US unemployment rate at 9.7 percent

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The unemployment rate in the US rose to 9.7 percent in August, its highest level since 1983, as the economy shed 216,000 jobs. Economists had anticipated a more modest increase in the unemployment rate, to 9.5 percent over the 9.4 recorded in July.

A more realistic gauge of unemployment, one that takes into account those who have been unable to find work for an extended period and those forced to work only part time, rose to 16.8 percent, the highest rate since the government began reporting the figure in 1994.

The US economy has now shed about 7.4 million jobs since the start of the recession. The total number of unemployed workers stands at 14.9 million. Economists believe the official unemployment rate will exceed 10 percent by year's end.

Long-term unemployment is particularly severe. One in three unemployed workers, about five million in all, have been without work for more than six months.

August's unemployment rate among teenagers, 25.5 percent, eclipsed records dating back to 1948. The unemployment rate among recent college graduates, 5.9 percent, is the second highest on record since 1983.

Some commentators were cheered that the pace of job losses slowed in August. In the first quarter, the economy shed an average of nearly 700,000 jobs every month; in the second, about 425,000.

That such a statistic is taken as positive only illustrates the severity of the crisis. To keep up with population growth, the economy would have to add nearly 130,000 jobs per month. Measured in that way, 9.4 million jobs would have to be created to make up for those lost since December 2007.

The construction industry led August's job losses, trimming its workforce by 65,000. Construction is tied closely to the housing and commercial real estate markets. Under normal economic conditions, it adds jobs throughout the summer months.

Manufacturing was close behind, eliminating 63,000 jobs. Separately, the Commerce Department reported this week that factory orders increased only 1.3 percent in July, far short of economists' expectations.

The economy shed at least 50,000 "white collar" jobs, 28,000 in the finance industry and 22,000 in professional and business services.

The service sector cut 146,000 jobs. More cuts are on the way, a result of a poor "back-to-school" shopping season. Sales at stores open for more than one year fell two percent in August from last year, according to a study released this week by the International Council of Shopping Centers.

Even government jobs declined by 18,000 in August, an indication of the ineffectiveness of the Obama administration's stimulus plan. The US Postal Service by itself cut 8,500 positions.

Workers who have jobs are being being forced to work harder, even as their wages stagnate. Many companies are furloughing employees and eliminating their contributions to pensions and insurance plans.

A new study by the Economic Policy Institute (EPI), "The Recession's Hidden Costs," points out that wages, which increased at 4 percent every year between 2006 and 2008, grew at an annualized rate of only .7 percent over the past three months.

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The decline in wages is broad-based. “This wage deceleration has occurred for both high school and college graduates; among women with a college degree, wages grew by just 0.3% over the past year,” a statement accompanying the report notes.

Historically, business downturns witness a decrease or stagnation in worker productivity. The current economic crisis is different. Worker productivity has increased rapidly in recent months. While productivity increased by more than six percent in the second quarter, labor costs tumbled by 5.9 percent.

This is part of a longer trend in the US economy. “Between 2000 and 2007, the average American worker’s productivity rose 19.2%, yet more of those gains are going to top managers,” the EPI notes. “Adjusted for inflation, average wages have grown just 0.7% per year since June 2000. In 1979, the ratio between the average CEO’s pay and the typical workers pay was 27 to 1. By 2007, it had widened to 275 to 1.”

The EPI also reports that 17 percent of companies report furloughing workers, and more than 20 percent have suspended contributions to employee 401(k) retirement plans.

Employers are also eliminating health care insurance for workers. “Among people under 65 in the bottom 20% of all incomes, only 21.9% have employer-sponsored health insurance,” the EPI reports. “Between 2000 and 2007, some 3.4 million children who were insured through their parents’ employers have lost coverage. For those who do have health insurance, premiums have risen some 119% since 1999.”

Job cuts continued this week:

• Danaher Corporation, based in Washington, said this week it will lay off 3,300 workers.

• Whirlpool, the world’s largest appliance maker, announced on August 28 it will close down its Evansville, Indiana, factory, and cut 1,100 jobs.

• American Airlines will reduce its flight attendant workforce by 921 positions.

• Hawaii governor Laura Lingle announced that the state would launch another round of layoffs. Hawaii began cutting 1,100 government positions in November.

• The Catholic Archdiocese of Detroit, which counts 1.4 million parishioners in southeastern Michigan as members, announced it would cut about a third of its employees in a bid to confront an operating deficit that grows by $20,000 per day.

• Stanford, among the most elite US universities, is completing the elimination of 500 jobs this year. The cuts result from a sharp decline in Stanford’s endowment.

• As a result of its acquisition of Petro-Canada, Canadian energy giant Suncor announced it would cut 1,000 positions

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