Official jobless rate hits 9.4 percent in US

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The US unemployment rate climbed to 9.4 percent in May, the highest level in more than a quarter century, according to statistics released by the Department of Labor on Friday. The jobless rate jumped by a half a percentage point over April, as employers shed 345,000 positions overall.

Over 14.5 million US workers are now officially unemployed. Seven million of these, or 4.5 percent of the workforce, have been without work for 15 weeks or longer—the largest proportion of the workforce since before 1948, when the government began tracking the figure. The official US jobless rate does not include those forced to work part-time, "discouraged workers" (those no longer actively seeking work), and other "marginally attached workers." Adding these categories, the jobless rate now stands at 16.4 percent—the highest figure since at least 1994, when the Labor Department began to track the statistic. A staggering one of every six American workers is now unemployed or underemployed.

The US economy has purged more than six million jobs since the recession began in December 2007, and racked up seventeen straight months of job losses, equaling the record set during the 1981-82 recession. Since 2007, the US has lost 4.3 percent of its jobs and 5.4 percent of its private sector positions. These are also records, exceeding "the peaks since 1950 of 4.2 percent and 5.2 percent, respectively, set in that 1958 recession," according to Floyd Norris of the *New York Times*.

The scale of the increase in the jobless rate had not been anticipated. Economists had expected the unemployment rate to rise to 9.2 percent from 8.9 percent in April.

What the *Times* called a "statistcal puzzle"—the unemployment rate exceeding economists' expectations while job losses came in lower than anticipated—is explained by a larger than expected flow of discouraged workers back into the job hunt. The two statistics are also gathered in different ways. The overall unemployment rate is based on a survey of households; the monthly jobs tally is based on a survey of employers.

Job losses for the current year are in the neighborhood of 3 million. During the first quarter, the US lost an average of more than 700,000 jobs per month. The downwardly revised figure for April is now 504,000.

The figures make clear that the so-called recovery being touted by the Obama administration and the media would entail a decline in the pace of the economic free-fall, only to be followed by a protracted period of high unemployment, declining wages and growing poverty. This is not a temporary downturn to be followed by a return to pre-crash conditions.

The data brings into focus the true meaning of the Obama administration's calls for fiscal discipline and lower consumption: a much poorer general population and even greater economic inequality between the financial aristocracy and the people.

The new statistics do not take into account the plant closures and dealership closings recently announced by General Motors and Chrysler. These measures and related layoffs among auto parts makers and small businesses, will add tens of thousands to the ranks of the jobless over the next year.

Job losses hammered nearly every sector of the economy. Factories purged the most jobs in May—156,000 in all. About 1.8 million manufacturing jobs have been lost since the recession began, and more than 300,000 in the last two months alone.

Earlier in the week, the Commerce Department announced that orders for manufactured goods increased by only 0.7 percent in April, after a 1.9 percent March decline, and that factory shipments fell 0.2 percent—the ninth consecutive monthly decline. In March, shipments fell 1.8 percent.

Showing that the housing sector has yet to hit bottom, construction firms cut 59,000 jobs, about half the level from April. Construction job losses are being driven by the crisis engulfing the commercial and home real estate markets, which shows no signs of abating.

The first quarter saw a record number of homeowners enter into mortgage delinquency or foreclosure, at just over 12 percent of all mortgage loans, according to a recent analysis by the Mortgage Bankers Association. For the first time, the majority of these "troubled loans" are outside of the sub-prime market.

On Friday, the Federal Deposit Insurance Corporation (FDIC) reported that the value of troubled commercial real estate loans has more than doubled in the past year, with most of the increase taking place in the first quarter of 2009. FDIC-insured banks now carry about $30 billion in bad commercial real estate loans.

The service sector lost 120,000 jobs, with retailers eliminating 17,500. A survey by Thomson Reuters, published earlier in the week, showed that same-store sales fell 4.8 percent in May—far more than the 4.1 percent decline anticipated by economists. Of 30 major retailers, 19 missed sales projections—not counting industry leader Wal-Mart, which this month ceased publishing its monthly sales data. Ken Perkins, president of Retail Metrics, noted that the decline was across-the-board. "The high end continues to struggle," he said. "Those in the discretionary spend segment are really continuing to get clocked."

There are also tens of thousands of newly-unemployed white collar workers, with the financial services industry eliminating 30,000 and business and professional services firms cutting 51,000. Temporary employment fell by 6,500 jobs in May.

Among college graduates, unemployment has more than doubled in one year to 4.8 percent.

Even the government sector reported eliminating 7,000 jobs, an indication that President Barack Obama's economic stimulus package has done little to relieve states and localities facing mounting budget deficits.

Education and health care added 44,000 jobs. Leisure and hospitality, in anticipation of the summer vacation months, added a mere 3,000.

Just to keep pace with population growth—the entry of young workers into the job market—the US economy must add 150,000 jobs overall per month. Instead, it has been losing hundreds of thousands of jobs per month for nearly a year, and will continue to do so for months to come. Those fortunate enough to keep their jobs have seen their hours and wages cut. Over April and May, average hourly wages were stagnant—growing at just 0.1 percent, and falling 0.1 percent for manufacturing workers.

The average work week fell to 33.1 hours, the lowest since authorities began compiling such statistics in 1964, according to the Labor Department. Steven Ricchiuto, chief economist for Mizuho Securities, noted that May's "smaller loss in employment ... came at the expense of hours worked, which dropped across the board." The shrunken hourly work week means that employers can, in the event of a rebound, increase the hours of their current workforce without hiring anew.

Those still working are being driven harder. Workers' hourly output, or non-farm business productivity, rose at a 1.6 percent annualized rate during the first quarter, according to statistics released by the Labor Department on Thursday. This was double the predicted rate, and unusual for a recession, economists said.

"Generally, in a recession you have productivity move down," Michael Feroli, an economist with JPMorgan Chase, told the *Wall Street Journal*.

Job losses have spared no major urban area or region.

Canada, which also issued its jobs report Friday, once again mirrored the catastrophe south of the border. The unemployment rate increased 0.4 percent to 8.4 percent, its highest level in eleven years. In Ontario, Canada's largest province, the figure climbed to 9.4 percent, a result of declining exports to the US market and a near-collapse in industrial production. Canada has lost 363,000 jobs since October.

On Wednesday, the US Labor Department reported that 93 metropolitan areas surpassed the 10 percent unemployment mark in April, an astonishing 13-fold increase in one year. Nine of the 13 metropolitan areas that have unemployment rates higher than 15 percent are in California. El Centro, California had an unemployment rate of nearly 27 percent in April—the highest in the nation. Among big cities, Detroit-Warren-Livonia had the highest unemployment rate at 13.6 percent.

Economists and policy makers have predicted that the recession will gradually tail off late this year or early next. But there is broad agreement that this would be "the mother of all jobless recoveries," as one economist put it. While business activity, profits and stock values may increase, the working class will not share in the rebound.

The most striking reaction to the employment report came in the US Treasury bonds market, which was thrown into "cardiac arrest," wrote Tom Petruno of the *Los Angeles Times*. On Friday, the yield on ten-year Treasury notes increased 0.13 percentage points to 3.84 percent, and yields on two-year Treasury notes "rocketed" from 0.96 percent to 1.25 percent.

"Yields are soaring ... threatening another big jump in mortgage rates," Petruno wrote. "If rising home loan rates price more buyers out of the market, sellers will have to respond by cutting asking prices," thus further depressing the housing market and home values.

US consumers also confront a sharp increase in the cost of fueling their cars. Oil prices hit a six-month high of over $70 per barrel before closing slightly lower at $68.44 on Friday. Industry analysts maintain that there is still a glut of oil on the market. The recent rise in prices is attributed largely to the declining value of the dollar and commodities speculation.

High unemployment, stagnating wages and rising prices will combine in the coming months to intensify the social crisis. Household and commercial bankruptcies are expected to reach 1.5 million this year, according to data from the Automated Access to Court Electronic Records, which surveys bankruptcy data for lenders and attorneys. The figure would be the highest since 2005, when Congress passed Wall Street-backed "reforms" to the bankruptcy code making it more difficult for consumers to seek protection from their creditors in bankruptcy court.

Poverty and unemployment are stretching the US social safety net, according to a study released this week by the Bureau of Economic Analysis. During the first quarter of 2009, one sixth, or 16.2 percent, of Americans' personal income came through federal or state checks and vouchers such as Social Security, unemployment insurance, and food stamps. This marks the highest proportion since the government began keeping data in 1929.

A record number of Americans, 33.2 million, relied on food stamps in March, an increase of 5.2 million in one year.

These figures give an indication of the devastating social implications of the austerity policies being prepared by the Obama administration, which has made reducing health care costs and slashing Medicare and Social Security the centerpieces of its plans to reduce soaring budget deficits.