US jobless claims hit 26-year high

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Labor Department data released yesterday showed that initial applications for unemployment benefits reached 626,000 last week, a 26-year high. The figure far surpassed economists' expectations of 583,000 new claims and was accompanied by an increase in the number of those remaining on the unemployment register to 4.8 million, the largest number since records began in 1967.

The latest data confirms that the US economy is continuing to contract at an accelerating pace. Broad layers of the population are being hit with mounting layoffs, wage cuts, and worse working conditions.

Official unemployment figures due to be released later today are expected to show a 7.5 percent jobless rate. According to an estimate released Wednesday by payroll firm Automatic Data Processing and consultancy group Macroeconomic Advisers, private sector jobs fell by 522,000 in January—higher than the 508,000 loss forecast by economists participating in a Dow Jones Newswire survey.

"What's striking is the depth and breadth of the job losses," Macroeconomic Advisers chairman Joel Prakken said. "Sharply falling employment at medium and small size businesses clearly indicates that the recession continues to spread well beyond manufacturing and housing-related activities."

Another report issued by outplacement consultancy Challenger, Gray & Christmas found that the number of announced layoffs last month totaled 242,000, 45 percent more than December and an extraordinary 222 percent higher than January 2008. "The variety of industries represented by among the top-five job-cutting sectors in January is further evidence of how far the impact of this recession has spread," CEO John Challenger said. "Industries that first appeared to be immune are now rapidly shedding workers."

The retail sector had the highest number of announced layoffs. Sales declined by 1.8 percent last month according to figures released yesterday by research firm Retail Metrics. Excluding low-cost giant Wal-Mart, sales across the sector fell by 5.6 percent. Wal-Mart was one of the few outlets to record an increase in turnover; consumers are increasingly looking to budget outlets to save money. Upper-end department store retailers suffered the largest January sales declines: Neiman Marcus fell 24.4 percent, Saks lost 23.7 percent, and Nordstrom 11.4 percent.

Job losses continue to mount. Macy's, which recorded a 4.5 percent decline in January sales, announced this week it was cutting 7,000 jobs, or nearly 4 percent of its workforce.

Across the US and global economy, other recent layoff announcements include: PNC Financial Services Group is to cut 5,800 positions by 2011; cosmetics company Estee Lauder is sacking 2,000 employees; Japanese electronics firm Panasonic will cut 15,000 jobs and close 27 plants worldwide, though it is yet to announce where the layoffs will take effect; Scandinavian airline SAS will reduce its workforce by 40 percent, eliminating 3,000 positions, and is cutting about 75 international routes.

News Corp. announced a $6.4 billion loss for the fourth quarter of 2008. CEO Rupert Murdoch described the result as a "direct reflection of the grim economic climate" and said the company would continue to cut costs and jobs "where appropriate."

The Labor Department said productivity for last year's fourth quarter rose by 3.2 percent on an annualized basis. This higher-than-expected figure was attributed to employers slashing jobs and working hours. Hours worked declined by 8.4 percent, the largest fall since 1975. Associated Press explained: "Productivity, which is the amount of output per hour of work, was able to show a robust increase because the number of hours worked during the period plunged at a faster rate than output declined."

Working hours are becoming increasingly polarized. More employees are being pushed into involuntary part-time employment. According to the Bureau of Labor Statistics, more than 8 million people, about 6 percent of the total workforce, are part-timers but want full-time work. (In 1998, 3.4 million people, 2.7 percent of the workforce, fell into this category.)

At the same time, many full-time employees at firms where layoffs are being implemented are now having to further increase their work hours, often through unpaid overtime or sacrificed holidays. "The increase in productivity is not necessarily good news," Dana Saporta, an economist with investment bank Dresdner Kleinwort, told *Bloomberg*. "Workers who are left with jobs are working harder."

Economists are still divided on whether the negative growth in output and economic activity will slow down and bottom out at some point in 2009. Data pointing to future investment and production remains grim. The Commerce Department yesterday found that factory orders fell in December for the fifth month in a row. The 3.9 percent contraction was worse than had been anticipated and followed a 6.5 percent decline in November.

Definite signs of panic are evident in sections of the US corporate elite. General Electric chief executive Jeff Immelt told a *Wall Street Journal* breakfast event yesterday that the current recession had surpassed that of the early 1980s. "We're at least to 1974-75," he declared. "Once you break through '74-'75, you don't stop until you get to 1929.… Unlike the other downturns that I've been a part of, this one is faced with limited liquidity. If liquidity exists, it's not coming back readily. That's why the government's role in this cycle is so gosh-darned important."

There are widespread concerns that President Barack Obama's proposed stimulus package will prove insufficient to counteract the deflationary tendencies now evident throughout the US economy. Bill Gross, co-chief investment officer of Pacific Investment Management and manager of the world's largest bond fund, told Bloomberg Television there was a danger of a "mini depression."

"This economy needs support from the government, a check from the government in the trillions," Gross said. "There is a potential catastrophe if the US government continues to focus on billions of dollars."