US unemployment rate rises to four-year high

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The US unemployment rate rose to a seasonally adjusted, four-year high of 5.7 percent in July, according to August 1 figures released by the US Bureau of Labor Statistics (BLS). The number of officially unemployed people reached 8.8 million, up 1.6 million (1 percent) over the last year.

The official jobless rate does not include so-called "discouraged" workers who report having given up looking for work, or those who have been forced to work part-time for economic reasons. Unemployed and "discouraged" workers rose from 5.7 to 7 percent of the workforce in the last 12 months. Adding in workers forced to take part-time work, 10.8 percent of the US workforce was unemployed or underemployed in July, up 2.2 percent over the last year.

US non-farm payroll employment fell by 51,000 jobs in July, and has fallen by 463,000 in 2008. The declines are broad-based, affecting virtually all sectors of the economy.

Temporary employment, considered an indicator of future economic conditions, fell 29,000 in June; the sector has lost 185,000 jobs since January 2008. Retail trade continued to shed jobs, having lost 211,000 positions since its peak in March 2007.

Construction, heavily hit by rising housing inventories and the mortgage crisis, lost 22,000 jobs in July, bringing the total job losses since the peak employment level in September 2006 to 557,000. According to Commerce Department figures, construction spending fell 0.4 percent in July, after a similar 0.4 percent fall in June, to a seasonally adjusted annual rate of $1.0872 trillion.

Manufacturing employment fell by 35,000 in July and by 383,000 over the last 12 months, with notable declines in transportation equipment (8,000 job losses), wood products (4,000 job losses), and textile mills (3,000 job losses). The Institute for Supply Management (ISM) reported factory activity as showing no increase in July 2008, but noted that the July new orders index stood at 45.0, on a scale where a number under 50 indicates contraction. ISM survey director Norbert Ore told the *Wall Street Journal*, "We expect the third quarter to be quite slow."

The only sectors that saw increased employment were health care (up 33,000 in July) and mining (up 10,000 in July), mostly in oil- and gas-related industries benefiting from high energy prices.

Restaurants have been particularly hard hit as consumers reduce leisure spending. Plano, Texas-based Metromedia Restaurant Group abruptly shut down hundreds of Bennigan's and Steak and Ale restaurants nationwide on July 29, eliminating 9,200 jobs as part of Chapter 7 bankruptcy proceedings. The restaurants apparently required infusions of $100 million from parent company Metromedia to meet payroll and debt obligations over the last year. In March *Forbes* gave the net worth of Metromedia's owner John Kluge as $9.5 billion.

Other restaurant chains filing for bankruptcy in 2008 include Bakers Square, Village Inn, and Old Country Buffet. Starbucks announced this week plans to cut 1,000 office jobs. This follows last month's news that the global coffee retailer would close 600 store locations in the US after posting a net loss of $6.7 million during the second quarter of 2008. It also announced the closure of 61 of its 84 locations in Australia.

Airlines also are planning layoffs as they face massive increases in fuel prices and reductions in the number of travelers and flight routes. On July 22 United Airlines announced it would lay off 7,000 of its 52,500 workers by the end of 2009, amid plans to reduce 16 percent of United's domestic capacity and cut 100 aircraft from its fleet.

On July 17 American Airlines announced it would furlough 900 flight attendants and 200 pilots, and lay off 1,300 of its 13,000 aircraft mechanics—even after the emergency grounding of its entire MD-80 aircraft fleet for wiring risks in March revealed serious problems in its maintenance operations.

Automakers GM and Ford are also preparing further layoffs, as they announced gigantic losses for the second quarter of 2008—$8.7 billion for Ford and $15.5 billion for GM, amid falls in monthly sales volume of 15 and 26 percent, respectively. They attributed these losses to falling demand for their larger, less fuel-efficient vehicles amid high gas prices, restructuring costs, and the effects of the credit crisis on their financing arms, which are scaling back leasing deals due to higher risks of consumer default.

Neither Ford nor GM has publicly announced restructuring plans, but on July 30 the press reported that GM planned to lay off at least 5,000 workers. GM has announced plans to cut its North American production capacity by 300,000 vehicles by next year, and is cutting shifts at plants in Moraine, Ohio and Shreveport, Louisiana.

Other carmakers are announcing substantial decreases in US sales and planned layoffs. Toyota's July sales figures dropped 18.7 percent, and Nissan announced it would offer buyout packages to 6,000 employees at plants at Smyrna and Decherd, in Tennessee.

The effects of unemployment will be even more difficult on laid-off workers, as unemployment insurance covers fewer and fewer workers. According to Labor Department statistics quoted in a July 29 *Wall Street Journal* report, only 37 percent of US unemployed workers receive unemployment benefits, down from 55 percent in 1958 and 44 percent in 2001.

The *Journal* noted: "Those who don't qualify include many part-time workers, people who quit or were fired, and workers who didn't earn enough money in a one-year 'base period' that often excludes the most recent three to six months. Worker advocates say the New Deal-era system hasn't been updated enough to reflect an age of more-frequent job changes, more part-time work and falling union membership."

Fewer than 15 percent of low-wage workers get unemployment benefits, according to the Government Accountability Office.