US payrolls shrank by more than half a million in November

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The Labor Department reported Friday that US payrolls plunged by 533,000 in November, a staggering decline that far outpaced forecasts by economists, who had predicted an already sharp drop of 340,000 to 350,000 jobs. The huge net fall in non-farm jobs, coming on top of data registering dramatic declines in retail sales and factory orders, shows that the United States is careening into a recession deeper and longer-lasting than any since the Great Depression of the 1930s.

The monthly job loss, the eleventh straight decline, was the biggest since December of 1974, the high point of one of the worst economic slumps in the postwar period. Since the beginning of 2008, the US has lost a net total of 1.9 million jobs, according to government figures, including 1.2 million in just the last three months. Friday's report revised sharply upward previous Labor Department estimates of job losses in October (to 320,000 from 240,000) and September (to 403,000 from 284,000).

Currently, more than 10.3 million people are out of work, the Labor Department said.

The pace of layoffs is accelerating, as the financial crisis and credit crunch take an ever heavier toll on consumer spending, production and investment. The *Wall Street Journal* reported Friday that US employers announced at least 33,000 job cuts this week alone. The Business Roundtable, which represents 160 big US companies, said Thursday that 60 percent of chief executives in a recent survey expect to slash jobs in the coming months.

The US auto companies are preparing to close dozens of plants and shed tens of thousands more jobs as part of a federal bailout loan. Should Congress and the Bush administration fail to extend emergency credit, one or more of the Big Three companies will go bankrupt, resulting in hundreds of thousands of auto-related layoffs.

On Friday, General Motors announced that it is cutting production at four North American car plants, including the elimination of the third shift at its Lordstown, Ohio, Oshawa, Ontario and Orion Township, Michigan factories in February, resulting in a loss of 2,000 jobs.

The November jobs report showed the third largest decline in the number of people employed since the data began in 1950. According to the Labor Department's alternate measure of employment, based on a survey of households, the net decline in jobs was even higher than the payroll-based figure, coming in at minus 673,000.

The government's official unemployment rate rose 0.2 percent from the October level to 6.7 percent. This is the highest level in 15 years, but it is a gross underestimation of the real scale of unemployment. The 6.7 percent figure excludes laid off workers who have stopped actively looking for a new job. The Labor Department reported that 422,000 workers left the job market in November. If these "discouraged workers" were included in the government survey, the jobless rate would climb to 7 percent.

The Labor Department's so-called "underemployment" rate, which includes temporary and involuntary part-time workers, reached 12.5 percent last month, up 0.7 percent from October.

Major job losses were recorded in virtually every sector of the economy, reflecting the depth and breadth of the recession. Particularly ominous was the sharp increase in job cuts in the service sector, which registered a decline of 370,000 and accounted for 70 percent of the total fall in employment. Payrolls in manufacturing, construction and other goods-producing industries have been falling sharply for months, but most service industries, which account for 80 percent of US gross domestic product, have, until recently, been only marginally affected.

"The service sector had been holding up relatively well into this downturn, but now the service sector is just imploding," said Michael T. Darda, chief economist at the research firm MKM Partners. "As the service sector goes, so goes the US economy."

Hiring in goods-producing industries fell 163,000. Within this category, manufacturing firms cut 85,000 jobs, with auto and auto parts makers accounting for 13,000 job losses. The manufacturing sector has lost more than half a million jobs this year.

Construction employment was down by 82,000.

Within the service sector, business and professional services companies shed 136,000 jobs and financial sector payrolls were down 32,000. Retail trade cut over 91,000 jobs. Leisure and hospitality businesses shed 76,000 jobs. Temporary employment, which is considered a bellwether for future job prospects, fell more than 78,000.

Job gains were registered only in health care, education and government employment.

These figures provide only a pale indication of the mounting social distress of tens of millions of working people. As a result of decades of restrictions on eligibility, barely a third of laid off workers in the US are able to receive jobless benefits, which in any event are wholly inadequate to support a family.

Workers' incomes are declining at an accelerating rate. Average hourly earnings in November increased 7 cents, or 0.4 percent, to $18.30 from the previous month. That was up just 3.7 percent from a year earlier, significantly lower than the inflation rate. Moreover, work hours are being slashed. The length of the work week slipped to 33.5 hours in November, the shortest since records began in 1964.

A stark measure of the social crisis was provided in a report issued Friday by the Mortgage Bankers Association, which showed that by the end of September a record number of American homeowners—one in ten—were either in foreclosure or at least a month late on mortgage payments. More than 19.5 percent—nearly one in five—of subprime mortgage holders were seriously delinquent on their payments.

Millions of American families have already lost their homes, and Federal Reserve Board Chairman Ben Bernanke told a Fed housing conference on Thursday that lenders were on track to initiate 2.25 million foreclosure proceedings this year, more than double the rate before the housing and credit crisis broke 16 months ago.

The past week alone has seen a raft of layoff announcements spanning every sector of the economy. Telecommunications giant AT&T announced 12,000 job cuts, chemical maker DuPont said it would slash 2,500 jobs, United States Steel announced 3,500 layoffs, paper maker AbitibiBowater said it was eliminating 1,100 jobs, office furniture maker Steelcase said it would close an Atlanta plant that employs 300 people, Avis Budget said it was cutting 2,200 positions, newspaper chain Gannett Co. said it would eliminate 2,000 positions, software maker Adobe Systems announced plans to lay off 600 employees, Real-Networks Inc. said it was laying off 130 workers, entertainment companies Viacom and NBC Universal announced layoffs, 850 and 500 respectively, State Street Corp. announced a 6 percent cut in its work force, representing as many as 1,800 employees, asset manager Legg Mason said it would cut nearly 200 jobs, and publisher Houghton Mifflin indicated it would cut several hundred employees.

Friday's jobs survey followed a series of economic reports this week pointing to a rapidly accelerating recession. The government reported that factory orders in October registered their biggest decline in eight years. Total jobless claims lasting more than one week jumped to their highest level in almost 26 years for the week ended November 29. Consumer spending in the third quarter fell by the steepest amount in 28 years. Retail sales in November, the first month of the crucial holiday season, saw their biggest drop—2.7 percent—since 1969.

An indication of the global scale of the recession, and the threat of a deflationary spiral, is the fall of crude oil prices on Friday to below $41 a barrel, the lowest closing price in four years.

Many economists now expect that US gross domestic product will contract 4 percent or even more this quarter after falling 0.5 percent in the third quarter. HIS Global Insight, a forecasting and data gathering service, informed its clients this week that its GDP forecast for 2009 was now minus 1.8 percent, rather than 1 percent. "We see the unemployment rate at 8.6 percent by the end of 2009," Global Insight said.

Financial analysts reacted with shock and alarm to Friday's jobless report. "Business shut down in November," said Mark Zandi, chief economist at Moody's economy.com. "Businesses are in survival mode and are slashing jobs and investment to conserve cash. Unless credit starts flowing again soon, big job losses will continue well into next year."

"The pace of job losses is accelerating alarmingly," said Ian Shepherdson of High Frequency Economics.

Peter Morici of the University of Maryland told the *Wall Street Journal*, "This was much worse than expected and represents wholesale capitulation. The threat of a widespread depression is now real and present."

However, the responses from the Bush administration and the incoming Obama administration make clear that no serious measures are contemplated to provide relief for millions of struggling working class families.

Bush made a perfunctory appearance outside the White House Friday morning in response to the disastrous jobs report. Speaking for less than five minutes and exuding complacency and indifference, he reiterated his policy of funneling trillions of taxpayer dollars to the banks, saying, "The most urgent issue facing the economy is the problem in the credit markets."

Refusing to make even a gesture in the direction of social relief or spending for jobs, he repeated his opposition to using any of the $700 billion allotted for Wall Street to bail out the auto industry. On the foreclosure crisis, he said his administration was taking action to avoid "preventable" foreclosures—a formula for denying government aid to the vast majority of families facing the loss of their homes.

For his part, Obama issued a similarly perfunctory statement saying that the jobs report was further evidence that "we need an economic recovery plan that will save or create at least 2.5 million more jobs over two years while we act decisively to maintain the flows of credit on which so many American families and American businesses depend."

What this means in plain language is a continuation and expansion of the transfer of taxpayer funds to the major banks and finance houses, while a mere fraction of the trillions going to Wall Street will be used to address the greatest social crisis in three-quarters of a century. Under conditions where well over 2.5 million jobs will have been wiped out by the time he takes office, Obama's pledge to "save or create" 2.5 million jobs over two years amounts to a token policy, even if it is carried out. Moreover, the formula "save or create" is contrived to allow for a continuing net decline in jobs.