Jobs and wages picture remains bleak for millions in US

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The employment and general economic situation remained dismal for millions of American workers in January, amid signs that the so-called recovery may be slowing. While the official unemployment rate declined to 5.2 percent, payrolls increased by only 146,000, considerably less than predicted. Manufacturing jobs fell by 25,000. The Bureau of Labor Statistics (BLS) report, released February 4, also revised downward the number of jobs created in December, from 157,000 to 133,000.

Ironically, the decline in the official percentage of jobless resulted largely from the gloomier overall employment outlook, i.e., a larger number of people discouraged from even embarking on a search for work leads to a falling unemployment rate and official claims that the "economy is on track."

The US labor force participation rate fell in January to 65.8 percent, the lowest since May 1988 and 1.5 percent lower than its most recent peak in April 2000. This means a decline of some 3.4 million people on the job market since that latter date.

Wall Street analysts had predicted an increase of 200,000 new jobs in January. Rick Egelton, of BMO Financial Group, told *Reuters*, "[It's] certainly weaker than expected, quite a bit weaker than expected. It suggests that employment is continuing to expand at a moderate pace and we are not getting the boost to employment that we would have gotten given the low value of the dollar and the still relatively low interest rate environment."

Other economists cited in the media were blunter. Marie-Pierre Ripert, from IXIS Corporate and Investment Bank, told AFP, "The decline in the unemployment rate ... is due to a fall in the labor force participation rate, which is not good news."

"The labor force is shrinking," Peter Morici, economics professor at the University of Maryland's Robert H. Smith School of Business, commented to *Reuters*. "The economy is not creating enough good paying jobs, causing workers to quit looking for jobs altogether."

He added, to AFP, "The economy is slowing at an alarming pace. The primary culprit is the growing trade deficit, which is now more than 5 percent of gross domestic product. This is reflected in the declining fortunes of manufacturing."

Steven Wood, chief economist at Insight Economics, told a reporter, "The recent pace [of job growth] doesn't appear to be enough to generate a self-sustaining economic expansion."

The weak growth in January jobs permitted the Bush administration to escape becoming the first since Herbert Hoover to show a net job loss over its four years in office. This is due to a growth in government employment; the total of private sector jobs is down by more than 700,000 since Bush took office.

The current economic recovery remains the worst since the Bureau of Labor Statistics began collecting data at the end of the Great Depression. A negligible 62,000 jobs have been added since March 2001. If the historical norm had held, the present so-called recovery should have generated 7.5 million more jobs than have materialized.

BLS data for January revealed that employment growth was concentrated in services. Business services, for example, added 25,000 jobs, but 17,500 of them were in temporary help, "a sign," comments the Economic Policy Institute (EPI), "that employers remain uncharacteristically cautious regarding permanent hires at this stage of the recovery."

Manufacturing jobs suffered their fifth straight monthly decline. "After reaching an unemployment trough in February 2004, manufacturers added 85,000 workers through August. The trend has since turned downward, and 61,000 jobs have been lost," notes the BLS unemployment summary.

Overall, payrolls have increased by an average of 150,000 per month since last June, half of the monthly average from March to May 2004.

US consumer confidence finished weaker in January, according to the University of Michigan's consumer confidence index. The final reading for the month was 95.5, down from December's final reading of 97.1.

On the wages front, the increases are failing to keep pace with inflation. Hourly earnings in 2004 for production, non-supervisory workers (80 percent of the workforce) grew at a rate of just 2.1 percent, the lowest since the study of this wage series began in 1964. Meanwhile, inflation grew by 2.7 percent last year. The EPI's "Job Watch" notes, "This pattern of decelerating wage growth and faster price growth led to the first inflation-adjusted decline in the hourly wages of production, non-supervisory workers since 1993."

In January hourly wages were up slightly over December, but a decline in hours produced a slight reduction in weekly earnings.

Barbara Rose, writing in the *Chicago Tribune*, speaking of the miserly wage gains, commented, "The long, lean times for salary increases have led some experts to wonder whether a fundamental shift is under way even as productivity levels remain high and corporate profits continue to soar."

She cites the frank advice offered in a recent issue of a leading trade journal for human resources, "Annual pay increases designed for optimal hiring and retention are no longer needed. If your salary increase budget for 2005 is much higher than 3 percent, you're probably overspending," the article asserted.

In the Midwest, according to the BLS, the prices for goods rose at nearly twice the rate of wages. Higher fuel prices, job losses and soaring health costs are held responsible. "It goes hand in hand with the general struggling nature of the economies here in the Midwest," Dana Johnson of Comerica Bank told the *Detroit Free Press*.

In 2004 the cost of goods increased 3 percent in the area, while wages only inched ahead by 1.6 percent, matching a historic low. Michigan lost 47,000 jobs in 2004 and now suffers from one of the highest jobless rates in the US.

A report issued by the National Low Income Housing Coalition provides a glimpse into the reality faced by millions of low-wage workers. The Coalition points out that there are only four counties in the country (three in Illinois and one in Florida) "where a person or a household working 40 hours a week, 52 weeks a year at the prevailing minimum wage can afford even a one bedroom apartment.... In 70 percent of the metropolitan areas in the country, the Housing Wage is at least twice the prevailing minimum wage. In 56 metropolitan areas the Housing Wage is over three times the minimum wage."

The "Housing Wage," as defined by this group, assumes that a family spends no more than 30 percent of its gross income on rent and utilities.

Some 36 million homes are rented in the US. Approximately 80 percent of renter homes are located in nearly 1,000 counties in which a family would have to work 80 hours a week—or two full-time jobs—at minimum wage to afford the typical two-bedroom apartment.