US jobless claims, housing data show no recovery for workers

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Data from the jobs and housing sectors released this week indicate that, far from "recovery," the US remains mired in a social crisis with no end in sight.

Weekly first-time jobless benefits claims rose for the week ending September 18 by 12,000 to 465,000, according to the US Department of Labor. The claims total for the previous week was also revised upward by 3,000 to 453,000. The more accurate four-week moving average remained virtually unchanged at 463,250 workers.

Most economists believe that first-time benefit claims must fall well below 400,000 to indicate that the economy is adding significant numbers of jobs. Instead, the four-week moving average has not fallen below 450,000 since March.

These figures can only mean that the official unemployment rate of near 10 percent is unlikely to be seriously reduced, if at all, in the coming months. A broader measure of unemployment, the so-called "U-6" rate, is near 17 percent, or one in six US workers.

Economists took little cheer in the new jobs data. "The labor market remains weak and while any number of people continue to suggest ... that robust hiring is just around the corner, such job growth simply isn't materializing," said economic strategist Dan Greenhaus of Miller Tabak & Co. "We remain of the belief that it will not for several more quarters."

"[The numbers] confirm there is not going to be an expansion in employment for the foreseeable future," said Peter Kenny of Knight Equity Markets. "We have an unemployment rate that is stubbornly high, that breaks with tradition in terms of there being any sort of sustainable rebound. It's just not there, the employment numbers are just not speaking to a rebound ... They couldn't be more spot-on in terms of speaking to an economy that is just barely hanging on to razor thin gains."

The total number of jobless benefit recipients reflects an enormous social crisis. The four-week moving average of continuing state benefit claims rose to 4.52 million, while for the week ending September 4, 5.17 million US workers were receiving special extended benefits from the federal government, an increase of 208,000 in one week. (In most states, benefits last six months—under federal stimulus legislation this can be extended up to 99 weeks, after which, workers unable to find jo bs are reduced to the most socially precarious position.)

All told, well over 9 million US workers and millions of their dependents are surviving on meager unemployment benefits. A still larger share of the unemployed are receiving no benefits at all, victims of an unemployment insurance system designed to prevent access in the name of stopping "abuse."

Thousands of layoffs and job cuts have been announced in the last week, among them:

New York Governor David Paterson ordered state officials to axe the jobs of 2,000 state employees by the end of the year. The *Austin American-Statesmen* reports that various state agencies in Texas have come up with plans to eliminate 9,800 jobs as the state prepares to meet a massive budget deficit for the 2012-13 fiscal year. Facing a $12 million budget shortfall, the city of Spokane, Washington, will cut more than 100 jobs, many of these likely to come from the fire department.

Pharmaceutical firm Abbott Laboratories of Abbot Park, Illinois, announced it would soon proceed with plans to eliminate 3,000 jobs, or about 3 percent of its workforce. Another pharmaceuticals giant, Bristol-Myers Squibb Co., based in New York, reported plans to slash more than 840 jobs, also 3 percent of its workforce. And a third drug maker, northern Kentuckybased Xanodyne, this week sent out layoff notices to 60 percent of its workers.

The parent company of Cessna Aircraft Co., of Wichita, Kansas, revealed it would soon eliminate 700 jobs. In a letter to employees, CEO Jack Pelton wrote, "The gains made in the first half of the year in the global economy have stalled, and Cessna's performance continues to mirror the lackluster economy ... [T]he recovery and growth we expected to see throughout the year have not materialized, and the timing of any recovery remains uncertain." The layoff announcement came days after the International Association of Machinists (IAM) helped force a seven-year give-away contract on workers in the name of "saving jobs."

On Friday, another Wichita, Kansas, airplane manufacturer, Hawker-Beechcraft, announced plans to cut 350 jobs by November 1.

Over the next twelve months Dartmouth-Hitchcock Medical Center in New Hampshire will cut 300 jobs. According to hospital representative Rick Adams, the cuts are necessitated by a $50-million budget shortfall for 2011 caused by a state reduction in Medicaid reimbursements.

And Bank of America, the leading US bank by loan volume, intends to fire up to 400 employees from its global banking and markets division, according to an anonymous company official.

Mass joblessness and wage-cutting lie behind the protracted decline in the US housing market, as cash-strapped households are unable to pay current mortgages, or else abstain from buying homes.

Data on new home sales released this week by the Commerce Department remained at near-record lows, and at the same level as July's sales volume of 288,000 units. July and August are tied for the second-worst month on record going back to 1963, just ahead of May's 282,000 units sold. Sales are even substantially down relative to one year ago—the third year of the housing bust—by 28.9 percent. There is now an inventory backlog of new homes estimated at nearly nine months.

This data is not consistent with an economic recovery. "New home sales fall sharply before all recessions (with the exception of the dot.com bust-caused recession of 2001) and then start to increase sharply in the middle of, or towards the end of, the recession," writes Dirk van Dijk of Zacks Investment Research. "That clearly is not happening this time around."

The disastrous state of new home building means that unemployment in the construction sector will remain high. "Since the recession started, one out of every four jobs lost has come from the construction industry," van Dijk notes.

Data for existing home sales from the National Association of Realtors (NAR) was nearly as poor. Rebounding by 7.6 percent from the fifteen-year low realized in July, August remained one of the worst months on record. There is now an 11.6 month glut, or 1.1 millions "excess" existing homes for sale. Median sale prices fell 1.6 percent in August, according to the NAR. About one third of the 414,000 sales that closed were "distressed" sales—often foreclosure-related—and 28 percent were "cash closings," three times the normal rate.

Analysts called the housing data "ugly," "dismal," and "depressing."

Homes have long been a major source, perhaps *the* major source of wealth for most US families, and the decline in their collective value from the heights reached during the housing bubble that ended in 2006 has entailed the loss of trillions of dollars in household wealth.

New data from the Federal Reserve released last Friday showed that the total wealth of all US households resumed the sharp decline that lasted from 2007 until 2009. Total household wealth fell by $1.5 trillion to $53.5 trillion in the second quarter, a 2.8 percent decline. Most of the decline was registered in individual stocks ($912 billion), retirement savings ($650 billion), and mutual funds ($295 billion). Since 2007, US households have lost about $12.3 trillion, nearly one-fifth of all household wealth.

Meanwhile, according to *Forbes* magazine, the net worth of the 400 richest Americans increased by 8 percent in 2010, to $1.37 trillion, for the year ending August 25.