Wall Street rallies as unemployment rate soars

US shed another half-million jobs in April

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The official US unemployment rate jumped by 0.4 percentage points to reach 8.9 percent last month, according to figures released Friday by the Labor Department. The economy lost another 539,000 jobs in April, as total job losses reached 5.7 million since the start of the recession in December 2007.

Additionally, the Labor Department announced that 66,000 more jobs had been lost in February and March than it had previously estimated.

Share prices moved sharply higher on Wall Street on Friday despite the jump in the official jobless rate and the announced loss of another half-million jobs. The Dow Jones Industrial Average gained 164.8 points to close higher by 1.96 percent and the Nasdaq Composite Index picked up 22.8 points, a 1.33 percent increase. The broader Standard & Poor's 500 Index rose even more sharply, gaining 21.8 points, or 2.41 percent.

The fact that the financial markets continued their two-month rally, with the Dow nearing 8,600, in the face of another dismal jobs report, says a great deal about the class divide in America and the policies of the Obama administration.

The financial markets are soaring while millions are finding it impossible to pay the rent, meet mortgage payments or keep up with credit card debt. There were nearly 150,000 home foreclosure actions in April alone, according to foreclosure tracker Realtytrac.com, and credit card defaults have reached record highs.

Friday's rise on Wall Street was, in part, fueled by satisfaction over the results of the administration's bank stress tests, released Thursday, which underestimated the financial crisis of the biggest banks while making clear the administration's intention to minimize its oversight of the banks even as it continues to bail them out with taxpayer funds.

The government is proposing no serious measures to provide relief for the millions of workers caught up in the deepest recession since the Great Depression, while it provides ironclad guarantees that it will do "whatever is necessary" to prop up the major banks.

In fact, the Obama administration, with its assault on General Motors and Chrysler workers, is exploiting the crisis to encourage a further downsizing of industry and a restructuring of the American economy in the interests of corporate profits. All indications are that the so-called "recovery" being hailed by the government and the media will be a recovery in wealth accumulation by the financial elite on the basis of a protracted slump and a permanent lowering of working class wages and living standards.

While the fall in payrolls was the smallest in six months—each of which saw job losses of over 600,000—much of the change was due to periodic activity by the government not accounted for by seasonal adjustment. Government payrolls swelled by 72,000 last month, as Washington hired 60,000 temporary workers in preparation for the 2010 census.

As Ian Shepherdson, chief economist at High Frequency Economics, pointed out, "This is less bad than the 690,000 average in February and March ... but it is hardly a triumph or even a stabilization." The 0.4 percent increase in the official unemployment rate is in line with the trend over the past seven months and contradicts claims that the rate of job losses is slowing.

Job destruction continues to be systemic. All sectors of the economy, with the exception of education, health services and government, lost jobs in April.

Manufacturing continued to contract, registering a decline of 149,000 jobs. Worst affected were the transportation equipment, fabricated metal products and machinery industries. A total of 1.2 million manufacturing jobs have been lost since September. The auto industry saw the destruction of a further 29,100 jobs, as the number of vehicles sold fell from 9.9 million in March to 9.3 million in April.

The service industry as a whole—which includes retail, health care, education, leisure, hospitality, business services and government—shed 269,000 jobs. Retail payrolls shrank by 46,700, while construction fell by 110,000 and financial firms lost 135,000 jobs.

Major layoff announcements continue to be made virtually on a daily basis. DuPont, the chemical manufacturer, announced this week that it plans to cut 2,000 more jobs, and Microsoft said it may carry out additional layoffs on top of the 5,000 previously announced.

The Labor Department also reported that average hourly earnings increased last month by just one cent, the lowest increase since December 2004. The rate of wage growth has fallen sharply since the start of the year, after holding steady through the beginning of the recession. Wages grew at an average monthly rate of 0.69 percent in 2008, but the rate of wage growth has fallen to 0.26 percent for the first months of 2009.

The falling rate of wage growth reflects a growing campaign of wage-cutting by big business, which is exploiting the high jobless rate to blackmail workers into accepting cuts in wages and benefits in many sectors of the economy.

The number of long-term unemployed has nearly tripled since the start of the recession in December 2007. This figure, consisting of people unemployed for 27 weeks or more, reached 3.7 million last month, up by 498,000 in April alone.

The US has lost more jobs in the current recession than during any other recession since the Great Depression. In the past year alone, the number of unemployed has swelled by six million, while the unemployment rate has shot up by 3.9 percentage points.

The official unemployment rate significantly underestimates the real scale of joblessness, since it only tracks people who have looked for work in the last few weeks. If people who would like to work but have not recently sought employment are counted, the rate shoots up to 10.1 percent.

The downturn has also swelled the ranks of people working part-time because they cannot find full-time work. While this segment constituted only 3.3 percent of the work force a year ago, it reached 5.7 percent in April.

According to the Labor Department, if "discouraged," "marginally attached" and involuntary part-time workers are included, the jobless rate comes to a staggering 15.8 percent, up from 8.9 percent a year ago. This means that more than one out of every seven workers is unemployed or underemployed, and subsisting on a poverty-level or near poverty-level income. If one adds to this figure the millions of full-time workers receiving poverty-level wages, one gets a sense of the social disaster confronting the working class.

The rise in the unemployment rate is outpacing all predictions made by the government. The current unemployment rate of 8.9 percent already equals the "worst case scenario" envisioned for all of 2009 in the government's bank stress tests. If unemployment continues to grow at the current rate, it will hit 10.4 percent—higher than the government's worst case projection for the end of 2010—within three months.