439,000 file new claims

US unemployment lines hit 20-year peak

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More workers are living on unemployment checks in the US today than at any time in more than 20 years, the US Department of Labor reported last week. Figures released July 10 indicated that 439,000 workers filed new claims for unemployment benefits in the week ending July 5, an increase of 5,000 from the week before. At the same time, the number receiving benefits jumped to 3,818,000, increasing by 87,000 in just one week, and reaching a level not seen since February 1983.

These new statistics confirm the relentless destruction of jobs that is taking place in spite of widespread predictions by economists and government officials of an economic recovery just around the corner. The latest report proves that the jump in the official unemployment rate to 6.4 percent reported a week earlier was not merely an aberration, as Labor Secretary Elaine Chao had maintained.

The weekly report of new unemployment claims is considered the most reliable indicator of the current state of the job market. Analysts had been expecting the number to decline, since it had increased by 26,000 the week before. Any number over 400,000 is thought to indicate a decline in overall employment. New jobless claims have now exceeded 400,000 for 21 weeks in a row.

Some reports suggested that this latest weekly number was also an aberration, related to the July 4th Independence Day holiday and to the summertime closure of auto factories for maintenance and model changeover. However, the report is already adjusted for such seasonal factors. The raw data shows that the unadjusted number of new claims for the week was 479,909, increasing 86,265 over the previous week.

In addition, the four-week rolling average of new claims—a statistic designed to minimize any distortions generated in a single week—also rose by 1,000 in the latest report.

The report also shows that of the 6.4 percent officially unemployed, less than half or 3.0 percent of the workforce are receiving insurance benefits. Millions of workers have been unemployed so long that their benefits have run out.

After Congress let an extension to the basic 26-week benefit period expire at the end of last year, it finally restored the extension in May—but for only 13 weeks in all but three states with high unemployment rates but low populations, Alaska, Oregon and Washington. New York City, with a population of 8 million and an unemployment rate of 8.8 percent, was excluded from the full 26-week extension because the average unemployment rate across New York State as a whole was too low to qualify.

Numerous additional workers are ruled ineligible for any benefits at all under arbitrary regulations that vary from state to state.

Several other reports released on Friday cast further doubt on the prospects for a turnaround in hiring any time soon.

Retail sales, which have been the only bright spot in an otherwise gloomy picture, rose an anemic 1.9 percent on a “same-store” basis in June, slightly ahead of analysts’ expectations but well below last June’s 4.5 percent increase. Even this increase was accomplished only via steep price-cutting as retailers attempted to move high levels of inventory.

The sluggish retail sales are directly connected with the decline in employment. As a Deutsche Bank analyst told the *Wall Street Journal*, “Consumers have broken the spending habit and are now more concerned about their jobs and the future outlook of the economy.”

The US trade deficit remained at a near-record level

of $41.84 billion in May, the third highest monthly deficit ever reported. Weakness in both Europe and Asia have made it impossible for the United States to export its way out of its own economic doldrums, in spite of the substantial fall in the value of the US dollar.

The June increase of 0.5 percent in wholesale prices was initially portrayed as a hopeful sign of increasing demand, reducing the threat of deflation. However, closer analysis reveals more bad news, as the increase was almost entirely attributed to the increased cost of imported oil. The "core" wholesale price index, which excludes food and energy costs, actually declined by one tenth of 1 percent. In other words, US manufacturers are caught in a profit squeeze, paying more for oil while they are unable to raise prices for their products.

Everything points to a deepening of the jobs crisis in the coming months, even if the economy technically avoids falling back into recession. Even US Federal Reserve chairman Alan Greenspan, who has dropped overnight interest rates to a 45-year low of only 1 percent in a desperate attempt to resuscitate the economy, warned last week of further losses of business due to the persistently high cost of natural gas.

As it is, 2.6 million jobs—90 percent of them in the relatively higher-paid manufacturing sector—have been lost in the 28 months since a recession was said to have begun in March 2001. Even though the recession was declared over by the end of the year, the job losses have continued. Not since the Great Depression has the workforce endured so many months of job losses after the start of a recession. Most of these jobs have been lost permanently.

Teenage employment stands at its lowest level since the Bureau of Labor Statistics started keeping track 55 years ago. Major retail chains are refusing to hire anyone under the age of 18, and state and local budget cuts around the country have sharply cut the number of summer jobs available. Seasonal businesses such as amusement parks report double and triple the number of youth applicants this year over last.

The percentage of 16- to 19-year-olds who are working is only about 37 percent, a drop of 9 percentage points in the last three years. As one academic told the *New York Times*, "If you had a nine-point drop for adults, you'd call it a depression."