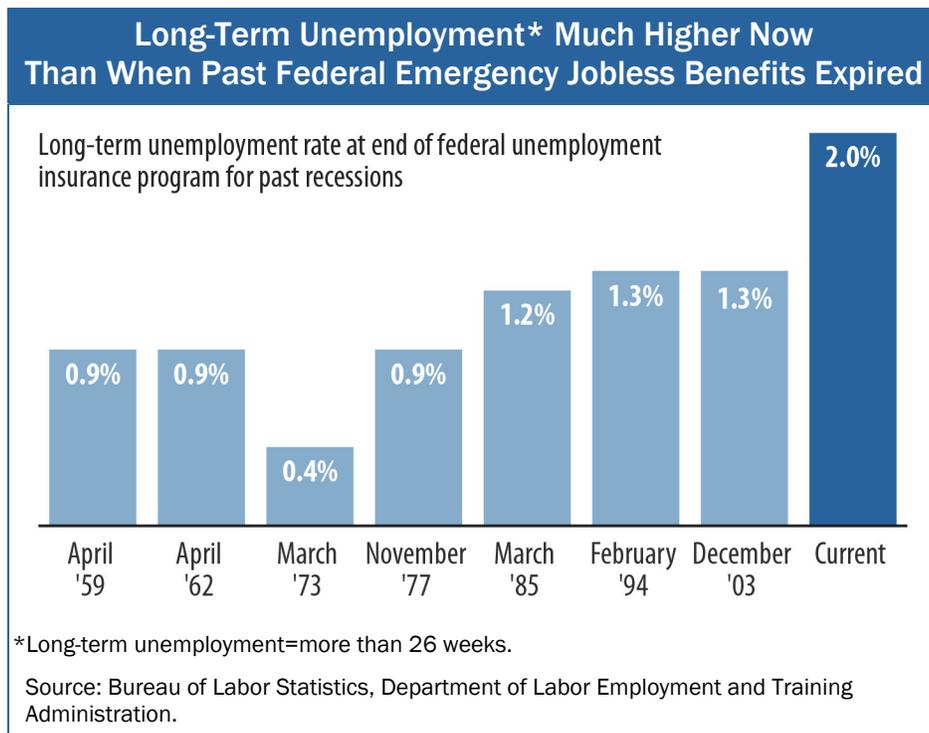


Statement by Chad Stone, Chief Economist, on the July Employment Report

Today's solid jobs report shows a labor market that's moving in the right direction but still has a ways to go before everyone who wants to work has a reasonable chance of finding a suitable job. Long-term unemployment (more than 26 weeks) remains a particular problem, and Congress dealt the long-term unemployed a harsh blow when it allowed federal emergency jobless benefits to expire prematurely at the end of last year. Seven months later, long-term unemployment remains higher than when *any* of the previous seven emergency unemployment programs expired after previous recessions (see chart). In addition, the share of the population with a job remains well below where it was at the start of the recession.



Payroll employment growth has picked up in 2014 and the unemployment rate has fallen faster than expected, but weak labor force participation and persistent long-term unemployment continue to plague the jobs recovery.

To be counted in the labor force, a person must have a job or be actively looking for one. When jobs are hard to find, more people stop looking or stay home to care for young children, do home repairs, take courses at the local community college, or the like until job prospects improve. These people are considered “out of the labor force” rather than unemployed.

Over the past year and a half, the decline in the unemployment rate has been nearly entirely offset by a decline in labor force participation (the share of the population aged 16 and over working or actively looking for work). As a result, the share of the population with a job has barely budged from where it plunged in the Great Recession. Some of the decline in labor force participation reflects the graying of the population, with more Americans reaching retirement age, but economic research suggests that a significant share of it reflects weak demand for labor in a still-somewhat-sluggish recovery.

Since the start of the Great Recession, long-term unemployment has been much higher and more persistent than at any other time in data that go back to the late 1940s. People unemployed 27 weeks or longer still compose roughly a third of the unemployed. That’s down from a peak of over 45 percent in 2010, but remains higher than the pre-Great Recession peak of 26 percent in 1982 (when overall unemployment was 10.1 percent). While the long-term unemployment rate of 2.0 percent is below the peak of 2.6 percent immediately after the 1981-82 recession, it’s still considerably higher than the 1.3 percent rate when federal emergency jobless benefits for that recession expired in March 1985.

People need to start returning to the labor force in greater numbers, and long term unemployment needs to fall much more before we can declare the labor market healthy.

About the July Jobs Report

Employers reported solid payroll growth in July. 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 all edged up.

- Private and government payrolls combined rose by 209,000 jobs in July and the Bureau of Labor Statistics revised job growth in the previous two months upward by a total of 15,000 jobs. Private employers added 198,000 jobs in July, while overall government employment rose by 11,000. Federal government employment was unchanged, state government fell by 1,000, and local government rose by 12,000.
- This is the 53rd straight month of private-sector job creation, with payrolls growing by 9.9 million jobs (a pace of 187,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 9.3 million jobs over the same period, or 176,000 a month. Total government jobs fell by 546,000 over this period, dominated by a loss of 308,000 local government jobs.
- The job losses incurred in the Great Recession have been erased. There are now 1.1 million more jobs on private payrolls and 654,000 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 well short of the number of jobs needed to restore full employment. The pace of job creation over the past six months (244,000 jobs a month), if maintained, will gradually restore normal labor market conditions. Even faster job growth would clearly be better, though.

- The unemployment rate edged up to 6.2 percent in July, and 9.7 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), 11.4 percent for African Americans (2.4 percentage points higher than at the start of the recession), and 7.8 percent for Hispanics or Latinos (1.5 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. This pattern was reversed in July as the labor force rose by 329,000. That increase was composed of an increase of 131,000 in the number of people with a job and an increase of 197,000 people actively looking for one. One shouldn't read too much into one month's data, but a rise in unemployment associated with an increase in the labor force is often a sign that people are coming off the sidelines to look for work.
- As a result of the solid growth in the labor force, the labor force participation rate (the share of the population aged 16 and over in the labor force) edged up to 62.9 percent in July. While the decline in labor force participation appears to have bottomed out, it remains at levels last seen prior to recently in 1978.
- 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 59.0 percent in July, 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 up to 12.2 percent in July. 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 (32.9 percent) of the 9.7 million people who are unemployed — 3.2 million people — have been looking for work for 27 weeks or longer. These long-term unemployed represent 2.0 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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