Stronger than expected US jobs report increases pressure for further interest rate hikes

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Official US employment numbers released Friday showed stronger than expected job growth in April and a further drop in the unemployment rate, despite a rise in layoff announcements in recent months. The US Bureau of Labor Statistics (BLS) employment report showed 253,000 jobs created in April, while the unemployment rate fell slightly from 3.5 percent to 3.4 percent.

Wage growth in April also increased slightly to 4.4 percent, up from 4.3 percent the previous month. Economists had expected wage growth of 4.2 percent. While these numbers are well below the official inflation rate, which fell to 5 percent in March, meaning a continuing decline in real wages, they are still considered intolerably high from the standpoint of Wall Street.

The jobs report is not welcome news for the Biden administration, which has relentlessly pursued economic policies aimed at driving up unemployment in order to suppress the growing movement of the working class in the face of soaring inflation. Since Biden took office, the US Federal Reserve has driven up its key interest rate from near-zero to 5 percent, the sharpest rate rise in 40 years.

This takes place amid a continuing upsurge of workers' struggles, including the strikes by 11,000 screenwriters on both coasts and 3,000 teachers in Oakland, California. Key sections of workers, including at United Parcel Service and in auto, face contract expirations later this year.

The April numbers will put increased pressure on the Fed to continue its program of interest rate rises when it meets again in June. In the meantime, economic policymakers face a deepening financial crisis following the failure in recent weeks of major US banks. An additional element of volatility is uncertainty over the raising of the debt ceiling and the specter of a US default.

The jobs report comes under conditions where signs of recession are mounting. US GDP in the first quarter of 2023 slowed to 1.1 percent, and manufacturing output and retail sales have fallen. As the US banking crisis continues to spread despite federal intervention, bank lending is tightening.

In recent weeks, US corporations have announced tens of thousands of job cuts. Major employers announcing cuts include Amazon, Facebook parent Meta, Disney, rideshare company Lyft and Walmart. Automaker Stellantis has laid off hundreds of production workers in the US this year, including the shuttering of its facility in Belvidere, Illinois, and it has announced plans to cut 3,500 hourly jobs via buyouts and early retirement incentives.

While the job rise in April was larger than expected, the BLS revised downward its new job totals for the previous two months. The change in total nonfarm payroll employment for February was lowered to 248,000, down from 326,000, and March numbers were lowered to 165,000, down from 236,000. That lowered the three-month average to 222,000 jobs created, far below the 400,000 monthly average in 2022.

The number of persons not in the labor force who currently want a job increased by 346,000 over the month to 5.3 million. These are workers who, for whatever reason, are not actively seeking work and therefore are not counted as unemployed. Overall job openings fell to 9.6 million in March, the lowest number in nearly two years.

The *Washington Post* cited Guy Berger, principal economist at LinkedIn, who said, “If you’re in a situation where you’ve lost your job and you’re in an industry that’s undergoing a lot of layoffs, you might be starting to get concerned about your ability to find a job again.”

Nonetheless, a financial expert quoted by the *New York Times*, Kathy Bostjancic, chief economist at Nationwide, called the job numbers “jarring” under conditions where a significant slowdown in job growth had been expected.

In a statement earlier this week, US Federal Reserve Chairman Jerome Powell cited an “extraordinarily tight” job market in justifying the central bank’s decision to raise interest rates by an additional 0.25 percent. He said wage growth was still 2 percent higher than what it should be to meet Fed targets.

A breakdown of the jobs numbers shows that the most jobs, 77,000, were added in the education and health sectors. There was an employment rise of 31,000 in leisure and hospitality, including bars and restaurants, typically lower paid positions. Social assistance employment rose 25,000, and financial sector employment was up 23,000. Government employment also rose 23,000.

Other sectors, including retail as well as construction, mining and manufacturing, recorded relatively smaller increases.

The “historic” low levels of unemployment conceal the reality of growing social distress. The low official unemployment rate reflects not so much the superabundance of jobs as the shrinking of the labor force, largely due to the devastating impact of COVID-19. This is indicated by the historically low labor force participation rate of 62.6 percent, well below the pre-pandemic level of 63.3 percent. The labor force participation rate is the total number of those employed or actively seeking work divided by the total population age 16 and up.

The ending of the COVID-19 emergency by the Biden administration means that millions are losing their health care coverage, and there will be no government coverage for COVID-19 vaccines or treatment.

Earlier this year, the Biden administration agreed to the slashing of food assistance for millions of lower income families through the Supplemental Nutrition Assistance Program (SNAP), under conditions of double-digit price increases for many basic grocery items. Those impacted include many low-wage workers. Already, food banks and other private social assistance programs are under great strain.

Food banks across the country are reporting a surge in demand. The Food Bank of Central and Eastern North Carolina said it has seen a 24 percent increase in the number of people being served at its partnering agencies from January to March. A food bank in Iowa City, Iowa, this week reported that need was outstripping food bank resources in the eastern part of the state, amid a surge in demand. A recent report from southern Wisconsin described food pantries being “overwhelmed” after the recent cuts to SNAP benefits.

In the midst of this social disaster, the Biden administration has called for talks with congressional Republicans over huge cuts in federal spending, targeting social programs on which millions depend.