US economy lost 131,000 jobs in July

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The US economy lost 131,000 jobs in July, considerably more than most economists had predicted. Companies added 71,000 positions, but the government laid off 143,000 census workers, contributing to the net loss.

The Labor Department's Bureau of Labor Statistics (BLS) also revised downward its statistics for June, concluding that payrolls dropped by 221,000 that month instead of the 125,000 reported on July 2.

The figures reveal that the US economy, which showed signs of life in March and April, is slowing. This is consistent with other reports, including the July 30 announcement by the Commerce Department that gross domestic product (GDP) rose at an annualized rate of 2.4 percent in the second quarter of 2010, a sharp drop from the 3.7 percent growth rate in the previous three months.

The jobless figures are stark.

• The official unemployment rate remained at 9.5 percent last month, but only because some 181,000 people left the work force.

• There are 14.6 million people jobless in the US, according to BLS calculations. The number of unemployed, discouraged or involuntarily part-time workers is more than 25 million, or 16.5 percent of the labor force, one in six Americans. This is also unchanged from the month before.

• Some 6.6 million of the unemployed have been jobless for more than six months, continuing a historic high. There are approximately five unemployed workers for every available opening.

• The unemployment rate for black workers stood at 15.6 percent in July, and 12.1 percent for Latinos.

Manufacturers added 36,000 jobs in July, but much of the gain was due to fewer than normal seasonal layoffs in the auto industry. Professional and business services lost 13,000 jobs; financial services cut 17,000 employees; and the number of jobs in construction fell by 11,000 (on top of a 21,000 job loss in June).

State and local governments shed 48,000 workers, including public school teachers. Significantly, the number of temporary jobs fell by 6,000, the first drop since last September.

The Associated Press (AP) commented, "Employers usually hire temp workers if they need more output but don't want to hire permanent employees." The AP quoted Nigel Gault, chief US economist at HIS Global Insight, as noting that "firms aren't even adding temporary workers right now."

Private sector payrolls have increased by only 630,000 so far this year, with some two-thirds of that increase occurring in March and April. The private sector eliminated 8.5 million jobs between December 2007 and December 2009.

The July jobless numbers underscore the fact that a high level of unemployment is now a chronic if not permanent feature of American life.

The workforce participation rate—the percentage of the working-age population working or looking for work—fell to 64.6 percent in July, matching the lowest level since 1985.

An article at *MarketWatch*—with a subhead reading, "Millions have simply given up on a job"—pointed out that "[I]f the participation rate had remained above 66 percent as it did for most of the past decade, the jobless rate would be 12.2 percent today and there'd be 19.2 million people classified as unemployed, instead of 14.6 million."

Commentators had some relatively blunt things to say:

The *Los Angeles Times* noted, "Overall, the latest snapshot of the US economy indicates no momentum building in the crucial job market, which underpins consumer spending and confidence on the part of individuals and businesses. After adding 200,000 private-sector jobs on average in March and April, the labor market has weakened—producing just 51,000 jobs on average in each of the last three months."

"The nation continues to struggle with its weakest job market in more than a generation," commented the *Washington Post*.

Bloomberg cited economist Gault's comment: "To the extent that we have a labor market recovery, it's a slow one … I don't see anything to indicate that the third quarter will be better."

Daniel Indiviglio in the *Atlantic* pointed out that "the already weak job market recovery fell off a cliff in May and hasn't returned." He added, "The last three months have averaged just 12,333 jobs created, if you exclude Census effects."

Time magazine wrote, "We need hundreds of thousands of new jobs each month to even start to make up for the millions wiped out by the recession." According to estimates by the Economic Policy Institute, the economy would have to generate 280,000 jobs every month for the next five years to return the jobless rate to its pre-recession level.

Employers, by and large, are not hiring, but rather attempting to squeeze out every ounce of increased production from the existing work force. The *New York Times* referred to the comments of a senior economist at PNC Financial Services, Robert Dye, who explained that "employers were pushing for productivity gains among existing workers … 'I think many employers are realizing that they can get away with very lean payrolls and are pushing their employees as much as they can and without adding,' he said."

US labor productivity increased 3 percent in the last 12 months and 4 percent in the first quarter of 2010.

The AP noted, "Corporate net income rose sharply in the second quarter, but businesses aren't using the proceeds to ramp up hiring. Companies in the S&P 500 index reported a 46 percent increase in net earnings for the second quarter, compared to a year earlier."

"Businesses just don't want to hire," Allen Sinai, chief global economist at Decision Economics, told the *New York Times*. "Workers are too costly and it's very easy to substitute technology for labor."

Sinai added "that with corporate earnings rising partly on the back of cost-cutting, employers are reluctant to give up profits. 'So while corporate earnings were spectacular,' Mr. Sinai said, 'the job market just stinks.'"

Corporate earnings are soaring and "that's enabled many US companies to amass healthy amounts of cash" (*Daily Finance*), pushing up stock prices. For the working population, the situation is ever more grim.

Media pundits described the employment situation as "stagnant," "bleak," "disappointing," "lethargic," "stone-cold," and the so-called economic recovery as "sluggish," "[moving] at a glacial pace," "stuck in neutral," "stalled," etc.

Behind these innocuous words and phrases lies a reality of increasing misery for millions of people in the US. Some 50 million faced food insecurity last year, i.e., the inability at one time or another to put food on the table, according to the US Department of Agriculture. A recent study by the Rockefeller Foundation reported that 1 in 5 American households is financially insecure, i.e., has experienced a 25 percent decline in income from one year to the next, the highest level in a quarter-century.

Joblessness is now the major factor driving foreclosures and personal bankruptcy. Some four million homeowners are now in foreclosure proceedings, and banks will likely repossess more than one million homes this year. Unemployment is also leading to higher levels of stress, mental illness, and domestic violence.

A Pew Research poll published in late June found that more than half of all adults in the US labor force "have suffered a spell of unemployment, a cut in pay, a reduction in hours or have become involuntary part-time workers." A Bloomberg National Poll revealed that more than 7 in 10 Americans believe "the economy is still mired in recession."

The Obama administration is proposing to do nothing to alleviate the plight of the unemployed. Speaking in Washington on Friday, President Obama attempted to present the grim jobs report as a sign of progress. He noted that private sector jobs have grown in each of the past seven months, without mentioning that the rate of growth has slowed to a snail's pace.

Oozing complacency and indifference, he said, "That's a good sign," and added, "Climbing out of any recession takes some time. The road of recovery is not a straight line."

Council of Economic Advisers Chair Christina Romer issued a hollow statement Friday morning which did not promise a single serious measure to create jobs. Romer is leaving her post in the Obama administration to return to her well-paid position at the University of California and possibly to become head of the Federal Reserve in San Francisco.

In the face of the deepening social crisis, Romer asserted, "We have made substantial progress from the days when employment was declining by 750,000 a month. But, today's employment report emphasizes just how important the additional jobs measures before Congress are. In addition to the state fiscal relief nearing passage, the president strongly supports the small business jobs bill and targeted incentives for clean energy investments. There will likely be more bumps in the road ahead as the economy recovers."

Along with governments all over the world, the Obama administration has turned decisively, with widespread support in the Democratic Party, from so-called stimulus measures to fiscal austerity. It is preparing major cuts in social programs in order to make the working class pay for the multi-trillion-dollar bailout of the banks.