

Long-term unemployment “alarming,” “ominous”

US jobless rate climbs to 9.9 percent in April, despite 290,000 more jobs

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8 May 2010

The announcement Friday by the Bureau of Labor Statistics that 290,000 jobs were added by the US economy in April, although the official unemployment rate rose to 9.9 percent, was enough to send the media and the White House into a swoon of ecstasy.

President Barack Obama offered a sunny interpretation of the data, asserting that “the difficult and at times unpopular steps that we’ve taken over the past year are making a difference.” As is his wont, Obama emphasized once again that “there are limits to what the government can do. The true engine of job growth in this country will always be the private sector.”

The private sector increased its hiring for the fourth straight month in April, adding 231,000 jobs (the US government hired 66,000 temporary census workers during the month). This was the largest increase in four years. Manufacturing added 44,000 jobs in April, and factory employment in the US has increased by 101,000 since December 2009.

Employment in professional and business services climbed by 80,000 last month. Some 26,000 jobs were created by temporary help services; employment in that sector has grown by 330,000 since September 2009. Jobs in health care also went up by 20,000, and have increased by 244,000 over the past year.

The average workweek also grew slightly, as did factory overtime. Average hourly earnings in the private nonfarm sector increased by 1 cent in April, to \$22.47. However, as the Economic Policy Institute (EPI) notes, “Nominal hourly wage growth among all private-sector workers has been generally slowing since the summer of 2008 and is continuing to falter: nominal hourly wages grew at an extraordinarily low 0.4% *annualized* rate over the last three months. With inflation at around 1.0% in recent months, this means real wages are declining.”

US companies over a wide spectrum modestly increased their hiring last month. Bart van Ark, the chief economist for the Conference Board, told McClatchy Newspapers, “Following three quarters of growing production, companies apparently find they can’t squeeze out any more output without adding workers.”

The basic fact of American life, however, is this: permanently high unemployment and deteriorating economic conditions, including grinding poverty for growing numbers, face tens of millions in the US.

More than 15 million people are officially unemployed. The number of involuntary part-time workers remained unchanged in April at 9.2 million. The “underemployment rate” (which includes the officially jobless, the “discouraged” and part-time workers who want full-time jobs) increased for the third straight month, to 17.1 percent. In April, all told, there were *nearly 27 million US workers either unemployed or underemployed.*

Last month’s increase in jobs doesn’t begin to make up for what’s been lost in the last several years. Some 8 million jobs have been eliminated since December 2007. Significant structural changes are taking place in the US and global economy, irretrievably altering how millions of people live.

Some 800,000 people entered the American labor force in April, and nearly 2 million have entered it since December 2009. “However, this only corrects for the comparable decline between May and December of 2009, leaving the labor force no bigger now than in May 2009,” points out Larry Mishel, president of the EPI.

While those re-entering the labor force obviously hope to find jobs, by and large the unemployed and previously “discouraged” are encountering disappointment. Long-term unemployment in the US, described by various commentators as “ominous,” “startling” or “alarming,” now stands at its worst levels since it was first tallied in 1948. The number of jobless without employment for more than half a year increased by 170,000 in April to 6.7 million people, or 45.9 percent of the total.

Daniel Indiviglio in the *Atlantic* notes, “No other recession in history comes close to April’s percentage [of long-term unemployed]. In the early 1980s, the national unemployment rate actually rose to 10.8%—higher than the max of 10.1% this recession hit in October. Yet, during the early-’80s recession the percentage of unemployed who remained jobless for at least 27 weeks topped off at just 26%—far lower than the 46% in

April.”

For older workers the situation is even worse. According to a study done by the American Association of Retired People (AARP), 56.8 percent of jobless Americans over 55 had been out of work for longer than six months by April 2010.

Derek Thompson, another business writer at the *Atlantic*, observes, “We’ve never faced a situation like this, and it’s difficult to know exactly what public policy response is appropriate for dealing with 7 million former workers who haven’t had a job in at least six months.”

Christine Owens of the National Employment Law Project commented in a statement that despite the April jobs growth “there remains a dark underbelly of long-term joblessness that puts genuine recovery still very far off. Between the jobs we have lost since the recession began and growth in the working age population, we have a deficit of roughly 11 million jobs.”

Harvard University economist Lawrence Katz, according to McClatchy, concurs that the country is 11 million jobs short “of where it should be population-wise,” but asserts that “To catch up, 15 million new jobs are needed during the next four years.” The EPI estimates that the economy would have to generate 325,000 jobs every month for four years to fill “the hole in the labor market.” The forecasts of the most optimistic analysts fall far short of that.

Some 5.5 people are still competing for each job opening in the US, down from a peak of 6.3 in November 2009.

Although Congress has been forced to extend unemployment benefits and they now last up to 99 weeks in some states, each month hundreds of thousands of people are exhausting them.

On May 1, some of the unemployed “99ers” organized a mass faxing of Obama and Congress urging them to extend jobless benefits beyond the present limit. However, McClatchy reports, “With a projected \$1.5 trillion federal deficit looming this year...lawmakers from both parties are resisting costly and politically unpopular appeals to extend benefits. While that could change quickly in an election year, Senate Finance Committee Chairman Max Baucus, D-Mont., who supported previous extensions, told Bloomberg News Service last week that 99 weeks is enough.”

A study conducted by the John J. Heldrich Center for Workforce Development at Rutgers University, “No End in Sight: The Agony of Prolonged Unemployment,” published this week, found that 80 percent of the 1,200 unemployed people they interviewed in August 2009 were still out of work in March 2010.

And of those “dismal one in five” who managed to find work, over a half had to take a pay cut from what they earned in their prior job, “and about a quarter took a significant salary hit.” One-third took a reduction in fringe benefits and 15 percent agreed to work fewer hours.

President Obama, in his May 7 statement on the jobs figures, asserted blandly, “Everything we’ve done has been with this goal [job creation] in mind.” He didn’t provide any proof.

Anyway, the jobless don’t believe him. The Rutgers study found that two-thirds (68 percent) of those they surveyed “now give the President a bigger thumbs down” on his handling of the unemployment problem, as opposed to 57 percent last August.

The study also found that nearly two-thirds (63 percent) of those surveyed in March now believe the US economy is undergoing a fundamental and lasting change. They are quite right. Some economists estimate that the vast majority, perhaps as many as three-quarters of the 8 million jobs lost during the current recession, are not coming back.

John Silvia, chief economist of Wells Fargo Securities, in a revealing newsletter May 7, points to a “breakdown of the link between growth and jobs” in the US, which has been in operation since the 1990 recovery and “has been reinforced during the 2001 and the current recovery.” Silvia notes that since “the US economy has become increasingly integrated into the global economy,” and a “closed economy” has ended, “jobs are being allocated globally, not just in the US, for any given increase in production.” In other words, jobs are now being “allocated” to low-wage countries.

He argues that April’s rise in the unemployment rate was driven by the jump in the jobless rate of those without a high school diploma to 14.7 percent. “This is the ‘hidden’ unemployment that many have talked about in the past year. Here are the workers who stayed out of the job search and now have reentered as they believe jobs are becoming available. Unfortunately, for many of them the challenge will be daunting as the low/semi-skilled jobs they seek are becoming increasingly scarce.”

The Wells Fargo economist suggests that long-term unemployment stems from the fact “that many job seekers are not benefitting from a cyclical recovery because their issues are the structural mismatch in jobs.” Silvia also points out the fairly obvious, that “America’s New Worker” is “Permanent Part-Time.”



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