March jobs report shows US "recovery" offers no relief for workers

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The US Labor Department reported April 1 that US job creation in March was the weakest since July 2004. The report provides further evidence that the conditions of working people in the US continue to stagnate or decline, in spite of limited economic growth in the economy as a whole.

Only 110,000 jobs were created last month, well below projections by economists of 225,000 new jobs. February's figure was revised downward by 19,000 jobs, to 243,000, and January's was similarly reduced by 8,000, to 124,000 new jobs.

An increase of 110,000 jobs is less than the 150,000 needed to keep pace with the growth of the labor force. The government's official unemployment rate fell slightly, to 5.2 percent from 5.4 percent in February. This indicates that a growing number of people have stopped looking for work. They are not included in the figure for the work force, and are consequently excluded from the calculation of the jobless rate.

The stock market initially rose on Friday in response to the news. Low job creation means there is less pressure from workers to increase wages and less pressure on the Federal Reserve Board to ratchet up interest rates. Higher interest rates tend to depress stock values, so Wall Street investors responded to the jobs report with a rally.

The concerns of Wall Street were spelled out by Kenneth McCarty, chief economist at the Center for Innovative Entrepreneurship, who noted in response to the report that the "concern is that if the economy continues to grow very strongly it will cause the unemployment rate to drop, and that will mean tighter labor markets, higher wage increases, and that threatens to create higher inflation."

The Wall Street rally was, however, aborted by an increase in oil prices and a report indicating higher than expected increases in prices paid by corporations for raw materials.

John Lonski of Moody's Investor Service alluded to the underlying and continuing weakness on the US economy, saying the jobs report "brings attention to the above average risk aversion among businesses."

The figures from March are a continuation of a long-term trend. In an editorial on April 4, the *New York Times* noted, "In 6 of the last 12 months, job creation has not been strong enough to absorb the growth of the work force. In such a weak labor market, wages are stagnant or falling. Over the past year, for instance, hourly wage increases averaged only 2.6 percent for the 80 percent of the work force made up of non-managers in both white- and blue-collar jobs."

The 2.6 percent increase in wages is less than the 3 percent increase in consumer prices over the past year, meaning that for most workers, real wages are declining. In recent months, US consumers have been particularly hard hit by a sharp rise in gasoline prices.

Crude oil was trading at over $58 a barrel over the weekend, before falling slightly on Monday. Gasoline prices in many states are soaring above $2 a gallon, with a continued rise expected over the summer as demand increases. One investment firm has predicted that crude oil prices could soar to over $100 a barrel over the next several years.

The prices of other critical consumer goods and services have increased sharply over the past year as well, including medical costs (up 4.3 percent) and dairy products (up 5.6 percent). Declining real wages have been translated into depressed consumer spending and slack consumer confidence. The University of Michigan's monthly measure of consumer confidence, also released April 1, declined from 94.1 to 92.6.

There are other signs that the economic conditions facing US workers are deteriorating. New claims for unemployment insurance rose to 350,000 last week, the third week in a row that the number of new claims has increased, after falling for several months.

The recession that began in 2001 resulted in the loss of 2.7 million jobs, but the supposed recovery over the last two years has not resulted in a great surge of job creation or an increase in wages for working people. Only 3.1 million jobs have been added since May 2003, so the net job creation since 2001—400,000 jobs—has been well below the number of new workers entering the labor force.

Much of the job creation in recent years has been in the temporary and low-wage service sectors, while traditionally higher-paying and more stable manufacturing jobs have been eliminated. These trends were reflected in the most recent numbers. The manufacturing sector lost 8,000 jobs. Retail employment also fell by 10,000 jobs, while other areas of the service sector as well as construction and mining increased.

The protracted decline in manufacturing is evident in the stagnating economy in the Midwest, particularly in Michigan, the center of the US auto industry. Michigan's unemployment rate in February rose to 7.5 percent, the highest in the country, surpassing Mississippi and Alaska. Michigan's unemployment rate has been above the national average for nearly five years and shows no signs of falling significantly.

Last month, auto giant General Motors announced a large loss for the first quarter of 2005 and sharply reduced profit expectations for all of this year. The company plans to lay off thousands of workers in Lansing, Michigan. Ford is also in serious economic trouble. Both companies have had their bond ratings reduced to one step above junk status.

The auto companies are among the top employers throughout the Midwest and are linked to a network of suppliers, including spin-offs Delphi (from GM) and Visteon (from Ford), which are major employers themselves.

The worsening economic situation will be leveraged by the auto companies to extract new and sweeping concessions from workers in the form of cuts in wages and benefits. The third auto giant, DaimlerChrysler, has already secured an agreement from the United Auto Workers union to force workers to pay health premiums, a concession that will likely be extended to Ford and GM as well.

The service industry in Michigan is also suffering, including at Michigan-based Kmart, which recently agreed to buy out Sears. Kmart will close its corporate headquarters in Michigan, resulting in the loss of thousands of jobs in the state.