US payrolls shrank by 20,000 jobs in April

Net job loss in 2008 at 260,000

By Barry Grey
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The Labor Department reported Friday that the US economy lost a net total of 20,000 jobs in April, marking the fourth consecutive month of overall job losses. The employment report, combined with other data on economic growth, retail sales, consumer spending and wages, provides a picture of an economy sinking deeper into recession and a population in increasingly desperate financial straits.

While the net job loss reported by the Labor Department was lower than most economists' predictions, it nevertheless confirms that the crisis ignited by the collapse in the housing and credit markets is dramatically impacting production, sales and consumption, and driving down working class living standards.

April's job losses followed upwardly revised losses of 81,000 in March and 83,000 in February. Payrolls also fell by 76,000 jobs in January.

The payroll decline would have been far worse except for a spurt of new jobs in the generally low-paying service sector. Service industries added 90,000 jobs, the most since last December. Most of them came in the health care and professional technical services sectors.

Massive job losses continued in construction and manufacturing. A net total of 61,000 construction jobs were lost in April, the largest number for that sector since 103,000 were cut in February 2007. Since peaking in September 2006, some 457,000 construction jobs have been lost.

Goods-producing businesses cut 110,000 jobs, the largest number of job reductions since January 2002. This followed a loss of 88,000 jobs in this sector in March.

Factory payrolls slumped by 46,000 workers. Retail payrolls declined by 26,000, after falling 19,300 a month earlier.

The report confirmed that wage growth has slowed dramatically and is trailing behind inflation. Workers' average hourly earnings rose in April by 1 cent, or 0.1 percent, the least since October. In a separate report issued on Wednesday, the Labor Department revealed that wages and benefits, adjusted for inflation, were down 0.6 percent in the first three months quarter of 2008 compared with a year earlier.

Employers are reducing work hours and overtime, further slashing take-home pay. The average work week declined to 33.7 hours from 33.8 hours. Average weekly hours worked by factory workers deceased to 40.9 from 41.2, while overtime fell to 3.9 hours from 4.0 hours. That brought average weekly earnings down by $1.45 to $602.56 last month.

The official unemployment rate for April declined marginally to 5 percent from 5.1 percent in March. However, this reduction was the result of an increase in part-time jobs. The number of workers with full-time jobs actually declined.

An alternative Labor Department measure of the unemployment rate, which includes people who have stopped looking for work and those working part-time because they can't find full-time work, rose a tenth of a percentage point to 9.2 percent. Moreover, the number of people remaining on jobless rolls—called continuing claims—rose 74,000 to 3.02 million, the first time in four years the number has exceeded three million.

Since midweek, a number of major companies have announced plans for layoffs.

* General Motors on Wednesday said it was slashing production of full-sized trucks and SUVs, eliminating 3,550 jobs.

* Home Depot announced a major retrenchment on Thursday, saying it was halting plans to open about 50 new US stores and closing 15 existing stores over the next seven weeks. As many as 1,300 employees could lose their jobs.

* Sun Microsystems posted a net loss of $34 million for its third quarter and announced plans to cut up to 2,500 jobs.

* Health care giant Johnson & Johnson announced Wednesday it was eliminating 400 sales jobs in the US by the year's end.

These job cuts are in addition to ongoing layoffs in the financial sector. Wall Street banks and securities firms have slashed 48,000 jobs in the past ten months.

A raft of other data released over the past several days indicates that the economic slowdown is accelerating and points to even bigger job losses in the coming weeks.

The Commerce Department reported on Wednesday that the US economy had grown by an anemic 0.6 percent in the first quarter of 2008. But even this marginal growth was due entirely to a rise in exports, resulting from the sharp decline in the value of the dollar, and a buildup of inventories.

Excluding inventories, US gross domestic product shrank at a 0.2 percent pace, the first contraction in more than 16 years. Excluding both inventories and exports, the economy contracted at a 0.4 percent rate, the first such decline since the end of 1991.

The underlying data on consumer spending, business investment and construction all showed a sharp contraction. "You're seeing a sharp slowdown in domestic demand," Michael T. Darda, chief economist at MKM Partners, told the *Wall Street Journal*.

The buildup of inventories portends a major pullback in the coming months. As the *New York Times* noted on May 1, "If business does not swiftly improve, allowing factories to sell the products they have piled up, firms are likely to lay off workers at a more aggressive clip.

"Even if business picks up and orders materialize, averting broader layoffs, factories will probably not need to produce as many new things in coming months, prompting some to trim working hours and purchases of materials."

The Institute for Supply Management (ISM) issued a report this week showing a continuing slowdown in manufacturing. Its index of factory activity for April was 48.6, the same as the month before. A number below 50 indicates contraction. The index, based on a survey of purchasing managers, showed a retrenchment in new orders and production, as well as a rise in prices paid to suppliers.

The impact of soaring food and gasoline prices on consumer demand has hit the auto industry particularly hard. Industry figures released Thursday showed that autos sold at a lower-than-forecast rate of 14.4 million units per year in April, the slowest since 1998. GM officials estimated that the industry's seasonally adjusted annual selling rate in April was at its lowest since 1992.

A Commerce Department report released Thursday showed an accelerating decline in consumer spending, which accounts for more than two-thirds of GDP in the US. Consumer spending grew by only 0.1 percent in March, when adjusted for inflation, after remaining flat in February.

Sales of big-ticket items declined in March. In the first quarter, sales of those goods plummeted 6.1 percent.

"What you've got here is a very dramatic consumer slowdown," said Ian Shepherdson, chief United States economist at High Frequency Economics. "It's much more severe than anything we saw in 2001," he added, referring to the last recession.

Slumping consumer spending is wreaking havoc among major retail firms, sparking a wave of bankruptcy filings, store closings and the cancellation of expansion plans. Besides Home Depot's announcement of store closings and layoffs, homes goods retailer Linens 'n Things on Friday said it had filed for Chapter 11 bankruptcy protection and disclosed plans to close 120 stores. The company employs 17,500 people.

This followed bankruptcy filing announcements by Sharper Image and Lillian Vernon in February.

Foot Locker plans to close 140 stores over the next year, Ann Taylor will close 117, and the jeweler Zales will close 100. Women's clothing retailer Charming Shoppes, which owns Lane Bryant and Fashion Bug, is closing at least 150 stores. Wilsons the Leather Experts will close 158. Pacific Sunwear is shutting a 153-store chain called Demo. Starbucks will close 100 stores.

JC Penney recently announced it will open 36 stores this year, down from the 50 initially planned. Lowe's said it was delaying the opening of 20 stores this year, mostly in California and Florida.

The International Council of Shopping Centers predicts 5,770 store closings in 2008, up 25 percent from 2007.

The store closings and delayed openings will have a ripple effect throughout the economy, depressing sales tax revenues and eliminating work for commercial construction firms.

While the deepening slump is having a devastating impact on working class families, Wall Street is celebrating a major stock market rally. The Dow Jones Industrial Average closed Friday at 13,058, its high point for the year.

The stock market is up almost 11 percent in the last few weeks, and high-yield, low-grade junk bonds are once again soaring, along with bank stocks and credit derivatives. As the *New York Times* put it on Friday, "Main Street may be struggling, but Wall Street is on a bit of a roll."

"There has been a huge change of sentiment in all of the markets," said William Knapp, investment strategist for MainStay Investments, a division of New York Life. "A lot of the fear has been gone."

It is no mystery what has caused this remarkable shift in market sentiment. It began with the Federal Reserve's rescue of Bear Stearns in March and its decision to directly lend money to the big Wall Street investment banks.

This was a signal that the US government would marshal all of its resources to prevent a collapse of a major Wall Street financial house and rescue the financial elite from the consequences of its own reckless pursuit of super-high investment returns by means of vastly inflated home values and the creation of a huge credit bubble.

The reverse side of this coin is a deepening assault on the jobs, wages and living standards of working people, in order to place the full burden of the financial crisis on their backs.

While hundreds of billions of dollars have been made available to Wall Street firms—indeed, only minutes before the jobs figures were published on Friday, the Fed said it would increase its auctions of cash to banks and expand the collateral it takes on from bond dealers—virtually nothing has been done either by the Bush administration or the Democratic Congress to provide relief to families facing the loss of their homes, crushing debts and soaring food and gasoline prices.

It is estimated that 10 million American home owners are "under water"—meaning they owe more on their mortgage loans than their homes are worth on the market. Foreclosure filings are soaring, having risen in the first quarter of this year more than 112 percent over the same period in 2007.

But the Bush administration's housing relief program, FHA Secure, has so far aided only about 2,000 homeowners who were clearly behind in repaying their loans. The administration insists that only "deserving" home owners should be helped—a standard that clearly does not apply to bank CEOs, who have appropriated hundreds of millions in compensation while running their companies into the ground.

The Democrats, for their part, are promoting a bill that would help a mere fraction of distressed home owners refinance their mortgages, while providing no relief for the hundreds of thousands who have already lost their homes. To qualify, home owners would have to prove their ability to repay new, federally insured loans.

Democrats promoting the bill, such as Massachusetts Congressman Barney Frank, say it could help up to 1.5 million home owners. (In fact, they know the bill will not be enacted due to opposition from the Bush administration and Republican legislators).

But there were already 1.2 million loans in foreclosure as of January, and one analyst at Credit Suisse projects that falling home prices, tighter lending standards and job cuts could lead to an additional 2.8 million foreclosures in 2008 and 2009.