US unemployment rate rises despite rebound in new jobs

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The US Department of Labor released its monthly jobs report on Friday, showing that the American economy added 287,000 jobs in June. This was a marked increase from May's figure of 38,000, the lowest in five years, and significantly higher than the 175,000 predicted by analysts. (The May jobs figure was downwardly revised to 11,000 in Friday's report.)

Wall Street reacted strongly, with the Dow Jones Industrial Average rising 1.4 percent (250 points) to close well above 18,000. The enthusiastic response on Wall Street was likely due, at least in part, to the fact that alongside the higher-than-expected payroll number, which would seem to diminish the likelihood of a recession, the Labor Department reported a rise in the official jobless rate to 4.9 percent from May's level of 4.7 percent. The rise in the jobless rate, reflecting underlying stagnation in the real economy, points to increased confidence in the financial markets that the Federal Reserve would not raise interest rates for many months to come.

The number of people counted as unemployed actually increased by 347,000, a higher figure than the number of jobs added, for an overall total of 7.8 million. The figure for people who lost jobs or completed temporary jobs also rose, increasing by 203,000 to reach 3.8 million.

The level of long-term unemployment, defined as lasting 27 weeks or more, was little changed from previous reports, remaining at more than 25 percent of total unemployment, an extraordinarily high figure for a period of nominal economic recovery.

A major feature of the American jobs market in the aftermath of the 2008 crisis has been a sharp fall in the labor force participation rate, which includes those working or actively looking for work, as millions discouraged by poor job prospects have stopped looking for work and fallen out of the labor force. At 62.7 percent for June, the labor force participation rate remained mired at near-record lows.

The percentage of the working-age population currently employed was 59.6 percent. While this figure has increased somewhat since the official end of the recession in 2009, it is still at the lowest levels since the mid-1980s.

The Economic Policy Institute (EPI) provides a monthly tally of "missing workers"—those who, "because of weak job opportunities, are neither employed nor actively seeking a job" and are not counted in the official unemployment rate. For June, the EPI reported 2.63 million such workers. If these workers were counted as part of the labor force, the official unemployment rate would rise from 4.9 percent to 6.4 percent.

An alternate statistic compiled by the government, commonly referred to as the "real unemployment rate," which also counts those "marginally attached" to the labor force and those working part-time because they are unable to obtain full-time work, puts the unemployment rate at 9.6 percent.

Almost 90 percent of the jobs created in June were in the low-paying service sector. Average weekly earnings in the service sector in June were $842.82, compared to $1,084.07 in the mining, construction, logging and manufacturing sectors.

The leisure and hospitality and retail industries together accounted for roughly 89,000 new jobs, almost a third of the total. Average hourly earnings in these industries were $14.84 and $17.82, respectively. The mining industry lost approximately 6,400 jobs last month, including 2,200 in the oil and gas industries, which have been hit particularly hard by the collapse in global fuel prices.

Manufacturing showed a modest rise of 14,000, with only 3,000 new jobs in the higher-paying durable goods sector. The telecommunications industry “added” 28,100 jobs in June, due almost entirely to the return to work of tens of thousands of Verizon workers after their month-long strike was wound up and betrayed by the Communications Workers of America and the International Brotherhood of Electrical Workers unions.

These figures are in keeping with long-term trends in the aftermath of the recession. A study published earlier in the year by Princeton University and the RAND Corporation found that all job growth over the past 10 years was accounted for by “alternative work arrangements,” a category that includes temps, independent contractors and on-call workers. A 2014 report by the National Employment Law Project found that a majority of the jobs created after the recession paid low wages.

Predictably, the Obama administration responded to the report with a complacent and self-congratulatory statement touting the supposed success of its economic policies. Secretary of Labor Thomas Perez said, “The US economy demonstrated its resilience once again.”