January employment report masks depth of US jobs crisis

Barry Grey
4 February 2012

President Barack Obama on Friday hailed the Labor Department's January employment report, calling it "good news." Speaking in Arlington, Virginia, he declared that the economy is "growing stronger" and "the recovery is speeding up."

This supposedly "good news" will be used to justify doing nothing to seriously address the jobs crisis and proceed after the November elections with the imposition of unprecedented austerity measures that will further shred social programs for working and poor people.

Obama's words will be cold comfort to the 12.8 million workers acknowledged by the government as being unemployed, including the 5.5 million out of work for more than six months and the 4 million who have been unemployed for over a year. Adding the 8.2 million people recorded last month as working part-time but wanting full-time employment, and the 2.8 million wanting work but having given up looking, the ranks of the "underemployed" remain at the depression level of 24 million.

Despite this social disaster, administration officials and the bulk of the media are presenting the January report as a major improvement in the jobs situation. The report showed a modest growth in non-farm payrolls of 243,000 jobs, with an upward revision of previous estimates for 2011 of 180,000. The official unemployment rate was reduced from 8.5 percent in December to 8.3 percent, the lowest level since February 2009.

The headline payroll and unemployment rate figures, however, obscure data reflecting the growth of entrenched joblessness and, along with it, poverty and social desperation. The broader official measure of unemployment, which counts involuntary part-time and "marginally attached" workers, was 15.1 percent. This is 6.3 percentage points higher than at the start of the recession in December 2007. (The government claims that the recession ended in June, 2009).

The US labor market began 2012 with fewer jobs than it had 11 years ago in January 2001. There are 5.6 million fewer jobs today than there were at the start of the recession. Adding the more than 5 million jobs needed to account for the normal growth in the working-age population, the jobs deficit comes to 11 million. According to the Washington-based Economic Policy Institute (EPI), at January's job growth rate it would take until 2019 to return to full employment.

The share of jobless workers who have been unemployed for more than six months actually *increased* in January over the previous month, from 42.5 percent to 42.9 percent. This compares to an average figure of 17.5 percent in 2007. There are still four unemployed workers for every job opening, and long-term unemployment remains at an historic high level.

A more accurate measure of unemployment than the government's official figure is the rate of labor force participation—the percentage of people 16 and over working or actively looking for work. In January, this figure fell to 63.7 percent, its lowest point since the current slump began and its low-point since 1983.

The proportion of the population with a job was 58.5 percent in January, down from 62.7 percent in December 2007.

The EPI points out that if the 2.8 million "marginally attached" workers—those wanting a job but discouraged from actively looking for one—were counted by the government as part of the labor force, January's unemployment rate would be 9.9 percent instead of 8.3 percent.

Moreover, the official figures must be taken with a grain of salt. As the *New York Times*' economics writer Floyd Norris pointed out Friday, the Labor Department actually estimated that the economy lost 2,689,000 jobs in January. It arrived at the "seasonally adjusted" estimate of a net payroll gain of 243,000 by factoring in the normal loss of temporary holiday season jobs.

The January jobs report also comes in the midst of devastating layoff announcements. This week, American Airlines submitted a cost-cutting plan to the bankruptcy court calling for the elimination of 13,000 jobs, or 16 percent of its work force, together with the termination of its pension plans and cuts in health benefits for both current and retired workers. Proctor & Gamble announced 1,600 job cuts.

The outplacement company Challenger, Gray & Christmas report Thursday that planned corporate job cuts climbed 28 percent in January to reach more than 53,000.

Then there is the issue of the quality of the new jobs being created. The Labor Department reported that average hourly earnings for private-sector employees rose in January by 4 cents, or 0.2 percent, and increased over the past 12 months by 1.9 percent. The latter figure is well below the 3.0 percent rise in the consumer price index, resulting in a further lowering of workers' real wages.

The so-called "recovery" in job-creation is directly linked to a ferocious government-backed assault on workers' wages and benefits. In last week's State of the Union Address, Obama touted the revival of US auto industry profits and a modest growth of jobs as a model for the entire economy. With characteristic cynicism, he failed to mention that this rebound is due to the 50 percent cut in wages for all newly hired workers imposed on General Motors and Chrysler in 2009 by his Auto Task Force.

In an article Friday, the *New York Times* pointed to the link between protracted mass unemployment and the decline in the wages and social position of workers, on the one hand, and the surge in corporate profits, on the other. It noted that the latest available data, for the third quarter of 2011, shows workers receiving just 44 cents in wages of every dollar of income earned in the US. This is the smallest share since the government began keeping these figures in 1947.

Corporations, in contrast, received more than 10 cents, up from 7.3 cents per dollar of income five years ago when the recession officially began—an increase of 37 percent.