Initial jobless claims rise unexpectedly

2008 US Census shows sharp increase in poverty

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When 2008 census data is released next month, it is expected to show a dramatic increase in the number of Americans living in poverty and without health insurance, according to Rebecca Blank, undersecretary of economic affairs for the Commerce Department.

The number living below the official poverty threshold increased in 2008 by 1.5 million people to 38.8 million, a number equivalent to 12.7 percent of the population, the census is expected to show.

These numbers are not yet final, and Blank indicated the report could portray an even bleaker picture upon its September 10 release. "There's no question that 2008 economically was a much worse year than 2007," she told the Associated Press. "The question is how much and how bad."

The report will also reveal that the ranks of the uninsured increased in 2008, a result of unemployment and the scrapping of employee-sponsored healthcare plans, although Blank did not provide early statistics.

The forthcoming census data does not measure the growth in poverty that has taken place in 2009, which has seen massive job loss, particularly in the first months of the year. Blank has estimated that the official poverty rate could rise to 14.8 percent, more than one in seven Americans, should the unemployment rate rise to 10 percent, as many economists forecast.

The official US poverty rate is based on income thresholds. The Census Bureau counts a family of four as impoverished if its pretax income falls below $21,660; for an individual, the figure is $10,830. A more accurate measure of poverty, preferred by many sociologists and advocacy groups, places the threshold at 200 percent of the official measure. Using this guide, New York state's 2007 official poverty rate of 14.5 percent becomes 31.9 percent, for example.

The poverty rate is telling, but it is far from the only measure of the impoverishment of broad sections of the population. According to the Center for American Progress, between June 2007 and December 2008, personal wealth declined in the US by nearly 23 percent, the sharpest decline on record—far more than the 12 percent decline triggered by the oil crisis of 1973-1974. Family wealth declined by a similar proportion, wiping out some $15 trillion.

Much of this decline in wealth has come from the collapse of housing values, which have fallen by about one third on average since the start of the recession.

New data suggests the housing market has yet to hit bottom. The Mortgage Bankers Association (MBA) released a report on Thursday revealing a record high level of home mortgages in foreclosure or delinquency, 13.6 percent.

Tellingly, the MBA report reveals that foreclosures and delinquencies among holders of subprime and adjustable-rate mortgages actually fell during the spring. But this was more than offset by foreclosures among prime mortgages, driven by layoffs and wage cuts among sections of the population that were, until recently, relatively secure.

"It is unlikely we will see meaningful reductions in the foreclosure and delinquency rates until the employment situation improves," MBA chief economist Jay Brinkmann noted.

But unemployment continues to mount. Initial jobless claims rose unexpectedly this week to 576,000 as employers continued to pare down their workforces, the Labor Department reported. Economists had expected a decline from last week's number of 561,000. Meanwhile, those collecting long-term unemployment benefits for the week ending August 8 rose to 6.24 million.

Kurt Karl, the chief US economist for re-insurer Swiss Re, commented on the figures. "These numbers are definitely not going in the right direction," he said. "It's not good at all.... For a real recovery we need the consumer to be in the game but with rising unemployment the consumer is not going to be out there spending.”

Underscoring the socially destructive nature of the post-March gains in share values on the major US stock exchanges, the markets “shrugged off” the latest unemployment report, as one account put it.

The big exchanges all showed modest gains, with the Dow Jones Industrial Index rising 71 points, the S&P 500 by 11 points, and the NASDAQ by 20.

Lifting the markets were the stocks of the major financial concerns that have received trillions in taxpayer assistance. “Investors snapped up shares of major banks like Citigroup, Bank of America, and Wells Fargo, betting that the financial sector would continue to heal as the economy bottomed out,” the *New York Times* reported. “And shares of the struggling insurance giant American International Group rose 25 percent on news reports that the company believed it could repay the bailout money it received.”

Mass layoffs continue

Employers continued to announce layoffs this week. About 70 workers will lose their jobs from a Minnesota bus manufacturer recently used by Vice President Joe Biden to trumpet the economic stimulus package. The workers will be laid off from New Flyer’s St. Cloud plant, and it along with a sister plant located in Crookston, Minnesota, will be idled for two weeks this summer. The Minnesota layoffs are part of 270 sackings the Manitoba-based company is carrying out. A spokesman said the layoffs come after the Chicago Transit Authority was unable to secure funding from the state of Illinois for 140 diesel-electric hybrid buses.

General Electric announced it would lay off 50 workers at a West Burlington, Iowa, plant, after cutting 50 jobs earlier in the summer.

The airplane manufacturer Hawker-Beechcraft indicated that it would soon initiate a new round of layoffs after already cutting some 2,800 job cuts this year. The Wichita, Kansas-based firm also said it would indefinitely suspend contributions to its employees 401(K) retirement plans, and that employee premium payments for health insurance will be increased starting October 5.

Wells Fargo announced Thursday it would close down a mortgage processing center in Durham, North Carolina, resulting in the elimination of 62 jobs.

Gerdau Ameristeel will shut down its Sand Springs, Oklahoma, steel mill on October 16 and dismiss 300 workers, it announced this week.

Cascade Hardwood on Thursday said it would sack 60 workers next week from its lumber mill in Chehalis, Washington.

St. Jude Medical announced it will eliminate 200 workers nationally. The Minnesota-based HMO said the firings would be concentrated in sales and services.

On Monday, the defense contractor BAE Systems said it would soon lay off 314 workers from its Fridley, Minnesota, facility, after the Defense Department issued a stop-work order for a weaponry program it was creating.

Another defense contractor, Lockheed Martin, appears set to lay off 800 workers, or 4.5 percent of its workforce. It also filed notice with the Maryland Department of Labor saying it would lay off 112 workers in Rockville, Maryland, as of September 30 after losing out on an information technologies contract bid with the National Institutes of Health.

The numbers of layoff announcements by state, county, and local governments continue to mount.

On Wednesday, Detroit Mayor Dave Bing appeared before city hall promising more “pain” for city workers from which “nobody’s protected.” About 1,000 layoffs have already been announced, effective September 26, among the city’s 13,000 workers.

Prince George’s County, Maryland, is developing plans to lay off 300 firefighters and policemen after a federal judge ruled unconstitutional its furlough of 5,900 workers and ordered the county to repay lost wages.

Washington, D.C., Mayor Adrian M. Fenty will fire 100 drug addiction treatment workers before September, union officials representing the workers announced this week.

The city of Omaha, Nebraska, announced 156 layoffs on Wednesday in order to meet a budget deficit of $12 million for 2009. The layoffs affect Parks & Recreation, Public Works, Library, Police, Fire, Finance, Human Resources, Planning, and Human Rights and Relations.

Hawaii announced 11 layoffs this week as part of the termination of a dental hygiene program that aimed to reduce tooth decay among the islands’ children.