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CBPP STATEMENT

Special Series: **Economic Recovery Watch**

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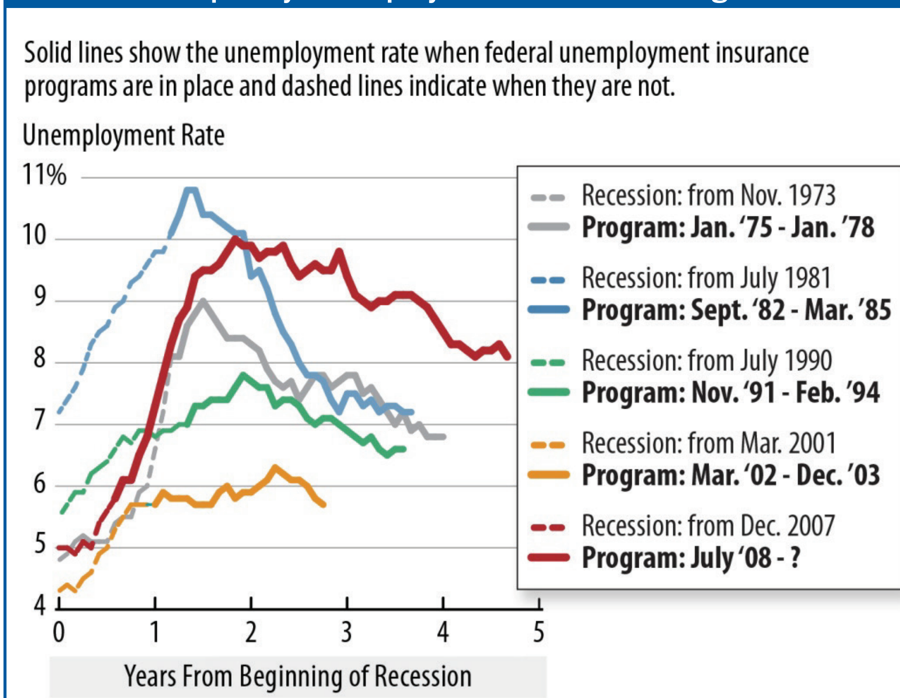
STATEMENT BY CHAD STONE, CHIEF ECONOMIST, ON THE AUGUST EMPLOYMENT REPORT

Today's disappointing jobs report shows that despite 30 straight months of private-sector job creation — including 103,000 new private-sector jobs in August — unemployment will likely remain high for the foreseeable future, suggesting policymakers should extend federal unemployment insurance (UI) benefits beyond the end of the year. The unemployment rate's dip to 8.1 percent reflects a drop in labor force participation, not a strong labor market.

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



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

Policymakers have enacted emergency federal UI in every major recession since 1958, and they have never allowed any of these previous programs to expire before unemployment fell to 7.2 percent or lower (see chart for the most recent five programs). As Federal Reserve Chairman Bernanke said on August 31 at Jackson Hole, WY, "Unless the economy begins to grow more quickly than it has recently, the unemployment rate is likely to remain far above levels consistent with maximum employment for some time."

The economy would benefit from more monetary stimulus from the Fed or fiscal stimulus from Congress to boost economic growth, but whether the Fed will act in response to today's jobs report remains uncertain and Congress shows no inclination to enact further fiscal stimulus this year.

UI is one of the most cost-effective policies available for boosting economic growth and employment in a weak economy, and emergency federal UI has been an important source of support since mid-2008 for both unemployed workers and their families *and* the economy. Phased-in cuts this year in the maximum number of weeks of benefits, which policymakers enacted in February, have already weakened that support, and it will end altogether if policymakers allow the program to expire at the end of this year.

If the nation were recovering from a normal recession in which unemployment *peaked* around 8 percent, 30 straight months of private-sector job growth and a roughly two percentage point drop in unemployment would represent a solid improvement that justified ending federal UI. The Great Recession, however, produced such a large jobs deficit and high unemployment that the labor market is still in far from good health, and emergency federal UI still has an important role to play in supporting unemployed workers and their families and the economy beyond the end of this year.

About the August Jobs Report

Job growth slowed in August and a strong labor market recovery remains elusive.

- Private and government payrolls combined rose by 96,000 jobs in August. Private employers added 103,000 jobs, while government employment fell by 7,000. Federal employment rose by 3,000 jobs, but state government employment fell by 6,000, and local government employment fell by 4,000.

- This is the 30th straight month of private-sector job creation, with payrolls growing by 4.6 million jobs (a pace of 154,000 jobs a month) since February 2010; total nonfarm employment (private plus government jobs) has grown by 4.1 million jobs over the same period, or 135,000 a month. Total government jobs fell by 571,000 over this period, dominated by a loss of 398,000 local government jobs.

- Despite the 30 months of private-sector job growth, there were still 4.7 million fewer jobs on nonfarm payrolls in August than when the recession began in December 2007 and 4.2 million fewer jobs on private payrolls. After three months of strong job growth in the winter, payroll job growth has averaged just 97,000 jobs a month over the past six months.

- The unemployment rate edged down from 8.3 to 8.1 percent in August, and the number of unemployed Americans edged down to 12.5 million. The unemployment rate was 7.2 percent for whites (2.8 percentage points higher than at the start of the recession), 14.1 percent for African Americans (5.1 percentage points higher than at the start of the recession), and 10.2 percent for Hispanics or Latinos (3.9 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. In fact, the labor force shrank by 368,000 in August after falling by 150,000 in July as the number of people with a job fell by 119,000 and the number of unemployed workers fell by 250,000. (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) fell to 63.5 percent in August, a level last seen in 1981.

- 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, edged down to 58.3 percent in August.

- 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 14.7 percent in August. That's down from its all-time high of 17.2 percent in October 2009 in data that go back to 1994, but still 5.9 percentage points higher than at the start of the recession. By that measure, roughly 23 million people are unemployed or underemployed.

- Long-term unemployment remains a significant concern. Two-fifths (40.0 percent) of the 12.5 million people who are unemployed — 5.0 million people — have been looking for work for 27 weeks or longer. These long-term unemployed represent 3.3 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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