US jobless rate hits 14-year high

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Data released yesterday by the US Labor Department showed unemployment increased last month from 6.1 to 6.5 percent, the highest rate recorded since 1994. The number of officially unemployed increased by 603,000 to a total of 10.1 million, the largest number since 1983.

A total of 240,000 jobs were lost last month on a net basis, significantly more than had been anticipated, again pointing to a prolonged and severe downturn. "We're heading for a deep recession," Nariman Behravesh, chief economist at IHS Global Insight, told *Bloomberg News*. "Banish the word mild from your vocabulary. It's big, it's bad, and it's broad-based."

The Labor Department revised its jobless figures for September, from the initially reported 159,000 net job losses to 284,000. Total employment has declined by 1.2 million in the first 10 months of 2008, with more than half of this fall recorded in the last three months. Economists estimate that the economy must generate an additional 100,000 jobs each month just to keep up with population growth.

Jobs were shed across a number of sectors:

• Manufacturing employment declined by 90,000 in October, including employment in fabricated metal parts (11,000 jobs lost), furniture and related products (10,000) and motor vehicles and parts (9,000).

• Construction employment fell by 49,000. The Labor Department noted that since peak activity in September 2006, construction employment has fallen by 663,000.

• The employment services industry lost 51,000 jobs.

• Retail trade employment declined by 38,000, with auto dealerships (20,000 jobs lost) and department stores (18,000) the worst affected.

• Financial sector employment fell by 24,000 and is down by 200,000 jobs since its peak in December 2006.

The number of long-term unemployed, those out of work for 27 weeks or more, increased last month by a quarter of a million to a total of 2.3 million. This is 22 percent of the total unemployed, the highest proportion recorded in 25 years.

"A quick observation of the duration of unemployment indicates that individuals are experiencing a much more difficult time finding jobs that correspond with their skill sets," Joseph Brusuelas of Merk Investments noted. "This data implies that individuals in the manufacturing, real estate and financial communities may be on the cusp of experiencing a type of structural unemployment of the kind that has not been seen since the breakdown of the steel and coal industries over three decades ago."

The rising unemployment rate is having a devastating social impact. According to the *New York Times*, only 32 percent of the officially unemployed are drawing state benefit checks because of onerous eligibility restrictions and other conditions designed to drive people off the books.

Moreover, the real jobless rate is far higher than the official 6.5 percent figure. The Labor Department's monthly report acknowledged that the number of "involuntary part-time workers"—that is, those who are unable to find full-time work, or those whose hours have been cut back to part-time levels—increased in October by 645,000 to 6.7 million.

Also not counted as unemployed are those "marginally attached to the workforce"—i.e., those who wanted and were available for work and had looked for a job in the last year, but not in the four weeks preceding the survey. A total of 1.6 million people were in this category in October. Among the marginally attached were 484,000 "discouraged workers" who have stopped actively looking for employment. Other marginally attached workers include those who were unable to look for work in the preceding four weeks due to school attendance or family responsibilities.

When the involuntary part-time and marginally attached workers are counted, the unemployment rate stands at 11.8 percent, up from 11 percent in September and from 8.4 percent a year earlier.

Commenting on the Labor Department data, the *Wall Street Journal*'s Sudeep Reddy and Justin Lahart noted, "One of the more worrisome aspects of today's report: signs that the labor market was declining substantially even before the worst of the credit crisis hit... If conditions were that bad before October, they're likely to be far worse in the months to come as companies adjust to the new credit environment and consumers retrench with added pressure on housing and credit markets."

Goldman Sachs economists revised their unemployment and gross domestic product forecasts after the unemployment figures were released. The firm now anticipates that the economy will contract by 3.5 percent in the fourth quarter and 2 percent in the first quarter of 2009, leading to an unemployment rate of 8.5 percent by the end of next year. Such GDP figures would mark the sharpest quarterly declines since 1981-82.

The deepening recession has led the auto industry, once one of the leading symbols of US capitalism's world dominance, to the brink of collapse.

General Motors said yesterday that its cash reserves "will approach the minimum amount necessary to operate" for the rest of the year. Estimated liquidity, the automaker added, will fall "significantly short" of what is required by July unless the car market stages a comeback or the company receives a massive injection of capital.

GM senior executives, together with those from Ford and Chrysler, met this week with Democratic House Speaker Nancy Pelosi, Senate Majority Leader Harry Reid, and other legislators to plead for a massive government bailout. GM announced it is suspending merger discussions with Chrysler to focus instead on securing billions in public money, without which the company will likely go bankrupt.

GM reported a $4.2 billion operating loss for the third quarter. Its available cash fell from $21 billion to $16.2 billion in just three months. The former industrial giant lost almost $73 billion since the end of 2004. Massive job losses and cuts to wages and conditions are to follow. GM said yesterday it will try to slash 30 percent of salaried workforce expenses, up from the previously stated goal of 20 percent.

Ford, the second-largest US automaker, also released its quarterly figures yesterday. Its operating loss was $2.98 billion, bringing total losses since 2005 to $24 billion. Ford also reported using up $7.7 billion in cash over the last three months.

Like GM and Chrysler, Ford is desperately slashing production and jobs in a bid to remain solvent. The company reduced North American output by 34 percent in the third quarter, and said yesterday it would cut output in the fourth quarter by a further 33 percent, rather than the previously planned 27 percent. The 33 percent cut is equivalent to 211,000 less vehicles being produced.

Ford also announced it would cut salaried personnel costs by an additional 10 percent by the end of January, on top of a 15 percent cut imposed in 2008. Next year will also see the abolition of "merit-pay" for salaried workers.

These measures are only a foretaste of what will follow the collapse or merger of any of the "Big Three" automakers.