Amid official predictions of recovery

US jobless rate soared in June

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The unexpectedly steep climb in the US unemployment rate announced by the Labor Department last week sent Wall Street into a tailspin and opened up a fresh crisis for the Bush administration, which has been predicting an economic upturn fueled by its policy of tax cuts for the rich.

The official jobless rate climbed by 0.3 percentage points to hit 6.4 percent for the month of June. The increase was three times as severe as the one predicted by most analysts, who expected a moderate rise from 6.1 to 6.2 percent. The increase was the worst since the one posted in the wake of the September 11, 2001 terrorist attacks.

The Labor Department's Bureau of Labor Statistics indicated that the total of unemployed (those who have searched for work in the past month) plus "discouraged workers" (those who have stopped looking after failing to find a job), "all other marginally attached workers" (those who are available for work but have not searched for a job in the past month) and those who want full-time jobs but can only find part-time work amounts to 10.6 percent of the US workforce, or approximately 15 million workers.

For 16 to 19 year-olds, the overall rate hit 19.3 percent—up from 18.5 percent in May—as millions graduated from high school and college to the unemployment lines. For black youth of that age group, the unemployment rate stood at a seasonally adjusted rate of nearly 40 percent.

The attempt by these graduates and other workers to find employment contributed to the rising jobless rate. According to the Labor Department's report, some 600,000 people sought to join the workforce last month, but only 250,000 of them were able to find jobs.

Administration officials attempted to put a positive spin on this aspect of the figures, asserting that it was a sign of renewed confidence in the economy that more people were looking for work.

Many analysts dismissed such self-serving claims. "Regardless of the reasons, there aren't enough jobs," Bill Cheney, chief economist for John Hancock Financial Services, told the *Washington Post*. "Many more people are now looking for work, perhaps because confidence is recovering, perhaps because it's summer, or perhaps because their unemployment benefits have run out."

Indeed, rather than rising confidence, the surge into the labor market reflects in large part deepening desperation on the part of the growing number of long-term unemployed, who have seen their benefits exhausted. The number of long-term unemployed has climbed to 2 million, up 410,000 from a year ago. The Labor Department defines the long-term unemployed as those out of work for 27 weeks.

The latest unemployment numbers are the worst since Bush was installed in the White House and higher than at any time since 1994. Since the administration took office in January 2001, an estimated 2.7 million jobs have been lost, nearly 400,000 of them since the beginning of this year alone. For the first time in a decade, the total number of workers officially listed as jobless has climbed past the 9 million mark.

"These numbers say the underlying economy is still weak," said an analyst for Merrill Lynch. The Wall Street finance house indicated that it may revise its economic growth forecast based on the report.

Bush administration officials expressed concern about the rising jobless rate, but universally pointed to the recently passed $350 billion tax cut (projected to rise to more than $800 billion once Congress strikes down various "sunset" provisions) as the cure-all for the deepening employment slump.

"Its effects will be felt by America's working families, seniors and small business owners later this month, as they begin receiving their tax rebates and larger paychecks," said Labor Secretary Elaine Chao. "As this stimulus builds momentum, we expect to see more jobs created and more out-of-work Americans receiving a paycheck again."

The administration called its tax cut legislation the "Jobs and Growth Reconciliation Tax Act of 2003" in a bid to sell a massive giveaway to the super-rich as a jobs stimulus program. It has predicted that the cuts—which will go overwhelmingly to the wealthiest one or two percent of the population—will lead to increased consumer spending and business investment.

The slashing of taxes and public funding is certain to deepen the attacks on public sector jobs that are sweeping the country. California last week sent layoff notices to as many as 30,000 workers and is expected to put some 13,000 workers in the street if it is unable to wring sweeping concessions from state workers unions.

Bush's press secretary Ari Fleischer said that while the economy had suffered a "short and shallow recession, we are also an economy that is having a slow recovery."

In fact, the hiring slump has been the most protracted since the Great Depression of the 1930s, with strong indications that the rise in unemployment is structural with the jobs lost not coming back. For the US workforce to return by the end of next year to its January 2001 size, the economy would have to create on average 120,000 additional jobs a month. Two previous rounds of tax cuts clearly have failed to produce any job growth whatsoever.

Economic data hardly seems to support the administration's rosy scenario. The Institute for Supply Management reported last week that its manufacturing index for June stood at 49.8, up only a fraction from 49.4 in May. Any reading below 50 points to shrinking economic activity. The Commerce Department, meanwhile, released figures showing a 1.7 percent decline from April to May in the seasonally adjusted annual value of construction projects.

The Labor Department report also found that the average workweek remained at just 33.7 hours. Companies experiencing growth tend to lengthen the hours of their current workers before hiring new people, so the continuing low hours suggest no turnaround is in sight.

Hardest hit last month was the US manufacturing industry, which shed 56,000 jobs, for a total of 2.6 million factory jobs destroyed since July 2000.

Job losses have continued in air transportation and telecommunications, which have lost 123,000 and 202,000 jobs respectively since the current slump began in 2001. Recent major layoffs include **American Airlines'** furloughing of 3,100 flight attendants the day before the jobless figures were announced. Among them were 1,778 former TWA attendants who joined American as part of a 2001 merger. In addition to their jobs, the former TWA workers lost severance benefits worth two months' pay as the result of a concessions deal struck between the company and their union.

AT&T Wireless Services, meanwhile, has unveiled plans to slash 1,000 jobs as part of a cost-cutting program.

Sprint Corp.last month announced that it is closing its web-hosting business, cutting nearly 500 jobs.

In the manufacturing sector, **Boeing** handed out layoff notices to another 845 employees last month, on the same day that 860 workers spent their last day on the job.

Electronics manufacturer **Solectron** told 545 workers last week at its La Vergne, Tennessee plant that it will close operations in stages between now and September. Half of the employees are temporary workers.

The South Carolina-based **Kemet Corp.**, a manufacturer of electrical parts for computers and telephones, announced plans to slash 650 jobs. The company is seeking to drive down costs by relocating its plants to Mexico and China.

Kennecott Utah Copper, a subsidiary of the London-based mining conglomerate Rio Tinto Ltd., began laying off as many as 220 of its hourly operations and maintenance workers—15 percent of its total workforce. The parent firm blamed falling copper prices.

The Finish-based industrial machinery maker **Metso** said it would cut 300 jobs, or 3 percent of its US and Canadian workforce.

Waste Management, the largest US private garbage hauler, announced that it is cutting 800 white-collar jobs, more than 3 percent of its workforce. The company already laid off 970 workers in March.

Electronic Data Systems announced last month that it will cut 2,700 jobs, or 2 percent of its workforce. The computer services company founded by Ross Perot indicated that the job cuts were the result of the continued slashing of technology spending by major corporate customers.

Northern Trust Corp. joined a growing list of financial services companies handing out pink slips. It will cut its workforce by about 15 percent, or 1,400 jobs.

Lawson Software, the St. Paul, Minnesota-based maker of financial software, announced a 111-worker layoff in June and plans to slash another 234 jobs in September.

The Florida-based retailer **Sports Authority** announced last week that it is closing its headquarters as part of a merger with the Gart Sports Group, wiping out the jobs of nearly 500 workers.

Two entities involved in maintaining the US blood supply also announced layoffs. The **American Red Cross** handed out layoff notices last month to 236 employees, most of them in the Washington DC-area. The organization said it was forced to cut the jobs because of declining contributions and reduced revenues from its blood services division. And **Baxter International Inc.** announced last month that it is cutting 2,500 jobs, shutting down 26 blood plasma collection plants and one plasma manufacturing plant.