# Disastrous US jobs report points to deepening slump

**Barry Grey**
**4 June 2011**

US payrolls grew by a paltry 54,000 in May and the official unemployment rate rose to 9.1 percent, an increase of 0.3 percent since March, according to the monthly employment report released Friday by the Labor Department.

The dismal jobs data were in line with recent figures on home sales and prices, manufacturing, auto sales and consumer spending, all of which reflect a sharp slowdown in economic growth and portend a further increase in joblessness. Economists had forecast a net payroll job increase of about 170,000—itself considerably below April’s already inadequate figure of 232,000—and a drop in the unemployment rate from 9.0 percent in April to 8.9 percent.

The payroll gain figure was less than a quarter of the 220,000 average increase over the previous three months and the lowest in eight months. Virtually every statistic in the Labor Department report indicated a worsening jobs situation and falling living standards for broad sections of the population.

The total number of unemployed rose by 167,000 to 13.9 million, the highest so far this year. Long-term unemployment surged, with the number of jobless who are out of work for more than six months jumping by 361,000 to 6.2 million.

This increased the share of unemployed workers out of a job for more than six months from 43.4 percent in April to 45.1 percent in May, not much below the record high of 45.6 percent one year ago. It also brought the average number of weeks that unemployed jobseekers have been out of work to just under 40, a record high.

These long-term unemployed represent 4.0 percent of the labor force. Prior to this recession, the previous high for this figure was 2.6 percent, in June 1983.

The Labor Department’s broadest gauge of the jobs crisis, the so-called underemployment rate, includes “marginally attached” workers who want a job but have given up looking for work, as well as workers who hold part-time positions but desire a full-time job. That figure decreased slightly in May to 15.8 percent from 15.9 in April, due largely to a 271,000 decline in the number of “marginally attached” workers—which likely reflects an increase in the ranks of the long-term unemployed who have completely dropped out of the labor market.

In May, there were a total of 24.6 million workers who were either unemployed or underemployed.

The worse-than-expected jobs report led economists to further downgrade their growth estimates for the US economy. Economists at Barclays Capital slashed their forecast for second-quarter US economic growth to a 2 percent annual rate from an earlier estimate of 3.5 percent. They also cut their projection for the third quarter to 3 percent from 3.5 percent.

Last week, the Commerce Department retained an earlier estimate of first-quarter growth in the US gross domestic product of 1.8 percent, well below the 3.1 percent growth rate for the final three months of 2010. There can be no significant reduction in the near-Depression levels of unemployment without annual growth well above 3 percent and monthly net payroll gains of 300,000 or more. It is estimated that job growth has to reach at least 175,000 a month just to keep pace with the normal increase in the working-age population.

The response of the Obama administration, state and local governments, and the entire political establishment to this deepening social crisis is to intensify their attacks on jobs, wages and social programs. It is now two years since the official end of the recession, in June 2009, and the much-touted economic recovery has produced record profits for the corporations and the banks, ever-higher bonuses for corporate CEOs, and a sharp rise in the stock market, on the one side, and worsening unemployment, homelessness and poverty for tens of millions of working people, on the other.

The White House is proposing no measures to create jobs or provide relief for the unemployed. Instead, it is doing the bidding of Wall Street and the corporate elite, which demand massive cuts in social spending to pay for the debts arising from the financial crisis and the bailout of the banks. On Thursday, the ratings agency Moody’s intervened on behalf of Wall Street into the deficit reduction talks between the White House and the Republicans, threatening to downgrade US government debt next month if no agreement is reached to slash trillions in social spending.

A White House spokesman on Friday responded to Moody’s injunction, appealing to the Republicans to make a deal on spending cuts in return for an agreement to raise the official debt ceiling and avert a default on US Treasuries later this summer.

In contrast, the Obama administration made only the most perfunctory and complacent response to the disastrous jobs report. Obama himself did not even address the issue, although he made an appearance at a Chrysler plant in Toledo to tout the supposed "success" of his bailout of Chrysler and General Motors.

His chief economist, Austan Goolsbee, chairman of the White House Council of Economic Advisers, issued a statement in which he called the jobs report a "bump in the road" and said that "the overall trajectory of the economy has improved dramatically over the past two years."

He then reiterated Obama's pro-corporate program of promoting exports (in large part by slashing manufacturing wages), gutting business regulations and expanding tax cuts for large companies. He made a point of adding, "We will continue to work with Congress to responsibly reduce the deficit and live within our means."

Labor Secretary Hilda L. Solis could barely conceal her indifference, boasting that "The nation's labor market continued to add jobs in the month of May," and touting the administration's record of "15 straight months of private sector job growth."

"While I would have liked to have seen stronger growth in May," she concluded, "we are still on the right trajectory."

Meanwhile, a growing number of states, including Michigan and Florida, are either implementing or considering cuts in the number of weeks of jobless benefits. The ongoing assault on public services and public-sector workers by states and cities facing large deficits (and receiving no assistance from the Obama administration) was reflected in the loss of 2,000 state jobs and 28,000 municipal jobs in May, as reported by the Labor Department. Since their employment peak in August 2008, state and local governments have shed over half a million jobs.

Of the 83,000 private-sector jobs added in May, 80,000 were in service-providing industries and a mere 3,000 were in goods-producing industries. Manufacturing lost 5,000 jobs, the first month of losses after adding 27,000 on average for the prior three months.

Unemployment was particularly high for young workers age 16 to 24 (17.3 percent), African-American workers (16.2 percent) and Hispanic workers (11.9 percent). Jobless rates across all age, gender, education and ethnic categories were sharply up from the official start of the recession in December 2007.

The Economic Policy Institute (EPI), a liberal Washington think tank, explained Friday that the official unemployment figure masked an even grimmer reality. It pointed out that the labor force participation rate remained at its lowest point of the recession and that the labor force in May was smaller than it was a year ago, by about 500,000 workers, even though the working-age population grew by 1.9 million in that period.

"Consequently," it noted, "the proportion of the population that is in the labor force is now 0.7 percentage points below where it was a year ago. *If the labor force participation rate had held steady over the last year, there would be roughly 1.8 million more workers in the labor force right now. Instead, they are on the sideline. If these workers were in the labor force and were counted among the unemployed, the unemployment rate would be 10.1 percent right now instead of 9.1 percent. In other words, the improvement in the unemployment rate over the last year (from 9.6 percent to 9.1 percent) is due to would-be workers deciding to sit out the economic storm*" (emphasis in the original).

The EPI further pointed out that the official figure of 6.9 million payroll jobs lost since the start of the recession massively underestimates the size of the gap in the labor market "by failing to take into account the fact that simply keeping up with the growth in the working-age population would have required the addition of 4.1 million jobs since the recession started in December 2007." It continued: "This means the labor market is now 11.0 million jobs below the level needed to restore the pre-recession unemployment rate (5.0 percent in December 2007)."

The slowdown in the US economy is part of a broader international trend, making the prospects for the job market all the more dismal. Europe is immersed in a worsening sovereign debt crisis and has in recent months seen its growth rate fall. Japan is struggling with the aftermath of the Fukushima nuclear disaster, which intensified a slowdown that was already under way. Now China and India, the main engines for growth since the financial crash of 2008, are showing signs of deceleration.

On Tuesday, India reported that its economy grew 7.8 percent in the January-March period from a year earlier, compared with its 8.3 percent rate in the last three months of 2010. On Wednesday, China said its official purchasing managers' index fell to 52.0 in May from 52.9 in April, reflecting a slowdown in manufacturing activity.

The protracted and profound character of the economic crisis, and the manner in which it is being exploited by the international bourgeoisie to carry out an historic assault on the working class, demonstrate that what is involved is not a mere cyclical downtown, but a systemic breakdown of the capitalist system.