

June unemployment figures show US "recovery" is jobless

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The June unemployment report released Friday by the US Labor Department gave a snapshot of an economy hovering on the brink of renewed recession, with the much-vaunted recovery of the past six months having done little to stanch job-cutting in most economic sectors. The report contained many indicators of growing social distress within broad layers of the population.

The official jobless rate rose by 0.1 percentage point from May, to 5.9 percent. The net increase in new jobs for the month of June was only 36,000, less than half the 75,000 predicted by most economists. Manufacturing employment continued its downward trend, with a loss of 23,000 jobs. But the job-cutting affected white-collar and professional workers as well, with a decline in engineering and management services of 21,000. In all, 8.4 million Americans were looking for work last month.

Particularly ominous, from the standpoint of future economic growth, was the Labor Department's downward revision of its previous estimates of job growth for April and May. What had been billed as an increase of 47,000 jobs over the two months was downgraded to a mere 3,000.

The public sector accounted for almost two-thirds of the 36,000 new jobs created in June. This is considered an especially negative sign, because growing budget deficits at the state and municipal level portend a drying up of new government jobs.

The official jobless rate has soared from 3.9 percent in late 2000. Over the past year it has risen from 4.6 percent. In all, there were 1.4 million fewer jobs than in June of 2001, and 2 million more people are on the jobless rolls than a year earlier. This year, companies have cut payrolls by 250,000, while government agencies, including the military, have added 100,000

new jobs.

The Labor Department's figures did not take into account the biggest single corporate downsizing announced in June, that of the scandal-ridden telecom giant WorldCom, which announced it was eliminating 17,000 positions. Not counting WorldCom's job-cutting, 150,000 jobs have been lost in the US economy since the beginning of the year.

One index of particular social significance is the number of unemployed still looking for work after 15 weeks. That figure hit 3.1 million, twice the level of 12 months ago and the highest since 1993, when the country was recovering from the recession of 1991-92.

The jobless rate jumped more sharply in June for the most vulnerable sections of the population. The rate for teenagers went from 16.9 percent in May to 17.6 percent; among blacks the jobless rate rose from 10.2 percent to 10.7 percent, while among Hispanics there was a 0.4 percent increase to 7.4 percent.

While the jobs report foretold growing economic insecurity and distress for tens of millions of Americans, and evoked statements of concern from economists worried over the prospect of a "double-dip" recession, or worse, it helped spark a sharp rise in the stock market. The Dow Jones Industrial Average soared Friday by 324 points to 9,379, its biggest one-day gain since September 24, and the Nasdaq jumped nearly 5 percent, or 68 points, to 1,448.

The jump in the markets in part reflected relief among big investors over the decreased likelihood that the Federal Reserve will increase interest rates in the near-term, and satisfaction that corporations are continuing to use the threat of layoffs to hold down wage demands. Particularly positive, from the standpoint of corporate profits, is the unusual coincidence of rising unemployment and increasing productivity. Under

conditions of a worsening jobs market and intensified pressure on workers, output-per-man/hour has risen sharply over the past nine months.

Notwithstanding the reaction on Wall Street, many economists and press commentators both within the US and internationally responded to the jobs report with expressions of anxiety that it substantiated their fears of an aborted recovery. The *Washington Post* headlined its report on Saturday, “Jobless Report Shows Rebound Has Weakened.”

The *Post* expressed the growing fear in corporate and government circles that the wave of business scandals and continuing fall in share values were undermining both public and corporate confidence, and beginning to rebound on profits and the prospects for economic growth. Americans’ confidence in the economy, as measured by the Conference Board, fell in June to a four-month low.

The *Post* quoted Sung Won Sohn, chief economist of Wells Fargo & Co., who said, “Clearly, the tremendous setbacks in the stock market have spooked businesses. The recovery clearly has stalled from a very robust pace in the first quarter. Some slowdown was expected, but I certainly didn’t expect it to be as lethargic as it seems to be.”

Mark Zandi, chief economist of consulting firm Economy.com Inc., said “The economy is treading water. It’s not unusual for jobs to lag the rest of the economy, and it’s a bit premature to wring our hands about a jobless recovery, but the risk it will turn into something unusual is rising.”

The *Financial Times* of London ran a report with the headline, “Rise in Jobless Rate Clouds US Economic Picture.”

Jared Bernstein, a senior economist at the Economic Policy Institute, a liberal think tank in Washington, said, “The question on many of our minds is when should we think of this recovery as a ‘jobless recovery,’ My answer is now.”

Some US economists have been predicting that the jobless rate will hit 6.5 percent by the autumn, and the figures for June did little to dispel such forebodings.

According to the monthly survey of planned job cuts released July 2 by the international outplacement firm Challenger, Gray & Christmas, the US telecommunications industry, which has been hemorrhaging jobs for months, contributed the largest

number of job-cutting announcements in June. Telcom firms announced 30,455 job cuts, more than double the number announced by the sector in May. Overall, US employers announced 94,766 planned cuts in June, a 12 percent increase from the previous month.



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