Tepid employment report masks depth of US jobs crisis

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The US Labor Department's employment report for May, released Friday, was generally hailed as proof of ongoing and "solid" improvement in the labor market and continuing economic recovery.

The department's Bureau of Labor Statistics reported that the US economy added a net 217,000 non-farm payroll jobs in May and the unemployment rate remained at 6.3 percent. Emphasis was placed on the fact that the total number of payroll jobs in the US finally topped the previous high point in January 2008, one month after the official beginning of the recession.

The White House Council of Economic Advisers issued a statement boasting, "This month's report continued the trend of steady job growth."

Labor Secretary Thomas E. Perez said, "The economy in May continued its steady recovery from the Great Recession… We continue to move in the right direction with steady job growth, but we must take steps to help those individuals who are still feeling the lasting effects of the recession." Perez went on to tout the token "investments in infrastructure" being proposed by President Barack Obama as evidence of a commitment to help the remaining unemployed and speed up the "recovery."

Such complacent and cynical statements are to be expected from an administration that is presiding over the deepest jobs crisis since the Great Depression. The fact that it has taken six-and-a half years to replace the millions of jobs lost in the recession is, in reality, a measure of the depth of a crisis that continues to undermine the wages and living standards of tens of millions of Americans.

From December 2007 to the present, including five years of a so-called "recovery" that officially began in June 2009, there has been virtually no net gain in the total number of payroll jobs in the United States. Over that period, the number of working-age Americans has increased by some 15 million.

The Economic Policy Institute (EPI), a Washington think tank, estimates that the number of "missing workers," i.e., people who would either be working or looking for work if the job market was stronger, was 5,950,000 in May, and that the official unemployment rate would be 9.7 percent if these people had been looking for work.

A more accurate measure of the employment situation than either raw payroll figures or the official jobless rate is the labor force participation rate (the share of the population aged 16 and older either employed or actively looking for work). That figure remained at 62.8 percent in May, its lowest level in 36 years.

The share of the population with a job in May was 58.9 percent, far below the 62.7 percent level of six-and-a-half years ago and stuck at levels last seen, briefly, in the mid-1980s. According to the EPI, the US economy is still 7.1 million jobs shy of the number it would need for the employment-to-population ratio to reach its pre-recession level.

Moreover, the payroll figures and official jobless rate mask the rising proportion of part-time, temporary and low-wage jobs in the overall labor market. According to the Labor Department, 9.8 million people were unemployed in May. This compares to 7.6 million unemployed in January 2008, when the jobless rate was a far lower 4.9 percent.

But the Labor Department's more comprehensive calculation, which includes people who want to work but have stopped looking, and people working part-time because they cannot find full-time employment, rises to 12.2 percent for May—about 19 million people. That figure is 3.4 percentage points higher than at the start of the recession.

There were 7.29 million people working part-time in May because they could not find a full-time job. A large number of the new jobs that replaced those wiped out in the depths of the recession are part-time or temporary.

There are still 2.9 million fewer people working in full-time jobs than when the recession began, and nearly 2.5 million more are working part-time. Employment in temporary jobs has grown by 45 percent in the so-called recovery and accounted for 10 percent of overall employment gains.

And a large majority of the newly created jobs have been in the lowest-paying sectors of the economy. Employment in accommodation and food services, many of whose workers receive the minimum wage, grew 13 percent and accounted for 17 percent of total new employment.

That trend continued in May. The biggest job gains were in low-paying service industries. Hotels, restaurants and entertainment firms added 39,000 jobs. Retailers added 12,500 and temporary services increase their payrolls by 14,300.

By contrast, construction firms added just 6,000 jobs and manufacturers only 10,000. Manufacturing wages, traditionally among the highest in the US, have fallen below the national average, due to the spread of two-tier wage systems and outright wage-cutting, both of which were spearheaded by the Obama administration's 2009 forced bankruptcy of General Motors and Chrysler. The White House's Auto Task Force imposed as a condition for bailout loans to the auto companies an across-the-board 50 percent cut in the wages of newly hired auto workers.

The downward pressure on wages continued in May, with average hourly earnings rising a mere 5 cents (0.2 percent) from April, resulting in an increase of 2.1 percent over the previous year, barely keeping pace with the official inflation rate of 2.0 percent and well below the actual increase in the cost of living for workers. According to the *Financial Times*, wage growth of 3-4 percent is consistent with a healthy labor market.

Unemployment among African Americans and Latinos remained disastrously high (11.5 percent and 7.7 percent respectively), the rate actually rising 0.4 percentage points for Latinos. The rate for younger workers also went up, increasing by 0.5 percentage points to 11.1 percent.

Another stark measure of the depth of the job crisis and resulting social crisis is long-term unemployment. More than a third (34.6 percent) of the 9.8 million people officially counted as unemployed—3.4 million people—have been looking for a job for 27 weeks or longer. Prior to the recession, the previous high over the past six decades for the share of long-term unemployed compared to the total was 26 percent.

The median duration of unemployment was 14.6 weeks, more than double the pre-recession average of 7.1 weeks.

In his response to the jobs report, Labor Secretary Perez hypocritically pointed to the 3.4 million long-term unemployed, noted that federal benefits for the long-term jobless were allowed to lapse five months ago, and criticized Congress for failing to renew them. He neglected to mention that the Obama White House and congressional Democrats doomed the emergency benefits program to extinction when they refused to make its extension a condition for passing a bipartisan budget deal at the end of 2013.