US: August jobs report provides no relief for workers

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4 September 2004

Unemployment in the US in August remained nearly unchanged from July, as payrolls expanded by 144,000, with economic conditions for millions continuing to be stagnant and uncertain.

The Bureau of Labor Statistics (BLS) reported August 3 that 8 million people were officially unemployed in the US last month. The unemployment rate fell slightly from 5.5 percent in July to 5.4 percent. However, the decline stems largely from a drop of 152,000 in the number of people in the labor force in August.

Manufacturing jobs increased by 22,000; employment in transportation equipment rose by 28,000, but the BLS notes that "this increase mostly reflected auto workers returning to work from the larger-than-usual annual retooling shutdowns in July." Retail trade lost 11,000 jobs in August, and 25,000 over the past two months. Information service employment declined by 10,000 in August; since March 2001 it has fallen by 550,000. Jobs in leisure and hospitality increased by only 6,000.

The average duration of joblessness increased in August to 19 weeks, from 18.6 in July. For the 23rd month in a row more than one-fifth of the jobless suffered from long-term unemployment (more than half a year); the longest previous such stretch was 18 months, from December 1982 to May 1984.

The August jobless rate for black workers stood at 10.4 percent and for teenagers 17 percent, more or less unchanged from the month before. In addition to the official total of 8 million jobless, another 1.6 million people are considered "marginally attached to the labor force" by the BLS; these are people who have looked for a job some time in the past 12 months, but did not actively seek work in the four weeks preceding the survey. Those not looking for work during the previous year, the truly discouraged, are not counted at all.

A significant slowdown in job creation occurred from June through August, underscoring the shaky state of the economy. Job growth in the most recent months averaged about 104,000, down from 295,000-jobs-per-month increases in the period March-May.

The liberal think-tank Economic Policy Institute's "Jobs Picture" points out that "much of the recent progress against unemployment, including last month's, has been due [to] the slow growth—or in August's case, the decline—of the labor force, itself a reflection of the recent slowing in job growth. In fact, the share of the adult population in the labor force fell slightly last month from 66.2 percent to 66.0 percent, and remains 1.1 percentage points below its level at the end of the last expansion in March 2001."

Approximately 125,000 to 150,000 jobs need to be added each month simply to absorb workers entering or reentering the work force. To make any serious headway against unemployment, twice that number need to be created.

The Bush administration claimed at the time its tax cuts were put into effect in July 2003 that the measure would generate 306,000 jobs each month, or some 4.3 million by this point, 14 months later. That prediction has fallen short by 2.7 million jobs, or more than half.

Since the recession officially ended in March 2001, one million jobs have been eliminated. Jobs in the private sector have declined by 1.7 million, a 1.5 percent contraction during the supposed recovery. The current recovery is the worst on record in terms of job creation.

Largely as a result of the uncertain job situation, consumer confidence was off sharply in August. The Conference Board's Consumer Confidence Index fell from 105.7 in July to 98.7 in August.

The director of the Conference Board's Consumer Research Center, Lynn Franco, commented, "The level of consumer optimism has fallen off and caution has returned. Until the job market and pace of hiring picks up, this cautious attitude will prevail." This "caution" is no small matter. Consumer spending accounts for two-thirds of all US economic activity.

Figures released September 2 showed "gloomy" August sales at major US retailers, with "results from Wal-Mart, Sears, Roebuck and Co., Limited Brands Inc. and Costco Wholesale Corp.... even worse than expected," according to *Reuters*. "People are not spending money," Kurt Barnard, president of Retail Forecasting Group, told the wire service. "They are intimidated by the [economic] outlook."

Auto sales slumped badly in August; General Motors suffered a 14.1 percent decline in sales, Ford, 12.9 percent and DaimlerChrysler, 5.7 percent. Japanese car firms' sales were down too: 14 percent at Honda, 10 percent at Toyota and 0.6 percent at Nissan.

According to the *Detroit Free Press*, "Throughout the country, higher oil prices and worries about job opportunities led to a dip in consumer confidence. A few dealers even complained that an onslaught of presidential political ads were bumping their promotions off television."

The *Saginaw* (Michigan) *News* reports an economist's prediction that Michigan "could lose as many as 6,000 jobs to temporary or permanent layoffs as the production cuts [at the auto manufacturers] hurt the sales of suppliers and other businesses dependent on those automakers." The Saginaw Valley witnessed two factory closings at auto suppliers over the summer: Tooling Systems Division in Frankenmuth and Gallade Technologies in Saginaw.

Ford and GM reported plans September 1 to produce 165,000 fewer cars and trucks in the last quarter of 2004 than they did a year ago. Ford, which has reported lower sales for four straight months, will build fewer vehicles in the fourth quarter than it has since the recession year of 1991. For GM, with decreased sales in the last three months, the production level will be the lowest since the quarter immediately following the September 11, 2001, attacks.

Ford is cutting production by 8 percent. The figure surprised the entire industry, including parts maker Visteon, which gets 70 percent of its sales from the auto firm. The *Free Press* reports a claim that Ford's market share, 19.7 percent, is the lowest since the 1930s.

Not only are US workers worried about their jobs, income levels are stagnating or declining for millions. Workers' real hourly compensation actually fell in the second quarter of 2004, at a 0.4 percent rate, after declining in the first quarter of the year at a 1.6 percent annual rate. These were the first declines since 2002. Americans' personal incomes grew only 0.1 percent in July, the slowest pace in two years.

The Center on Budget and Policy Priorities (CBPP), another Washington think tank, notes that Commerce Department figures released August 27 demonstrate that during the current so-called recovery "wage and salary growth for workers has been exceptionally poor while corporate profits have enjoyed unusually large gains."

The CBPP notes that "the share of real income growth that has gone to wages and salaries (that is, the total increase in wage and salary income) has been smaller than during any other post-World War II recovery period, while the share of real income growth that has gone to corporate profits has been larger than during all other post-World War II recoveries."

The share of income growth that has gone to wages and salaries (15 percent) has only been about one-third the amount that has gone to corporate profits (47 percent). This almost reverses the experience of other post-recessionary periods in US history since World War II, in which an average of 49 percent of national real income growth went to wages and salaries, and 21 percent to corporate profits.

Partly as a result, the CBPP explains that during the first half of 2004 the share of national income that goes to wages and salaries was at the lowest level since records began being kept in 1929. Not surprisingly, the share going to after-tax corporate profits was "exceptionally high," in fact the highest in that same 75-year period.