

US unemployment surges in November

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The official unemployment rate jumped in the US in November to 6 percent, up from 5.7 percent in October. The size of the increase took financial commentators by surprise, and forced President George Bush to shake up his cabinet, leading to the forced resignations of Treasury Secretary Paul O'Neill and economic adviser Larry Lindsey.

Reflecting the general disorientation of the Bush administration, Labor Secretary Elaine Chao told cable television network *CNBC* that "It's all over the ballpark. The economy is out of its doldrums, but as to where it's going over the next few months, it's still a little questionable."

US businesses cut 40,000 jobs last month, the highest figure since February and in sharp contrast to the gain of 40-45,000 predicted by analysts. The 6 percent unemployment rate matches the total in April, and is the highest rate since July 1994, when US joblessness stood at 6.1 percent.

Ram Bhagavatula, chief economist at Royal Bank of Scotland Financial Markets, told Reuters, "These numbers are a complete shock and give the impression of an economy toppling over again."

The US economy grew at a 4 percent annual rate in the third quarter, but is now expected to grow at less than 2 percent in the final three months of 2002.

According to the Bureau of Labor Statistics (BLS), the number of unemployed in the US now stands at 8.5 million, up from 8.1 million in September. If the 1.4 million people who have looked for work some time in the past 12 months, but not in the most recent four weeks and therefore are not counted as part of the labor force (the "marginally attached"), are added to this total, the number of jobless in the US reaches nearly 10 million.

The unemployment rate for adult men rose by half a percent from 5.2 to 5.7 percent, a one-month increase of nearly 10 percent. Rates for black workers (11.0

percent) and teenagers (16.8 percent) also increased.

Manufacturing employment fell in November by 45,000. Factory job losses have averaged nearly 50,000 a month in the last four months, up from 20,000 a month from April to July. Factory job losses, according to the BLS, "were widespread throughout durable goods manufacturing."

Electronic equipment employment fell by 11,000. The number of jobs in this industry has fallen by 388,000 over the past two years, or 22 percent. Employment in transportation equipment, principally aircraft manufacturing, also fell by 11,000 in November. The number of workers in fabricated metals fell by 10,000 last month and has been cut by nearly 10 percent since July. Communications industry employment is down 165,000 since April 2001.

Retail trade employment dropped by 39,000 in November, as fears of slow holiday sales resulted in less seasonal hiring than usual.

Construction employment remained flat, while the number of jobs in service industries rose by 50,000 in November. Health services added 27,000, with hospitals accounting for half the total.

In another sign of economic ill health, the Federal Reserve reported December 5 that household wealth in the US has fallen to its lowest level since 1995. Household net worth in the third quarter fell 4.5 percent from the second quarter to \$38 trillion. The ratio of net worth to disposable income, sank to a seven-year low of 4.9, well off the record 6.3 at the end of 1999.

The drop in household wealth, unsurprisingly, resulted from shrinking assets and rising debt. Assets fell 3.4 percent in the third quarter, mostly due to a 17 percent plunge in the value of stock and mutual funds holdings. Liabilities rose 2.2 percent, primarily as the result of mortgage debt.

Average net worth per American household stood at \$352,000 at the end of September, down from its peak

in early 2000 of \$412,000. Even the *Wall Street Journal* is obliged to acknowledge, however, that “The figure is heavily skewed by relatively few very wealthy individuals.”



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