US employment situation worsens

Andre Damon
23 January 2010

New claims for unemployment benefits in the US jumped unexpectedly last week, showing that, despite record bank profits, economic conditions for ordinary people continue to worsen.

The Labor Department announced Thursday that first-time requests for unemployment insurance increased by 36,000, instead of falling by 4,000 as expected. The number of new claims hit 482,000. The four-week moving average of unemployment claims also rose by 7,000 to 448,250.

While the Labor Department attributed the jump in new claims to the clearing of requests backed up over the holidays, it is clear that the US economy continues to hemorrhage jobs, with no improvement in sight. The United States needs to create over 150,000 jobs every month to keep up with new entrants into the labor market.

The number of people continuing to collect state unemployment benefits after their initial filing fell by 18,000, but most of this change consisted of people exhausting their traditional state unemployment benefits. The number of people collecting extended unemployment payments from the federal government jumped to 5.6 million from 5 million the month before. These federal extended unemployment benefits were available in 38 states.

The scale of the jobs crisis has further strained state budgets. After 20 million US residents collected unemployment benefits last year, 25 states have run out of money for their unemployment insurance funds and have been forced to borrow money from the federal government or raise taxes.

Thursday's statistics were compounded by regional unemployment figures released Friday by the Labor Department, which showed unemployment rate increases in 43 states. Nearly half of the states showed significant jumps in unemployment, while only one had a significant decline.

Connecticut, Massachusetts, South Dakota and Tennessee each saw their unemployment rate rise by 0.7 percent last month. Louisiana and Mississippi each registered a 0.8 percent jump. Payrolls in California fell the most, by 38,800, followed by Texas, which lost 23,900 jobs, and Ohio, which lost 16,700.

Michigan continued to have the highest unemployment rate in the country at 14.6 percent, up 4.4 percent from a year earlier.

The regional figures show the immense job losses that have taken place throughout the country over the past year, with all 50 states and the District of Columbia registering job losses. California lost 579,400 jobs over the past year, followed by 276,000 job losses in Texas, 237,300 in Illinois, 232,400 in Florida, and 207,100 in Michigan.

The number of states with unemployment rates higher than 10 percent reached 16 in December, as the jobless rates of Mississippi and New Jersey reached 10.6 percent and 10.1 percent respectively.

Mass firings continued this week. Smithfield Foods said it would close a meat plant in Iowa, laying off or displacing 1,450 workers. Chevron, the second-largest US oil company, said Tuesday that it would restructure to become “a leaner operation with fewer positions and fewer employees.”

Other indicators point to further economic weakness. The Philadelphia Federal Reserve Bank’s business activity index fell to 15.2 after hitting a nearly five-year high of 22.5 in December. The index, which tracks manufacturing activity in the Atlantic region, is often cited as a leading indicator pointing to future economic conditions.

The latest data is in line with the bleak conditions shown in the December jobs report released January 9. The Labor Department reported that the US lost 85,000 jobs in December, swamping November’s payroll increase of 4,000 jobs, the first payroll rise in nearly two years.

But the December job losses did not produce a rise in the official unemployment rate, which remained unchanged at 10 percent, because 661,000 people gave up looking for work.

In the two years since the recession began, the US has lost 7.6 million jobs, more than any downturn since the Great Depression. The average time it took to find a job rose to 29.1 weeks in December, the highest figure in records dating back to 1948.

Economists do not expect the job situation to improve any time this year. They project, on average, that the jobless rate will stay at its current level of 10 percent throughout 2010.

Economists are predicting that any recovery to pre-recession levels will take years. David Rosenberg, formerly of Merrill Lynch, said that the United States is entering “the mother of all jobless recoveries,” and that, by a “conservative estimate,” it will take 5 years to recover the 7.6 million jobs lost in the recession.

Kenneth Rogoff of Harvard University is even more pessimistic. He recently told *BusinessWeek*, “The US would need to add a good 11 million jobs to bring the unemployment rate back to where it was at the start of the crisis, and over 9 million jobs just to get unemployment back to 6 percent.” As for levels of unemployment seen before the recession, he said, “We might not see that for a decade.”