US jobs report points to deepening slump

Barry Grey
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The employment report for June released Friday by the Labor Department confirms that the United States is in the grips of a protracted economic slump with no recovery in sight. If anything, the report suggests that the economic situation would best be described as a depression, rather than the official designation of a slow “recovery.”

The Labor Department reported a net loss of non-farm jobs of 125,000, primarily due to the expiration of 225,000 temporary US Census government positions. However, the private sector generated a mere 83,000 net jobs, well below economists’ projections and barely half the number of new jobs needed to keep pace with the normal monthly growth of the labor market.

The anemic increase in private sector jobs in June follows a disastrous performance in May. Friday’s survey downwardly revised the May figure from 41,000 to 33,000.

The impact of a new wave of job and service cuts by deficit-ridden state and local governments began to be felt with a net loss of 8,000 state and municipal positions.

Job gains were largely in low-paying industries—leisure and hospitality, and the temporary help industry. Manufacturing payrolls grew by 9,000, much smaller than the average of 25,000 over the previous five months. Construction shed another 22,000 jobs.

The percentage of the overall working-age population that is in the labor force fell to 64.7 percent—near a 25-year low.

These figures indicate that the most severe jobs crisis since the Great Depression will only grow worse.

According to Friday’s report, two-and-a-half years after the official start of the recession in December of 2007, there are now 15.2 million workers who are unemployed and 25.8 million who are either unemployed or underemployed. Some 6.8 million have been unemployed for more than 6 months. The official underemployment rate—including workers who have given up looking for a job and part-time workers who want a full-time job—stands at 16.5 percent.

The reality, however, is even worse than the dismal picture presented by these official figures.

Perhaps the most disturbing aspect of Friday’s report, ironically, is the nominal fall in the official jobless rate to 9.5 percent from 9.7 percent in May. This is because the decline is due entirely to a contraction in the statistical labor force, a result of the staggering growth of long-term unemployment.

The official labor force shrank by 652,000 workers, primarily due to long-term jobless people giving up looking for work and therefore no longer being counted for the purposes of estimating the unemployment rate. Had these so-called “discouraged” workers continued to look for work, the official rate for June would have been 9.9 percent.

The catastrophic impact of the economic crisis on widening layers of the working population is underscored by the levels of long-term joblessness. The Labor Department reports that 45.5 percent of the unemployed have been out of work for 27 weeks or more (the official benchmark for “long-term” unemployment). The average length of joblessness is now six months (twice the previous record duration).

Other aspects of Friday’s employment report also indicate that the economy is losing momentum. Average weekly hours of work declined, as did average hourly wages.

Friday’s jobs survey comes in the midst of a series of economic reports pointing to weaker growth. This week saw a sharply lower consumer confidence report, a record 30 percent drop in pending home sales for May, a double-digit decline in US auto sales for June, an unanticipated rise in initial jobless benefit claims, and a decline in an index of manufacturing activity to its lowest level since December.

Also on Friday, the Commerce Department reported that factory orders fell by 1.4 percent in May, the first decline after nine months of gains and the biggest drop since March 2009.

The employment report places in sharp relief the indifference of the Obama administration, Congress and both political parties to the social disaster facing millions of working class families.

On the same day the Labor Department report was issued, Congress adjourned for the week-long July Fourth holiday without extending federal unemployment benefits. Some 1.7 million jobless people have already stopped getting an unemployment check (averaging nationally a paltry $335 a week, and far lower in many states), as a result of the expiration of federally funded extended benefits. That figure will rise to 3.3 million by the end of July.

Congress has also failed to allocate additional aid to the states, worsening the fiscal crisis of scores of states and setting the stage for the layoff of hundreds of thousands of public employees, including teachers, firefighters, social workers, etc.—as well as new and more draconian cuts in basic public services.

Obama has barely made an issue of the jobless benefit cutoff, focusing instead on demands that Congress pass a toothless financial regulatory bill tailored to the interests of Wall Street.

On Friday, he responded to the new jobless numbers with a statement that recalls Herbert Hoover's declaration in 1932 that "Prosperity is just around the corner."

"Make no mistake," he declared, "we are headed in the right direction." He added that "we are not headed there fast enough for most Americans."

This statement is a direct falsification of the economic reality, intended to deceive and politically disarm the population. It echoes Vice President Joseph Biden's declaration last month that this is the "Recovery Summer."

The jobs report indicates that the economy is headed in the wrong direction, and may be slipping back to negative growth. To talk of the "right direction" under the present circumstances—with unemployment, home foreclosures and personal bankruptcies at post-war record levels, and wages, home values and retirement savings being decimated—is an insult to the intelligence of the American people.

For those social layers whose interests Obama serves, however, things are going not at all badly. The banks are making near-record profits and rewarding their CEOs with multi-million-dollar pay packages, and corporations across the board are using mass unemployment to drive down wages and drive up labor productivity.

An article by Brett Arends published June 29 on the *MarketWatch* web site notes: "Numbers published by the Federal Reserve a few weeks ago show that corporate profit margins have just hit record levels. Andrew Smithers, the well-regarded financial consultant and author of *Wall Street Revalued*, calculates from the Fed's latest Flow of Funds report that corporate profit margins rocketed to 36 percent in the first quarter. Since records began in 1947 they have never been this high. The highest they got under Ronald Reagan was 30 percent."

Arends also notes a recent report that estimates the super-rich of North America saw an 18 percent jump in their wealth last year.

In his article, entitled "The Three Biggest Lies About the Economy," Arends cites statistics showing that the actual level of unemployment in the US is about 25 percent. He writes: "An analysis of data at the US Labor Department shows that there are 79 million men in America between the ages of 25 and 65. And nearly 18 million of them, or 22 percent, are out of work completely. (The rate in the 1950s was less than 10 percent). And that doesn't even count those who are working part-time because they can't get full-time work. Add those to the mix and about one in four men of prime working age lacks a full-time job."