

May job figures underscore deepening economic crisis in US

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Despite official pronouncements of improving US job conditions, May unemployment figures, released Friday, reinforced the fact that the country is mired in a protracted recession. Stock markets fell sharply on the news, which came together with renewed fears of debt defaults in Europe.

The US economy created 431,000 jobs last month. However, 411,000 were temporary jobs related to the 2010 census. Only 41,000 private sector jobs were created, one-third of the amount required to offset population growth in a normal month. Long-term unemployment reached new record highs, with nearly 4.5 percent of the labor force out of work for more than 27 weeks.

Stock markets fell sharply Friday, with the Dow Jones industrial average dropping 3.2 percent. All stocks in the index fell. The broader S&P 500 fell 3.4 percent, its worst day in two weeks. Investors fled to the safety of the dollar, pushing its value against the Euro to the highest level since March 2009.

The sell-off was compounded by statements from a Hungarian official who said that the East European country's economy was in a "very grave situation," and that the possibility of default "isn't an exaggeration." The remarks indicated that the debt crisis in Europe, which has fuelled demands from ruling circles for massive austerity measures, is spreading.

The US private sector jobs figure is one-fifth the size of private sector job growth in April, and less than one-fourth the size predicted by economists, who had expected 180,000 new private sector jobs in May.

The findings heightened concerns that austerity measures being implemented throughout the world, particularly in Europe and the United States, would continue to drag down the world economy.

Aside from temporary census hiring, the government sector in the US lost 21,000 jobs as state and local governments slashed spending on social services.

"The concern is that the private sector is not showing a lot of strength," said James L. Butkiewicz, a professor of macroeconomics at the University of Delaware. "The fiscal policy adjustments—austerity measures—have weakened the recovery overall as well, and it is not likely that any more government stimulus is going to come soon."

US President Barack Obama sought to downplay the weak figures, saying, "This economy hasn't returned to prosperity yet, but we're heading in the right direction." Obama met the jobs report with a staged visit to a truck factory in Maryland. "This report is a sign that our economy is getting stronger by the day," he added.

In fact, the latest jobs figures mark a significant worsening of the economic situation. The US private sector created 218,000 jobs in April, the highest level since 2009. The US economy averaged about 100,000 jobs per month so far this year, and 140,000 over the past three months. The US lost 8.4 million jobs during the downturn.

May marked the high point of hiring for the 2010 census, which is expected to create as many as 1.2 million temporary jobs and cost \$15 billion. But these jobs are mostly part-time, and only last several weeks.

"Most of the people who got hired in May will be out of work in June," said Jeff, a census crew leader in Richmond, Virginia.

Long-term unemployment, meanwhile, hit a new postwar record this month, as did the average duration of unemployment. Last month, 6.7 million people had been out of work for 27 weeks or more, amounting to 46 percent of the total unemployed population.

By comparison, in May 2009, there were 3.9 million people who were out of work long-term, amounting to 28 percent of the unemployed population.

The average length of unemployment, meanwhile, hit 34.4 weeks last month, up from 33.0 weeks in April, 23.1 weeks in May 2009, and 16.5 weeks in December 2007.

The official unemployment rate dropped 0.2 percent, to 9.7 percent, due in part to the fact that 286,000 people left the labor force, no doubt discouraged by bleak employment prospects. The government's broadest measure of unemployment, called the U-6, dropped as well, from 17.1 to 16.6 percent. The figure only counts workers who had looked for a job within the past 12 months. With millions of people unemployed for over a year, workers are simply dropping off the government's charts.

The *Financial Times*' Lex column noted that the latest job figures undermine any hope of a meaningful recovery in everyday working conditions, closing with the laconic words: "Low unemployment is becoming decidedly unusual."



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