US unemployment rate for June at 9.5 percent

Another 467,000 jobs lost

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3 July 2009

The US economy lost far more jobs in June than had been predicted by economists, and the unemployment rate hit 9.5 percent, its highest level since 1983, according to data released by the Labor Department on Thursday. The June jobless report undercut the efforts of the Obama administration and the media to downplay the depth of the economic crisis and generate illusions of a rapid recovery.

Nonfarm payrolls fell by 467,000, compared to the 350,000 widely predicted by economic forecasters. June ended a four-month streak of declining—although still massive—job losses.

Net payrolls decreased across virtually the entire economy, with only education and health services registering an increase. Manufacturing lost 136,000 jobs, business services lost 118,000, and construction lost 79,000.

Employment in the government sector fell by 52,000, after dropping 10,000 in May. The sharp increase in public sector job cuts was due in part to the impact of spiraling budget deficits facing state and local governments.

The jobs report reflected an economy operating at near-depression levels, creating growing social misery for the working class even as the banks report a surge in profits and prepare to hand out record bonuses to executives and traders. According to the government, there are now 14.7 million unemployed people in the US. That is roughly equal to the combined populations of the nation's three largest cities—New York, Los Angeles and Chicago.

The ranks of the long-term unemployed rose in June by 433,000, bringing the total to 4.4 million—an all-time high. This means that 3 in 10 unemployed people have been jobless for 27 weeks or more.

The official unemployment rate of 9.5 percent does not take into account so-called "discouraged" workers who have given up looking for a job and those forced to work part-time because they cannot get full-time employment. According to the Labor Department report, when these workers are included, the jobless rate soars to 16.5 percent.

The *Wall Street Journal* reported Thursday that this figure is "above a discontinued and even broader measure that hit 15 percent in late 1982, when the official unemployment rate was 10.8 percent." The *Journal* added that "... comparisons to the Great Depression (when 25 percent of Americans were out of work) may not look so wild, even if overall economic activity is holding up better."

The US has lost 6.5 million jobs since the recession officially began in December of 2007. All growth in jobs over the last nine years has now been wiped out, and there are fewer jobs in the US today than in May 2000, according to a report by the Economic Policy Institute.

The global scope of the crisis was underscored by new jobs data from Europe, showing that unemployment in the 16-country Eurozone hit 9.5 percent in May, a ten-year high.

Thursday's report followed similarly dire unemployment figures for major US cities released Wednesday by the Labor Department. Unemployment rates rose over the past year in all of the 372 metropolitan areas surveyed. Of these, 15 regions had jobless rates of 15 percent or more.

No less significant than the employment figures are those on wages and work hours. The June report reflected a systematic drive by big business to exploit the jobs crisis to drive down wages and cut labor costs by slashing the work week. Workers on average saw no wage gains in June, while average weekly earnings actually fell from their levels in May.

The pace of wage growth has slowed significantly. In 2008, average hourly earnings (as reported by the Labor Department) grew by an average of 0.057 percent each month. For the first six months of this year, however, wages have grown at less than one fifth that rate. (See accompanying chart). It is significant that in the midst of what has been billed as the beginning of a recovery, wages, when adjusted for inflation, are falling faster than during the height of the crash.

The Labor Department report showed that industries including wholesalers, retailers, utilities and leisure and hospitality cut average hourly earnings last month. "Scattered reports of outright wage deflation are becoming more widespread," said Ian Morris, chief US economist at HSBC Securities USA, in a note to clients. "Workers appear willing to take wage cuts, which makes this recession very unusual," he added.

Among major companies slashing jobs and wages, Gannett Co., the largest newspaper owner, said it will cut some 1,400 publishing jobs and reduce wages for broadcast employees this month by as much as 6 percent. Utility owner Exelon said it plans to slash about 500 jobs.

The average work week fell to 33 hours, the lowest ever recorded since records began in 1964.

Other economic indicators also continue to worsen. Sales of new vehicles in June fell by 28 percent from a year earlier, according to Autodata Corp. Year-on-year, Chrysler's sales were down by 42 percent, GM's by 33 percent, and Toyota's by 32 percent.

House prices fell by 0.6 percent month-to-month in April, according to the S&P/Case-Shiller index of 20 major cities. House prices are down 18.1 percent year-on-year, according to the same index. Delinquencies are also rising, with the number of delinquent prime mortgages increasing last month to 2.9 percent, up from 1.1 percent a year ago, according to research cited by *Bloomberg.com*.

All of this found its reflection in the latest consumer confidence figures. The Confidence Board reported this week that its consumer confidence index fell to 49.3 this month, down from 54.8 in May. Only 17.4 percent of people surveyed said they thought more jobs would be available soon, down from 19.3 percent the month before.

More analysts are now acknowledging that any "recovery" will be marginal and entail years of high unemployment. William Gross, the head of the bond firm Pimco, said Thursday that "we are looking at stagflation or some type of stagnation in terms of 1 to 2 percent growth for a number of years."

Gross's counterpart at Pimco, Mohamed El-Eran, wrote in a *Financial Times* column on Thursday, "Notwithstanding its recent surge, the unemployment rate is likely to rise even further to 10 per cent by the end of this year and potentially beyond that. Indeed, the rate may not peak until 2010 in the 10.5-11 per cent range; and it will likely stay there for a while..."

President Obama responded to the latest figures with a perfunctory speech Thursday on the White House lawn, flanked by 'green' energy CEOs. Obama touted his stimulus package and made clear that he has no plans to provide relief for the millions who are being devastated by the crisis. He pointed to the millionaire executives lined up behind him as those "who will help lead us out of this recession and into a better future."

The Obama administration's economic policy was summed up in an unusually frank column published last month by *BusinessWeek* columnist Ed Wallace. He wrote: "What may be the most insidious part of this current downturn is that many organizations are not just downsizing their workforces, they're cutting wages for those individuals lucky enough to be kept on... More likely, rehired workers' pay in the future will be in line with the recently reduced wages of their co-workers... Washington had a choice: Either allow all loans that aren't viable under current economic conditions to be written down to manageable levels, or allow workers and wages to be cut to free up enough cash to make those loans perform. It should be obvious to most by now which strategy Washington chose."

The latest jobless figures expose the administration's talk of an imminent recovery as a maneuver aimed at artificially fueling a run-up on the stock market. The main purpose of this campaign was to allow the financial elite to recoup some of its losses, generate the conditions for the banks to return to profitability, and create an environment in which the government could avoid imposing any restrictions on the speculative activities of Wall Street.