US job growth virtually zero in December

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The US unemployment rate fell in December to 5.7 percent from 5.9 percent in November, but the decrease was almost entirely accounted for by workers dropping out of the labor force. According to the Bureau of Labor Statistics (BLS), only 1,000 new jobs were created last month, while some 309,000 people stopped looking for work. The labor force participation rate of 66 percent was the lowest since December 1991.

Analysts variously described the BLS report as "disappointing," "unexpectedly poor," "anemic" and "shockingly weaker." The US dollar fell to record low levels Friday against the euro as a consequence. Brian Williamson, vice president of equity trading at Boston Company Asset Management, told the press, "The numbers are very disappointing. They essentially show a standstill in company hiring, and that doesn't give us much confidence in the state of the economy."

Economists had predicted far larger gains in employment. *Agence France Presse* reported on Thursday that "Wall Street is holding its breath ahead of Friday's release" of the employment figures, with experts estimating that "nonfarm payrolls likely swelled by between 137,000 and 150,000 in December."

Far less hiring than usual took place in stores and malls over the holidays, reflected in a 38,000 job drop in the retail sector. Manufacturing experienced its extraordinary 41st consecutive month of job cuts, losing 26,000 jobs in December. Again, pundits had confidently forecast that factories would take on more workers last month. Factory employment is down 1.3 million since the recession officially ended in November 2001.

Jobs in the financial activities sector dropped for the third month in a row and information services employment grew by a meager 5,000. Business service employment added the most jobs last month, 45,000, but this growth was largely produced by an increase of 30,000 temporary hires, the eighth consecutive month in which that sector expanded.

The Economic Policy Institute's (EPI) "Jobs Picture" points out that the unemployment rate for 2003 was 6 percent, the highest annual rate since 1994. "Payrolls fell last year by 331,000 (-0.3 percent) and by 1.5 million (-1.1 percent) in 2002," continues the EPI. "The last time payrolls declined for two consecutive years was in 1944-45." Its report further notes, "Over the long term, the past two years have been among the worst on record for payroll employment growth, and the lack of job creation is leading many to exit the labor market and cutting into the hours of work of those who remain employed." The EPI notes that since the recession began in March 2001 the US economy has seen the "greatest sustained job loss since the Great Depression," including 2.9 million jobs in the private sector.

Reflecting the general economic stagnation, weekly hours declined last month and wages grew at an annual rate of only 1 percent, leading to an actual drop of $2 in weekly earnings.

In a January 4 column, Ross Eisenbrey of the EPI provides figures confirming that the present so-called recovery has overwhelmingly benefited the wealthy. "During the average recovery over the past 50 years," Eisenbrey notes, "61 percent of corporate-income growth found its way into employees' hands as increased wages and benefits, while 26 percent increased corporate profits. Today, the figures are reversed: Employees have seen only 29 percent of the increased corporate income go to their paychecks, while investors have taken the lion's share."

Campaigning last year for his tax cuts, George W. Bush promised that his measure would generate 510,000 jobs by the end of 2003, above and beyond the number normally created in a recovery. All in all, the Bush administration projected a growth of 5.5 million jobs by the end of 2004 if the massive tax cuts were adopted, or an average of 306,000 jobs a month from July 2003 to December 2004. In reality, jobs have increased by 221,000 since the tax bill went into effect, approximately one ninth the promised amount.

Challenger, Gray and Christmas, which monitors layoffs, reported last week that hiring opportunities would remain slim in 2004, due to "structural changes" in the job market, particularly new technology, productivity growth and the outsourcing of jobs overseas.

Researchers are forecasting increased US employment losses due to the outsourcing of white-collar jobs. Stamford, Connecticut-based Gartner Inc. predicts that 40 percent of companies with more than $100 million in revenue will be trying out or using offshore services by the end of this year. As many as 40,000 of IBM's 160,000 US jobs will be transferred overseas by 2005, according to Linda Guyer, president of a union attempting to organize IBM workers.

Forrester Research of Cambridge, Massachusetts, is projecting that 3.3 million US white-collar jobs will be lost to offshore outsourcing over the next decade, a half million of them in information technology (IT). Forrester predicts that the Indian IT services market will grow at least 30 percent in 2004. Certain financial consulting firms suggest that 10 percent of jobs at US IT vendors will move offshore this year.

Reflecting this general process, Internet service provider **EarthLink** announced January 6 that it would lay off 1,300 employees nationwide, half of them in California. EarthLink will close down four US customer call centers, three of them in California (in San Jose, Pasadena and Roseville), and shift many of the jobs to India, the Philippines and Jamaica. The fourth call center to be shut is in Harrisburg, Pennsylvania. The job cuts represent some 40 percent of the ISP's workforce.

EarthLink spokeswoman Carla Shaw explained, "Outsourcing is a necessary step to compete more profitably in a rapidly changing marketplace. We see this as a way to increase our efficiency." The job cutting represents the second major round of layoffs in a year; by the completion of the latest round, EarthLink will have eliminated nearly 60 percent of its US workers.

Other companies announcing job cuts:

* **Farmer Jack** supermarkets, a unit of A&P, announced in late December that it planned to close down an undisclosed number of stores as part of a continued effort to cut costs at the grocery chain. Farmer Jack operates 106 stores in Michigan and Ohio. In June 2003 the company closed all stores for 37 hours to relaunch itself with lower prices.

* **Delphi Corp**., a spin-off of General Motors and the world's largest auto parts maker, laid off 165 hourly workers at its Kettering, Ohio, suspension parts plant January 5, half of them permanently. According to a union official the Kettering plant has lost jobs because GM continues to withdraw work from the plant and because Delphi has accelerated the transfer of work to its facilities in India. Delphi employs about 9,000 people at its Dayton, Ohio-area facilities.

* **Archibald Candy Corp**. reported plans January 6 to sell its Fannie May and Fannie Farmer stores and shut down its factory in Chicago's West Loop, putting 625 workers out of a job. **Brach's Confections** completed the shutdown of its West Side Chicago plant a week earlier, laying off the last of what were once more than 3,500 employees.

* The **Chrysler Group** reported January 7 that it had cut 5,000 positions in 2003, beyond the 30,000 it had slashed in the previous two years, and suggested that unless sales of the company's new Chrysler, Dodge and Jeep vehicles improved, the cutbacks would probably continue.

The *Detroit Free Press* noted: "The announcement makes it all the more clear that higher-paying jobs and other fruits of economic recovery are not likely to come from Michigan's biggest companies. **Ford Motor Co.** plans to close plants. **General Motors Corp.** is continuing to replace only a fraction of the white-collar workers who leave."

* Paper giant **Boise Cascade** announced January 7 that it would close 40 to 45 retail stores in 2004.

* Bankrupt **Weirton Steel Corp**. announced January 9 that it would cut back some finishing and rolling processes within two weeks. The cutbacks will result in an undetermined number of layoffs. The company employs 3,300 workers.

* The country's largest packaging company, **Smurfit-Stone**, also announced plans January 9 to close four plants in Indiana, California, Texas and Kentucky, affecting 315 workers, or about 1 percent of its workforce. The largest of the plants is in Andersonville, Indiana, where 143 job cuts will occur.

* Another bankrupt firm, **WestPoint Stevens Inc**., one of the largest makers of sheets, pillow cases and towels in the US, will close two plants in the central Georgia town of LaGrange. The closure, resulting in the loss of 550 jobs, is expected to devastate the area.