USA Today report: Workers face worst conditions since the Great Depression

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Even as US unemployment rolls soar to their highest levels in post-war history, employed workers face the worst conditions since the Great Depression, according to a front-page article in Friday's *USA Today*.

Based on its analysis of employment data, the newspaper reports that pay cuts, reduced hours, furloughs and involuntary part-time work have driven the working class back to conditions not seen since the 1930s.

USA Today writes that in the first quarter of 2009, US businesses cut total wages at a staggering 6.2 percent annual rate. It notes that paychecks are being further slashed by reduced hours of work. The employed worked fewer hours in May—an average of just 33.1 hours a week—than at any time since the Bureau of Labor Statistics began keeping records in 1964.

Part-time labor, the report continues, is at an all-time high, and overtime at a record low. A record 9 million people want full-time work but can find only part-time positions.

Those who are laid off face protracted unemployment. The average duration of joblessness is at a post-Depression high of 22.5 weeks. "Baby boomers—79 million people born from 1946 to 1964—have been hit particularly hard," the newspaper states. Unemployment rates for workers 45 years and older have reached the highest levels since at least 1948, when the government began tracking this demographic.

USAToday cites Laura Sejen of compensation consulting firm Watson Wyatt as saying, "The use of pay cuts—the last choice of most companies after hiring freezes, salary freezes and layoffs—shows how the recession is unlike any since the Depression."

These statistics demonstrate that the American ruling elite is carrying out a class-war policy. It is exploiting the economic crisis produced by capitalism to create an environment of mass unemployment, and utilizing the threat of protracted joblessness to blackmail workers into accepting cuts in wages and benefits.

This offensive is being spearheaded by the Obama administration. Its decision to force Chrysler and General Motors into bankruptcy, while it continues to hand over trillions of taxpayer dollars to the banks, is part of a deliberate policy aimed at permanently slashing the living standards of the working class.

A raft of economic indicators and reports released this week show that, despite the talk of recovery by the government and the media, the economic crisis in the US and internationally continues to deepen. The World Bank on Thursday nearly doubled its projection of global economic decline in 2009. On the eve of this weekend's meeting of G8 finance ministers in Italy, the World Bank said it expects the global economy to contract by "close to 3 percent," a far bleaker assessment than the 1.7 percent decline it made in March.

World Bank President Robert Zoellick said that while there are signs that the pace of the contraction may be easing in the wealthy countries, the crisis in the so-called "developing" countries is accelerating. The fall in consumer demand in the advanced countries, combined with massive government borrowing to bail out the banks and prevent a collapse in consumer spending, has led to a plunge in exports, remittances and foreign investment in much of Africa and Asia. He warned of "large-scale public defaults" that could undermine financial institutions in the US and Europe.

Even in the wealthy countries, the much-touted recovery trends are highly exaggerated. Figures released this week showed German exports falling 28.7 percent in April from a year earlier, the sharpest drop since the government began keeping records in 1950.

The Commerce Department report on the US trade deficit for April, released Wednesday, underscored the ongoing contraction in world trade. The deficit rose to $29.2 billion from $28.5 billion in March, but most significant was a decline in both exports and imports, with the fall in exports accelerating from March. The overall decline in trade surprised most analysts, who were predicting a small uptick in world trade volumes.

China, which is being looked to by the West as an engine of global recovery, issued a disastrous report on its exports for May. They fell 26.4 percent from a year earlier, accelerating from April's 22.6 percent decline. May exports also fell sharply in South Korea and Taiwan.

The crisis has already taken a massive toll on the wealth of the American people. The Federal Reserve Board reported Thursday that US households lost $1.33 trillion of their wealth in the first three months of the year. In its "flow of funds" report, the Fed said household net worth—total assets such as homes and checking accounts, minus liabilities such as mortgages and credit card debt—fell to $50.8 trillion, the lowest level since the third quarter of 2004.

The first quarter loss represented a decline of 2.6 percent from the final quarter of 2008. US households have seen their net worth contract for seven straight quarters. The first quarter 2009 figure represents a decline of $16 trillion from the highpoint in the second quarter of 2007.

A major part of the decline comes from the stock market. Stocks, which are disproportionately held by a small percentage of the population, have fallen $8.1 trillion from their peak. But the bulk of the decrease comes from the collapse in home prices, which are down 32.2 percent since peaking in the first quarter of 2006. Real-estate-related household assets decreased by $551 billion in the first quarter of this year, following a $974 billion fall in the final months of 2008.

Other indicators herald a further rise in unemployment, home foreclosures and defaults on consumer debt. The Labor Department's report on initial jobless claims, released Thursday, showed that 601,000 people filed for jobless benefits in the week ended June 6. While this is a small decline, 24,000, from the previous week, it brought the number of workers collecting benefits to an all-time high of 6.82 million.

Mass layoff announcements this week included American Airlines, which said it would cut 1,600 jobs, about 2.4 percent of its work force. Delta announced that it would slash capacity, a prelude to further layoffs by the world's largest airline.

Home foreclosure filings in May were up 18 percent from a year earlier, according to a report issued Thursday by the California firm RealtyTrac. "There were almost one million foreclosure filings in a three-month period, and that's simply unprecedented," said RealtyTrac Senior Vice President Rick Sharga.

The firm counted 321,480 filings nationally, making May the third consecutive month that foreclosure filings exceeded 300,000. RealtyTrac estimates that in a normal market, filings would be under 100,000 a month. May also saw a rise in bank repossessions. RealtyTrac forecasts some 4 million foreclosure filings will be made this year on 3.1 million households. This is 900,000 more than the record number in 2008.

Credit-reporting bureau TransUnion LCC reported Monday that delinquencies on bank credit cards jumped in the first quarter of this year by 11 percent from a year earlier.

The Commerce Department reported Thursday that retail sales rose slightly in May, up 0.5 percent from a month earlier. However, the bulk of the increase was the result of sharply higher gasoline prices, a trend that can only depress consumer spending going forward. Retail sales in May were still 9.6 percent below their levels of last year.

The Federal Reserve's "beige book" survey of regional economic conditions from mid-April to mid-May, released Wednesday, showed a continued weakening of economic activity. The report, issued by the Fed's 12 regional banks, concluded that economic conditions "remained weak or deteriorated further" in all regions.

While the report noted that businesses in five of the districts said the pace of economic decline was slowing, this marked no improvement from April, when the same number of districts reported a moderation of the rate of decline. Even the more optimistic regions reported that they "do not see a substantial increase in economic activity."

All districts reported the labor market remaining weak and wages generally "flat or falling." The report also warned of an accelerating crisis in commercial real estate, with vacancy rates rising "in many parts of the country."

In the Cleveland district, manufacturers predicted that demand this year would be lower than last. They said they were continuing to cut jobs and wages and slash capital spending.

Chicago reported that sales fell, and manufacturing and capital spending declined. Dallas said business was "bouncing along the bottom." A large number of manufacturers in the St. Louis region announced shutdowns and several auto companies said they planned permanent layoffs.

At the same time, massive government borrowing and the flooding of financial markets with dollars to pay for the rescue of Wall Street have sparked a decline in the dollar on world currency markets and sharply rising interest rates for Treasury notes. In the immediate term, this has reversed the decline in home mortgage rates, which track the yields on ten-year Treasury notes, aborting an earlier surge in home refinancings and new home sales.

Longer term, the rise in the price paid by the government to finance its huge deficits and soaring external debt—the federal government increased its borrowing by 22.6 percent in the first quarter of the year—threatens to undermine the position of the dollar as the world reserve currency, with catastrophic implications for the US and world economy.

This week Russia and Brazil announced that they were reducing their purchases of Treasury notes.

The so-called recovery envisioned by the Obama administration and the Fed entails an end to negative growth and a small rise in gross domestic product of 1-2 percent later this year or early in 2010. Even should this occur, it will not mean a recovery in the jobs and wages of workers.

The *Wall Street Journal* on Friday reported that economists in its latest forecasting survey expect the jobless rate to hit 9.9 percent by the end of this year. They see an additional one million jobs being wiped out over the next 12 months. As of December of 2010, they predict an unemployment rate of 9.4 percent. Even this dire prognosis is likely to prove optimistic.

The newspaper noted that officials at the Fed assume that the unemployment rate is "likely to remain above 9 percent for years."

Within this environment of mass unemployment and wage-cutting, policy makers in the Obama administration and the Fed are demanding austerity measures to slash social spending, so as to prop up the dollar and corporate profits. The *Journal* cited the remarks this weak of Dennis Lockhart, president of the Federal Reserve Bank of Atlanta. Pointing to the danger of rising rates on Treasury bills, Lockhart said the trend "can be seen as an expression of creeping doubt that the American polity, community, is up to the sacrifices, trade-off decisions and the courage of convictions the situation requires."

This is the reality behind the administration's talk of an imminent economic recovery. It is seeking to restabilize the banks, and the capitalist system as a whole, by wiping out the social gains won by previous generations of workers and impoverishing large sections of the working class.