Lingering weakness in the labor market is threatening the fledgling economic recovery. Millions of jobs have been lost and unemployment has risen to the highest level in almost three decades. The labor market weakness will make it harder for families to repay their high levels of debt and thus will likely contribute to high foreclosures, credit card defaults, and bankruptcies.

Policy has shown what it can do to revive a depressed financial market and turn the corner for a shrinking economy. Policy attention should now lie squarely on job creation to ensure that the recent improvements are not short lived. Strong labor market gains are necessary to boost the American middle class’ economic security and help those who are economically most vulnerable. Extended unemployment benefits, increased health insurance coverage, and support for state and local government programs will all help achieve those goals.

1. **The U.S. economy has turned the corner.** Gross domestic product grew at an annual rate of 3.5% in the third quarter of 2009, the first increase since the second quarter of 2008 and the largest gain since the third quarter of 2007. The economic stimulus legislation helped to increase consumer spending, home purchases, and federal government spending in the summer of 2009, which all contributed to faster growth.

2. **Job losses continue.** The U.S. economy shed 190,000 jobs in October 2009. The economy has lost 7.3 million jobs since the recession began in December 2007. See figure 1.

3. **The rate of job loss has slowed.** Job losses averaged 188,000 from August to October 2009, down 47% from the preceding three months and 70% from the average during February, March, and April 2009.

4. **Unemployment stays high among the most vulnerable.** The unemployment rate was 10.2% in October 2009. The African-American unemployment rate that month stood at 15.7%, the Hispanic unemployment rate at 13.1%, and the unemployment rate for whites at 9.5%. Youth unemployment stood at a high 27.6%. And the unemployment rate for people without a high school diploma rose to 15.5%, compared to 11.2% for those with a high school degree, and 4.7% for those with a college degree.

5. **The unemployed are out of a job for long periods.** The average length of unemployment in October 2009 was 26.9 weeks, the median length of unemployment was 18.7 weeks, and 35.6% of the unemployed were out of a job for 27 weeks or more—all of these indicators are at their highest level since 1948.
6. **Employer-provided benefits continue to disappear.** The share of private-sector workers with a pension dropped from 50.3% in 2000 to 45.1% in 2007 and to 43.6% in 2008, and the share of people with employer-provided health insurance dropped from 64.2% in 2000 to 59.3% in 2007 and to 58.5% in 2008.

7. **Family incomes drop sharply in the recession.** Median inflation-adjusted family income fell by $1,860 to $50,303 (in 2008 dollars) in 2008 from 2007. This was the lowest family income since 1997. White family income stood at $55,530, compared to African-American family income, which was $34,218, or 61.6% of white income. Hispanic family income was $37,913 in 2008, or 68.2% of white income.

8. **Poverty continues to rise.** The poverty rate stood at 13.2% in 2008—its highest rate since 1997. The African-American poverty rate was 24.6%, the Hispanic rate was 23.2%, and the white rate was 8.6% in 2008. The poverty rate for children under the age of 18 rose to 19.0%—also the highest level since 1997. More than one-third of African-American children (34.7%) lived in poverty in 2008, compared to 10.6% of white children and 30.6% of Hispanic children.

9. **Family wealth begins to recover.** Total family wealth increased by $1.8 trillion in 2009 dollars from March 2009 to June 2009, but it remained $14.5 trillion below the level of June 2007—the last peak of family wealth. The two-year period from June 2007 to June 2009 saw a decline in inflation-adjusted personal wealth equal to 21.4%, the second largest drop in wealth after the two-year period from March 2007 to March 2009.

10. **Many houses are empty and home sales are still sluggish.** In the third quarter of 2009, 11.1% of rental properties were vacant—the highest level since the Census Bureau started collecting these data in 1956. The vacancy rate for owner-occupied houses was a relatively high 2.6%; this rate never exceeded 2.0% prior to 2006. Home sales are struggling and many homes are empty. New home sales in September 2009 amounted to an annualized, seasonally adjusted rate of 402,000—7.8% lower than a year earlier—despite a 9.1% year-over-year drop in median new home prices. Existing home sales were 9.2% higher than a year earlier, in part due to an 8.5% drop in the median sales price.

11. **Debt levels are still high.** Total household debt equaled 125.3% of after-tax income in the second quarter of 2009. This is down from a record high of 130.1% in the first quarter of 2008, but still higher than at any point before the third quarter of 2006. [SEE FIGURE 2]

12. **Mortgage troubles mount.** One in seven mortgages is delinquent or in foreclosure. The share of mortgages that were delinquent was 9.6% in the third quarter of 2009, and the share of mortgages that were in foreclosure was 4.5%. [SEE FIGURE 3]

13. **Families feel the pressure.** Credit card defaults rose to 10.2% of all credit card debt by the third quarter of 2009—an increase of 143.2% from the fourth quarter of 2007.