Sharp rise in new US jobless claims

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New claims for unemployment benefits rose last week at a sharper rate than expected by analysts. The number of workers filing initial claims for jobless benefits jumped by 31,000 to 473,000 in the week ending February 13, the Labor Department said Thursday.

The rise in new claims points to the persistence of high levels of unemployment throughout the US, despite the talk of economic recovery by the Obama administration and the media. Although the US economy recorded a growth in GDP last quarter and output is increasing, this is not being translated into significant increase in jobs. In many cases, employers are driving up the productivity of their current workforces, instead of hiring new workers.

The four-week moving average of jobless claims fell by 1,500 to 467,500 from the previous week's revised average of 469,000. Many economists say the four-week average would need to fall consistently below 400,000 to indicate that the economy was about to generate net job gains. Twenty-four states recorded an increase in weekly claims.

"The 31,000 increase largely reverses a 41,000 drop in the prior week and leads to new concerns that jobless claims are stalling at a high level," Abiel Reinhart, economist at J.P. Morgan Chase, told the *Wall Street Journal*.

The total number of workers drawing unemployment checks remained unchanged at 4.6 million for the week ending February 6. The number of people who have exhausted their traditional benefits and are now collecting extended payments rose by about 274,500 to 6 million in the week ending January 30. All told, there are more than 15 million Americans looking for work, with millions more no longer counted as unemployed because they have given up searching.

Since the recession began in December 2007, 8.4 million jobs have been wiped out, including more than 4 million in the last 12 months alone. The official unemployment rate stands at 9.7 percent, with the real rate—including so-called discouraged workers and those forced to work part-time—nearly twice that high.

The official unemployment rate fell last month largely because the number of workers leaving the workforce rose more rapidly than job losses, which hit 20,000 in January. In their latest forecast, Federal Reserve officials suggested the jobless rate would not fall much further this year, predicting it would be 9.6 percent in the last quarter of 2010.

Last week, the White House Council of Economic Advisers released a report saying the official unemployment rate would remain near 10 percent through 2012, and will likely stay above 6 percent until 2015 and 5 percent through 2020.

The Labor Department released a separate report Wednesday showing that employers laid off a total of 321,569 workers in the last quarter. Several companies have made recent job cut announcements.

Health insurance giant Humana Inc. will reduce its workforce by 5 percent as the company faces shrinking private-sector enrollments and cuts in government-backed Medicare payments, according to *Business Week*. About 2,500 jobs will be eliminated through attrition, outsourcing and shedding positions, the Louisville, Kentucky-based company said February 4 in a statement.

"This regrettable but necessary reduction in our workforce is a direct result of Humana's need to align the size of our company with that of our membership," said Michael McCallister, the company's president and chief executive officer, in a statement.

Business Week also reported that billionaire investor Warren Buffett's Berkshire Hathaway Inc. has cut about 3,000 jobs since December after customers scaled back orders for building-related materials.

"If you look at our carpet business, our brick business, our insulation business, all of those businesses have had significant reductions in employment," Buffett said in an interview in Omaha, Nebraska, on Jan. 20. "The day the orders come in, we hire back. But there's no reason to hire people if they don't have anything to do."

The world's largest retailer, Wal-Mart, announced its first drop in sales in history, with same-store sales falling last quarter by 1.6 percent compared to a 2.4 percent increase for the same period a year ago. For the full year, Wal-Mart said its same-store sales were flat compared to a 2.8 percent increase last year.

Wal-Mart, which averages more than 100 million shoppers to its stores every week, is seen as a measure of consumer spending. "I am disappointed that [our] US comparable sales were below expectations in the quarter," Wal-Mart CEO Mike Duke said during a prerecorded call to discuss the c ompany's results.

"The economy is a real challenge for many of our customers," he added, warning that Wal-Mart's first-quarter sales "will be difficult" due to tougher year-over-year sales comparisons and ongoing price deflation in some of its key merchandise categories, including food and electronics.

The retailer's profits still climbed to $4.7 billion, largely because of strong international sales, including in Brazil and China.

A recent posting by outplacement firm Challenger, Gray & Christmas noted that "an improving economy may not necessarily lead to a slowdown in job cuts for the telecommunications sector, which has announced nearly 110,000 layoffs since the beginning of 2007." While the last two years of telecom job cuts remain significantly below the levels reached in the early 2000s, they are nearly double the 28,206 job cuts announced in 2007.

Tuesday morning, Qwest Communications announced that fourth-quarter earnings fell 39 percent, as more than 900,000 business and residential customers disconnected their landlines during the last three months of the year. The losses would have been much steeper were it not for increases in its high-speed Internet and cell phone business, which grew 4.5 percent and 18 percent, respectively, according to news reports.

"Verizon and AT&T also have seen significant losses in the landline customers over the past two years. Job cuts in these traditional services areas could continue to mount until each company has just enough staff to service existing lines," said John A. Challenger, chief executive officer of Challenger, Gray & Christmas.