Sharp rise in US jobless rate

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The US unemployment rate rose from 5.7 to 6.0 percent in April, reaching the highest level in nearly eight years. According the US Bureau of Labor Statistics, which released its report Friday, the number of workers officially unemployed in the US increased last month by 483,000, to 8.6 million. Since its recent low of 3.9 percent in October 2000, the jobless rate has increased by 2.1 percentage points and the number of unemployed persons has risen by 3.1 million.

The ranks of the long-term unemployed (those jobless for 27 weeks or longer) increased by 161,000 in April, to 1.5 million. Over the last 18 months the number of long-term unemployed workers has more than doubled. The government says another 1.4 million persons were "marginally attached" to the labor force in April, up from 1.1 million a year earlier. Not counted as unemployed, these individuals reported they wanted and were available for work and had looked for a job sometime in the prior 12 months, but not during the last four weeks when the government survey was taken. Also not counted as jobless were 317,000 "discouraged" workers currently not looking for a job because they believe they cannot find work.

The sharp jump in the jobless rate surprised many economists, who predicted a rise to no more than 5.8 percent and believed the economy would generate far more jobs. Instead a larger than expected 565,000 persons entered the workforce, while only 43,000 jobs were created. In addition, the Labor Department acknowledged that US companies actually cut 21,000 jobs in March, a huge revision from the 58,000 job gain the government previously reported.

These figures fly in the face of the official pronouncements of an economic recovery made by White House officials, media pundits and various analysts, who no doubt hope their repeated claims might convince investors to go back into the stock market. In reality there are increasing signs the US will face a "jobless recovery" or even a "double-dip" recession with the economy slipping back into a full-scale downturn.

Bush administration officials responded to the jobless figures by calling for further tax breaks for big business to "stimulate the economy." This only underscores the fact that the White House has no solution for the worsening conditions affecting tens of millions of working people and that its so-called war on terrorism is chiefly aimed at diverting attention from the social crisis at home.

Last month the Commerce Department issued an initial report on the gross domestic product, saying the economy expanded at a sharply increased 5.8 percent annual rate in the first three months of 2002. The enthusiasm over the report, however, has since been tempered by revelations that the increase was chiefly due to inventory restocking—something not likely to be repeated in future quarters—rather than a significant hike in corporate investment, which actually fell 5.7 percent in the first quarter. Economists now predict that second-quarter GDP will grow at an annual rate of no more than 3 percent.

Writing in an article entitled "Is this a recovery?" a commentator for the Internet publication Smartmoney.com said, "Under accounting methods that would make even Enron blush, the BEA [Bureau of Economic Analysis] counts any slowdown in inventory liquidation from period-to-period as growth. After last year's historic burn off of excess inventory, even a first quarter in which everyone shut their doors and took a long nap would register as a veritable boom."

Several recent indicators belie claims of an economic turnaround. The University of Michigan's closely watched consumer sentiment index, released Tuesday, showed a bigger than expected decline for April. The housing market, which has been a mainstay of the economy, also shows signs of deterioration, with existing and new home sales falling in March and expected to do so in April. Late payments on credit card bills rose to the highest level since 1997 in March, while losses from uncollectable debt surged to an 11-year high. The stock market, which fell on news of Friday's jobs report, is also down this year, with the Dow Jones industrials average falling 2 percent, and the tech-heavy Nasdaq tumbling close to 15 percent. The bursting of the stock market bubble has wiped out the savings and retirement benefits of millions of middle class and working class people.

US corporations continue to be plagued by the worst collapse in profits in the postwar era and are saddled with saturated markets, overcapacity and weak pricing power. Pressured to show gains in the second and third quarters, American companies are sure to press ahead with downsizing and cost-cutting measures in coming months.

"Companies are far from finished when it comes to thinning out their ranks," said John Challenger, chief executive officer of Challenger, Gray and Christmas, a company that tracks corporate job cuts. In April, US corporations announced plans to cut 112,649 jobs, a 10 percent increase over the 102,315 jobs wiped out in March, according to Challenger. April was the sixteenth time in the last 17 months that corporations slashed more than 100,000 jobs, and 2002 is on pace to catch up to the total job cuts made in 2001, when nearly 2 million workers lost jobs.

The monthly average of nearly 140,000 job cuts in 2002 is more than five times greater than the monthly average recorded during the height of the 1990-1991 recession, according to Challenger, when the average was just under 26,000. Telecommunications companies were the biggest job-cutters in April, with 38,176 cuts announced. The telecom industry has announced 120,698, or 22 percent of all job-cut announcements in 2002. The auto industry announced the second highest number of job cuts—75,051 so far this year.

Joining the list of job-cutting companies this week was **DuPont,** which eliminated 2,000 positions in its textiles and interiors unit, maker of Lycra fabric and Stainmaster carpets, on top of the 6,300 jobs the chemical company eliminated last year. **Genuity Inc**., a Massachussetts Internet services provider, said this week it would cut another 1,100 to 1,200 jobs—about 30 percent of its workforce—after posting weak financial results. Genuity has slashed 2,800 jobs over the past year as the once-booming market for handling Internet traffic, hosting Web pages, and related services has collapsed.

In a sign the long boom in housing and commercial real estate is ending the Labor Department reported that construction employment declined by 79,000 in April, for a total loss of 155,000 jobs this year. Manufacturing employment declined by 19,000 in April, with 8,000 job losses in motor vehicles, 4,000 cut in printing and publishing and 7,000 in chemicals.

The bulk of the jobs added in April were in the low-paying service sector, including help supply services—which contract out temporary workers, where 66,000 jobs were added, and eating and drinking establishments, which added 31,000 jobs. Employment levels in amusements and recreation, however, declined by 24,000 and agricultural services employment fell by 11,000, as seasonal hiring in both industries was less than normal. Employment in computer services also fell by 7,000 for the second consecutive month.

The Bureau of Labor Statistics also reported average hourly earnings for production and non-supervisory workers in the private sector rose by only 2 cents in April, to $14.69. Wage gains have been smaller so far this year than during 2001.

Another sign of the widespread nature of the economic crisis was the report issued this week by the National Association of Colleges and Employers (NACE), which said employers intended to hire 36.4 percent fewer college graduates this year. Graduates are also getting smaller salaries and fewer bonuses, if any. "Unfortunately, the economic recovery came a little too late for the college Class of 2002," said Marilyn Mackes, NACE national director. "Consequently, we've seen a steep drop in college hiring this academic year."