Marginal rise in US employment in November

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The US jobs picture improved slightly in November, as the jobless rate slipped from 6 to 5.9 percent, the lowest level since March. The Bureau of Labor Statistics (BLS) figures, released Friday, showed that employment rose by 57,000 over October. Since July, 328,000 jobs have been added in the US.

The BLS report, which described the unemployment rate and number of unemployed persons (8.7 million) as “essentially unchanged” and “down slightly from midyear,” came as a disappointment to analysts. In the days leading up to the release of the November figures, economists had predicted an increase of 120,000 to 150,000 jobs, while some on Wall Street had forecast a growth of 200,000 or more. The stock market declined Friday morning on the news.

Another 17,000 factory jobs were lost last month, 3,000 more than in October, making November the 39th month in a row in which manufacturing employment declined, although the rate has slowed considerably. Retail trade employment fell in November, primarily due to the grocery store strikes in California and elsewhere. Employment in professional and business services showed little change; the sector has picked up 181,000 jobs since December 2002, three-quarters of which is accounted for by temporary help services. Construction employment gained; the industry has added 156,000 jobs since February.

In November, 2 million unemployed people had been looking for work for half a year or longer, approximately the same number as in October. They represented nearly a quarter of the total jobless. This remains the highest level of long-term joblessness in two decades. The average duration of unemployment was 20.1 weeks, also the most in nearly 20 years.

Stephanie Weiss of US Bancorp Asset Management told *Reuters* that the disappointing job figure “took everyone a little by surprise, especially after such positive economic data leading up to it.” The employment picture “is not improving as fast as we thought it was,” David Wyss of Standard and Poor’s told the *Associated Press*. “It’s true we’ve had four consecutive months of payroll growth, which is a start. But it’s only a bare start.”

Joseph Rebello and Phil McCarty note on *SmartMoney.com*, “Over the last three years, employers have cut more than three million private-sector jobs. To replace those jobs within a year and keep up with population growth, employers would need to create at least 400,000 jobs a month, said Ed McKelvey, an economist with Goldman Sachs & Co. (GS) in New York. That far exceeds the average of the late-1990s economic boom.”

On CNBC William Sullivan, a senior economist at Morgan Stanley, remarked, “We are in the 24th month of the alleged recovery process, and we are still dealing with substandard jobs growth.” Three-quarters of a million jobs have been cut since the official end of the recession in November 2001.

The jobless figures indicate that the current economic upturn has a quite peculiar character. The *Economist*, in an article headlined “The not-so-quite-jobless recovery,” observes that there is normally a lag between the end of a recession and the decision by employers to begin hiring. “But in most recoveries, this hesitation lasts only about three months. This time round ... it lasted a year and a half. The recovery remains way behind schedule. If it had followed the course of most post-war cycles, 8m Americans would have been added to the payrolls by now.”

Allan Clark points out in the *North County Times* that the US economy has only suffered a net loss of jobs two years in a row twice since 1940 (in 1957-58 and 1981-82), adding: “President George W. Bush has seen job losses in 26 of his 34 months in office and is heading for a third year of net losses—the first time since the Great Depression. The loss so far in President Bush’s first term adds up to 2,564,000 jobs.”

According to Challenger & Gray, the job placement firm, planned layoffs at US firms fell in November to 99,452 from 171,874 in October. The telecommunications sector led with 18,183 announced cuts. Chief executive officer John Challenger said, “Job-cut announcements have been on a roller coaster ride this year. One month job cuts increase; the next, they fall. The lack of any discernible trend in corporate downsizing is indicative of the uncertainty associated with the current economy.”

Numerous studies indicate that many of the several million jobs, particularly the factory jobs, lost in the past three years are permanently gone. Erica L. Groshen and Simon Potter of the Federal Reserve Bank of New York, in their study “Has Structural Change Contributed to a Jobless Recovery?” suggest that 79 percent of employees who have lost their jobs in the recent recession (and recovery) worked in industries more affected by structural shifts than by cyclical shifts. “Job losses that stem from structural changes are permanent: as industries decline, jobs are eliminated, compelling workers to switch industries, sectors, locations, or skills in order to find a new job,” they write.

Another side to the slow increase in employment despite the upturn in output has been the extraordinary growth in labor productivity, i.e., the extent to which US firms are driving their employees to work harder. The US Labor Department announced December 3 that employee production per hour during the third quarter rose at an annualized rate of 9.4 percent, the highest in two decades.

The *Economist* notes, “IT visionaries are out. Parsimony is in. Firms have squeezed out productivity gains by working their men and machines harder and controlling their costs better. These gains may not be sustainable, if workers and machines are working at a pitch they cannot maintain for long.” Stephen Stanley of RBS Greenwich Capital told the *Washington Post*, “You can only do that [increase productivity] for so long before you exhaust your workers.” Average manufacturing overtime increased in November to 4.4 hours and the workweek to 40.8 hours.

Sullivan of Morgan Stanley commented, “The downside of the productivity miracle is that there is less pressure on employers to hire.” Employers are making every effort to increase production without engaging new workers, resulting in a 14-month high in the average workweek. The increase in hours, according to Lehman Brothers analyst Drew Matus, is “the equivalent of adding 350,000 additional jobs.”

At the same time as productivity is soaring, workers’ wages are seeing next to no improvement. Average hourly earnings rose 0.1 percent in November to $15.46. Hourly earnings over the last 12 months are up only 2.1 percent, the slowest annual growth *in 16 years*.

Major firms continue to report job cuts and layoffs. Some of the most recent include:

* **Sprint**, the fourth largest long-distance telephone company in the US, announced plans November 24 to eliminate about 2,000 jobs, or about 3 percent of its workforce, as part of a restructuring plan.

* Drug manufacturer **Schering-Plough** of Trenton, New Jersey, reported December 4 that it would also cut 2,000 jobs, on top of the 1,000 announced last August. The 3,000 positions represent some 10 percent of the company’s staff. The firm has slipped from the eleventh to thirteenth in US pharmaceutical sales.

* Office equipment maker **Xerox** will cut 800 jobs in the US under previously announced restructuring plans. Two hundred jobs will be lost in the Rochester, New York area. After the cuts, Xerox’s workforce will be reduced to 62,000, down 15,000 in recent years.

* **Autodesk**, a provider of computer-aided design software, announced November 25 that it would eliminate 550 to 650 jobs, or 17 percent of its workforce. Most of the job cuts will come in the administrative and marketing areas.

* **Mitsubishi Motors North America** is planning to lay off 425 workers at its central Illinois assembly plant next year because of a deep sales slump. The layoffs, the first at the plant since 1999, will affect 350 unionized employees and as many as 75 nonunion staff.

* **Boeing** issued 60-day layoff notices November 21 to about 340 employees, mostly in the Puget Sound, Washington area, indicating that job cuts at the aerospace giant may continue into 2004. By the end of this year Boeing will have reduced its workforce by about 40,000 since December 2001.

* **GE Medical Systems**, a medical device conglomerate and a division of General Electric, is planning to eliminate 140 jobs at its Louisville, Colorado plant and send the work to Mexico and Finland. The jobs are going to existing plants in Juarez, Mexico and Helsinki. The company has 32,000 employees in 34 countries.