

# US unemployment rate at 7.2 percent after biggest yearly job loss since 1945

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US payrolls declined by another 524,000 in December, according to the Labor Department's monthly employment report released Friday, sharply increasing the official jobless rate to 7.2 percent from November's 6.7 percent figure.

The December rate is the highest since January of 1993. For all of 2008, the US economy had a net loss of nearly 2.6 million jobs, the worst annual decline since 1945, when the war-time economy was being demobilized.

There is more than symbolism in the parallel to the post-Depression era. The December jobless figures reflect an accelerating contraction, with 75 percent of 2008's job losses—1.9 million—occurring in the final four months of the year and all signs pointing to a further hemorrhaging of jobs in the months ahead. This means that the current recession, which officially began in December of 2007, will become the longest and most severe since the 1930s.

Among the data in the Labor Department's Bureau of Labor Statistics (BLS) report suggesting the emergence of a full-blown depression is the fact that manufacturing employment fell below 13 million for the first time since 1942, and that the average workweek declined to 33.3 hours, the lowest figure since the Labor Department began tracking weekly work hours in 1964.

"The message in the decline in hours worked to a record low is that more big job losses are coming," said Mark Zandi, chief economist of Moody's *Economy.com*.

The depth of the crisis was further indicated by the upward revision of job loss figures for October and November. The November number was raised from 533,000 to 584,000 and that for October from 320,000 to 423,000. December's job losses marked the 12<sup>th</sup> consecutive month of declining payrolls.

Economists expect that the job loss figure for December announced on Friday will be revised upward. One reason is that several state employment offices saw their computer systems

crash in December as a result of the flood of people seeking jobless benefits, resulting in an undercount in the number of people laid off.

According to the Labor Department's survey of households, unemployment increased by 632,000 in December to 11.1 million. For all of 2008, the unemployment rate rose by 2.3 percentage points and unemployment increased by 3.6 million. Another 3.4 million workers were forced into part-time work during the year.

Payrolls were slashed in every sector of the economy in December except education, health care and government employment. Both the breadth and depth of the retrenchment evoked statements of shock and concern from economists.

"Both the US economy and job market fell off a cliff in September," said Nariman Behraves, chief economist for HIS Global Insight. He added, "These numbers, back to back, of more than half a million a month suggest that the US economy is in a free fall. It's scary..." He predicted the unemployment rate would rise to at least 9 percent by early 2010.

"The speed and the breadth of the deterioration in the US economy since September are staggering," wrote Richard Moody, chief economist for Mission Residential. "Even with passage of a large fiscal stimulus package, labor market conditions will continue to deteriorate through 2009," Moody added.

"This was the most rapid deterioration in the labor market over a six-month period since 1975," said Michael Darda, chief economist at MKM Partners LP in Greenwich, Connecticut.

"We're seeing a complete unraveling of the labor market and are on track for getting beyond 10 percent unemployment," said Lawrence Mishel, president of the Economic Policy Institute in Washington.

An alternative—and far more accurate—measure of unemployment, which includes workers too discouraged to

look for a job, rose to 13.5 percent from 12.6 percent in November, the highest figure in the 13 years that data has been kept.

The number of people working part-time because of the slowing economy rose by 715,000 in December to 8.04 million. For all of 2008, the figure increased by 3.4 million.

The number of long-term unemployed—jobless for 27 weeks or more—rose to 2.6 million in December and increased by 1.3 million for all of 2008, double the figure for the previous year.

"Factoring in discouraged workers, unemployment is closer to 9.4 percent," said Peter Morici, an economist at the University of Maryland. "Add workers in part-time positions that cannot find full-time employment and the hidden unemployment rate is 14.5 percent."

"This will prove to be a depression if we don't act quickly," Morici added. "The economy is not in a self-correcting mode. Recessions self-correct, but depressions do not."

Only 25 percent of 274 industries surveyed by the Labor Department had a net payroll increase in December, the lowest percentage in the 18-year history of that data.

Goods-producing industries cut 251,000 jobs, including 149,000 in manufacturing, the biggest monthly decline in manufacturing jobs since August of 2001. The factory workweek plunged below 40 hours to a record low 39.9 hours, and average overtime fell to just 3 hours.

Services-producing industries cut 273,000 jobs, including 67,000 in retail trade and 113,000 in business services. Temporary help jobs fell by 81,000.

Some 101,000 construction jobs were lost in December. In 2008 as a whole, nearly 800,000 manufacturing jobs were lost and 630,000 construction jobs disappeared.

According to the Labor Department's employment report, average hourly earnings in December increased by 5 cents, or 0.3 percent, to \$18.36 an hour. Hourly pay rose 3.7 percent for all of 2008, barely ahead of inflation. Workers' income is increasingly being driven down by reduced hours of work and reduced overtime, and more and more companies are announcing wage freezes or cuts. Last week the auto parts maker Visteon announced it was shifting more than 2,000 salaried workers to a four-day week and cutting their pay by 20 percent.

In addition to the Labor Department employment report, the Commerce Department on Friday released a report on

wholesale sales pointing to an accelerating slump. The report showed a record fall in wholesale sales in November of 7.1 percent.

The massive destruction of jobs is fueling a downward spiral, in which unemployment depresses consumer spending, retail sales and business investment, which in turn lead to further layoffs. US retailers this week reported disastrous falls in holiday sales, leading the department store giant Macy's to announce the closure of 11 stores. There are forecasts of 73,000 retail store closures in the first months of 2009.

The assault on jobs continues unabated. On Friday, Boeing announced it will eliminate 4,500 jobs at its commercial plane operations, about 7 percent of the unit total. The jobs will be cut mainly from Boeing's Seattle-area plants between April and June.

Caterpillar announced it will put 814 workers on "indefinite layoff."

LPL Financial, an independent broker-dealer said it will cut 10 percent of its workforce, or some 275 employees.

The Meredith Corporation closed down one of its magazines, *Country Home*, and dismissed 7 percent of its employees on Thursday. The company said it was eliminating 250 jobs.

The scale of the economic crisis highlighted by Friday's jobless report places in sharp relief the token character of the stimulus plan announced Thursday by President-elect Barack Obama. The incoming Democratic president is proposing another massive windfall for big business in the guise of a "recovery" plan to aid working class families being devastated by the crisis. But even on its own terms, Obama's plan will do little or nothing to stem the downward spiral toward depression.

Obama claims his plan will "create or save" 3 million jobs over the next two years. But the crisis is presently destroying over 500,000 jobs a month. Even if his plan is adopted and implemented in full, the jobs it creates will be overwhelmed by the ongoing contraction, leading to a further rise in the unemployment rate to double-digit levels.



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