US jobs report points to renewed downturn

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The unemployment rate rose for a third consecutive month in June, as the US economy added far fewer jobs than new workers, according to the latest jobs report released Friday by the Labor Department. The report confirms a new downturn in the labor market amid the Obama administration's campaign to cut government jobs and spending.

The US economy added 18,000 jobs, less than one-fifth of the 105,000 that economists predicted in a poll conducted by Bloomberg News. The unemployment rate hit 9.2 percent, up from 9.1 percent in May, and 8.8 percent in March. The number of unemployed people grew by over half a million over the past three months.

The White House responded to the report with a press statement calling for more spending cuts. "We've got to rein in our deficits and get the government to live within its means," said Obama. "The sooner that the markets know... that we have a serious plan to deal with our debt and deficit, the sooner that we give our businesses the certainty that they will need," he said.

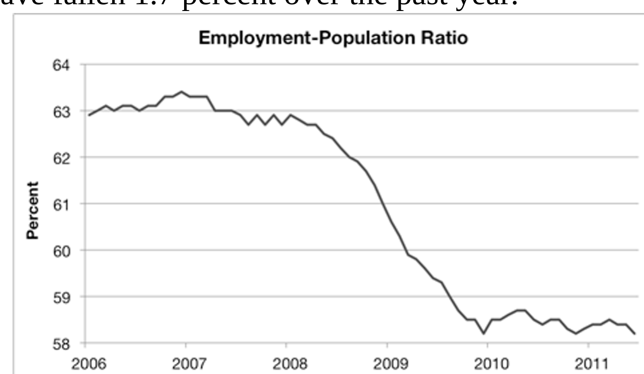
It is precisely the deficit reduction policies of the Obama administration that bear much of the blame for the renewed economic downturn. The bad performance of the private sector, which created only 57,000 jobs this month, was compounded by 39,000 job losses in the public sector. The largest portion of these losses came from education workers, with 13,200 laid off in June. A total of 18,000 people were laid off by local governments last month, 7,000 by state governments, and 14,000 by the federal government.

Stocks fell sharply at the start of trading Friday, but improved slightly throughout the day, no doubt propped up by Obama's assurances that he would not allow the second month of abysmal jobs figures to stop his plan to cut corporate taxes and regulations while slashing government spending.

The latest report further revised downward the payroll figures for April and May, by 15,000 and 29,000 respectively. This means that the number of jobs created in May, already disastrous at the initial estimate of 54,000, was actually 25,000.

Other indicators of the economic situation were equally bad. The average duration of unemployment rose for the second consecutive month to 39.9 weeks, up from 34.8 weeks a year ago. The average duration of unemployment is now more than double its level during the five years before the crisis, when the average unemployment spell was 18 weeks.

The average workweek fell 0.1 hour to 34.3 hours, a figure likely to indicate more layoffs in the future. Average hourly earnings fell by 0.1 percent, representing only the second fall in nominal wages since 2003. Average hourly earnings have grown 1.9 percent over the past year, compared with a 3.6 percent increase in consumer prices, meaning that real wages have fallen 1.7 percent over the past year.



The employment-population ratio, which shows the number of people employed as a portion of the total working age population, fell from 58.4 to 58.2 percent. This figure was over 63 percent in 2007, so it has plummeted five percentage points during the course of the downturn. The US needs to create between 100,000 and 200,000 jobs each month to keep up with population growth.

Every sector of the economy did poorly in June. Manufacturing created only 6,000 jobs, which were more than offset by construction, which lost 9,000 jobs.

Finance lost 15,000 jobs as banks cut back on the number of employees on their payrolls.

The U-6 unemployment rate, which counts both the unemployed and underemployed, rose to 16.2 percent, up from 15.8 percent in May. The teen unemployment rate likewise rose to 24.5 percent, up from 24.2 the month before.

The White House and both big business parties responded to the disastrous figures with calls for more austerity. Throughout the political establishment, the framework of discussion revolves around budget-cutting, which, in an economic contraction, translates into a policy of high unemployment.

The second downturn in the labor market is in large part the result of the austerity policies of the US public sector, which has laid off two thirds of a million people over the past year on the federal, local, and state levels. These job cuts have rippled throughout the economy, causing even more layoffs in the private sector.

This downturn takes place amid the European credit crisis, an economic contraction in whole swaths of Europe, and a slowdown in Asia. Figures released last month show manufacturing at a two-year low in China, at its lowest in 21 months in Britain, and at the lowest level in 18 months in Europe as a whole.

Amid all this, corporate profits are expected to be higher than ever in the second quarter of 2011. After hitting a new record in the first quarter of this year, profits are expected to be up 13.6 percent over the second quarter of last year, according to an analysis by Brown Brothers Harriman reported earlier this month in the *Wall Street Journal*.

These consistently rising corporate profits in the midst of a renewed economic downturn are not a fluke or aberration, but rather the direct result and goal of the policies collaboratively pursued by Obama and the Republicans. Every measure proposed by the White House has as its aim the direct enrichment of the ruling class through lower corporate taxes, falling wages, and the elimination of restrictions on corporate abuses.

The rising unemployment level is the outcome of a political attack upon the working class conducted by both parties. There will be no improvement in the labor market until workers launch an independent struggle against austerity and unemployment. This requires a break with the Democratic and Republican parties, and the building of the Socialist Equality Party as the representative of working people.